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CORPORATE SOCIAL RESPONSIBILITY DEVELOPMENT TRENDS IN INTERNATIONAL ENTREPRENEURSHIP

Grygoriy Shamborovskyi, Ivan Franko National University of Lviv, Ukraine**Tatyana Razumovskay, Tula branch of the RANEP, Russia****Olga Prykhodko, Oles Honchar Dnipro National University, Ukraine****Olga Getmanets, Kharkiv National University of Internal Affairs, Ukraine****Natalia Nakonechna, KROK University, Ukraine**

ABSTRACT

The article deals with the analysis of the practice of using and spreading social responsibility in international entrepreneurship from different countries of the world. The significance of the Global Corporate Social Responsibility Measurement Index is analyzed. The case of analysis of expediency of spreading the practice of corporate social responsibility in the international corporate business and international entrepreneurship are determined.

Corporate Social Responsibility is important for the development of the world insurance sector, because the theory of insurance is based on the theory of probability, riskology, methodology of formation of reserves. The social function of insurance, together with the formation of corporate social responsibility at the level of each insurance company, creates a powerful tool for stakeholder interaction in the interest of the whole society. The study showed that CSR have a significant impact on the financial performance of major international banks.

Keywords: International Entrepreneurship, Corporate Social Responsibility, Corporate Collaboration, Global Indices, Ratings.

INTRODUCTION

The economic science proved, and practice confirms that the social responsibility of the business organizations has the same importance for the provision of the sustainable development as the economic infrastructure, political stability or implementation of the innovation development projects. You need not to prove the statement that the organization is not just economic integrity. The modern organization is an organic part of a complex, interconnected and interdependent body of institutions. The latter have a significant impact on the organization, acting as consumers, suppliers, authorities, intermediaries, arbitrators, etc. (Baden, 2016) Economic, social, environmental, and political interests, motives and aspirations are intertwined in this difficult network of relationships.

LITERATURE REVIEW

Scientific thought has formed a strong theoretical and methodological basis for understanding and further study of CSR. Aras & Crowther (2009); Bowen, (1953); Hinson & Ndhlovu (2011); Makedon et. al. (2019); Meehan et al. (2006); Murray et al. (2010); Sachs & Ruehle (2009); Drobyazko et al. (2019); Drobyazko et al. (2019); believes that the source of social trend is a new social economy that has the following characteristics: intensive use of distributed networks to maintain and manage relationships that aids broadband, mobile and other communications; the blurred boundaries between production and consumption; emphasis on collaboration and repeated interactions, care and support rather than one-off use; the strong role of values and missions.

METHODOLOGY

Methodological approaches to assessing the effectiveness of social responsibility in international entrepreneurship can remove the contradictions in the field of determining the nature of this type of activity. In the methodological sense, the CSR of an entrepreneurial structure refers to social responsibility from the following positions:

1. Business development, diligent payment of taxes, compliance with legislation, and timely payment of wages to employees;
2. Entrepreneurial social policy, responsibility of owners in relation to the collective of employees;
3. the obligation to produce only high-quality, harmless goods, to provide truthful information about them, not to overestimate the price of goods;
4. The obligation of entrepreneurs at the request of state administrations to provide “charitable contributions” in exchange for the right to quietly conduct legitimate business activities in a certain territory of the country;
5. The formation of relations with partners on the principles of good faith compliance with agreements, professional principles of activity, responsibility, etc.
6. Conservation of the environment, economical consumption and restoration of used resources, harmonization with nature, and the like.

Summarizing the positive value of CSR, Guiso et. al. (2004) notes: *“First, due to established justice, socially responsible activities appear to be a means of reduction of staff turnover. In the second place, by meeting the needs of client lawyers, CSR is likely to increase the level of client satisfaction. Finally, the activities with CSR provides visible signals, based on which the stakeholders derive various positive characteristics of firms, so creating the possibility to improve the general reputation of the firm”*.

FINDINGS AND DISCUSSIONS

Today, according to the results of numerous studies in the US and the EU, it is proved that charity companies have a list of economic benefits, namely: increase in sales and market share, strengthening of the brand position, improvement of the image and increase of the influence, more wide opportunities for motivation, attraction and rewarding specialists, attraction of investments, reduction in production costs (Brik et al. (2011); Crane & Matten (2007); Galbreath (2010)) identified seven steps to turn CR into social benefits for the enterprise (Table 1).

Step	Essence
Identification of springs that can cause changes	How a combination of high pressure from impact groups and changes in the environment can affect a company
Filling them with content	How to evaluate the aforementioned springs (factors) for business strategies and how to improve these strategies
Definition of rationality conditions	How to build conditions for rationality for improved strategies, taking into account organizational structure, business purpose and other organizational issues
Commitment to certain action	Determine how improved strategies relate to management structure, leadership style, and enterprise values
Integration and search for resources	How to integrate the various aspects of social responsibility and operational requirements that follow from the previous steps. Identification of the necessary resources
Engagement of impact groups	How to engage impact groups to identify and implement improved strategies
Measurement and reporting	How to evaluate and report on issues identified in the previous steps, how to evaluate the progress made in the implementation of identified strategies

These steps are the result of generalization of diverse experience of social responsibility. Most often they disclose information about CSR in the sphere of labour relations, ecology, business profile and their products, but less about anti-corruption issues and dialogues with shareholders of companies. Unfortunately, there are no insurance companies among the leaders (Carroll, 2015). CSR is important for the development of insurance. On the one hand, the theory of insurance is based on the theory of probability, riskology, methodology of formation of reserves, on the other hand - it is not always possible to compensate for the losses caused by monetary compensation (Claydon, 2011). Especially when it comes to the damage to human life and health. Therefore, the urgency of the formation of insurance culture practices and ethical relations between the parties increases. It is important for managers of insurance companies to introduce the social component of all business management processes. Another area of insurance, which contains a quite significant social component, is microinsurance (Figure 1).

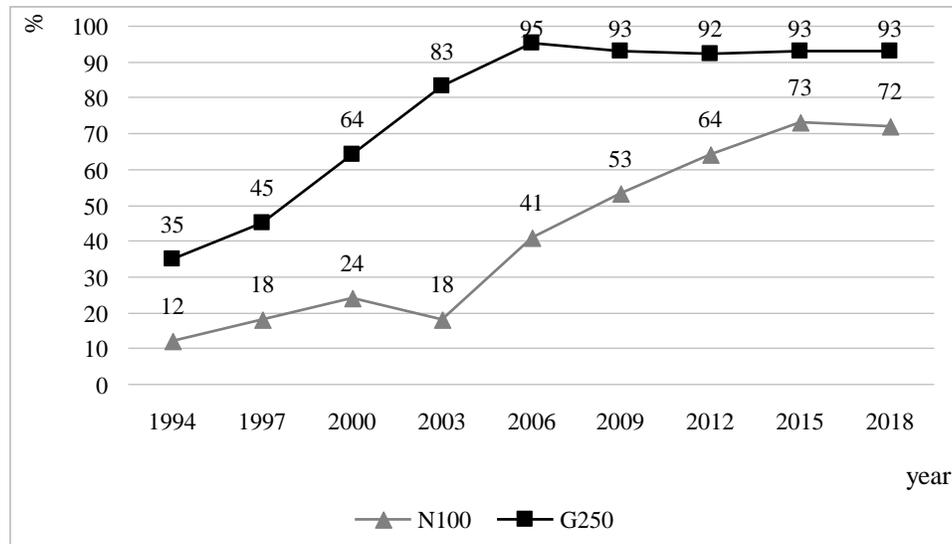


FIGURE 1
INCREASE IN GLOBAL CSR REPORTING SINCE 1994 (THE GLOBAL REPORTING INITIATIVE (GRI))

The social function of insurance, together with the formation of corporate social responsibility at the level of each insurance company, creates a powerful tool for stakeholder interaction in the interest of the whole society. Particularly noteworthy is the dynamics in the KPMG report Corporate Responsibility Study for 2018, which analyzed 4,900 companies from 49 countries (The Global Reporting Initiative (GRI). The report has a rating of N100 and a rating of G250. N100 belongs to a total sample of 4,900 companies that include the top 100 revenue companies in each of the 49 countries surveyed in this report. This N100 statistic is a large-scale analysis of CSR reports in mid-sized and large companies around the world. The G250 refers to the 250 largest companies in the world by revenue based on the Fortune 500 rating in 2016 (Nalband & Kelabi, 2014). Major global companies are typically leaders in CSR reporting, and their behaviour often predicts trends that subsequently spread more widely.

Since 2015, the level of base reporting of N100 companies has increased by 2 percentage points: from 73 to 75 percent. The G250 reporting rate has been stable at 90-95% in the last four surveys (Figure 1).

In 2015, a significant increase was observed in some countries, such as Mexico (+32 percentage points), New Zealand (+17 percentage points) and Taiwan (+11 percentage points), where new regulations increase reporting level (The Global Reporting Initiative (GRI).

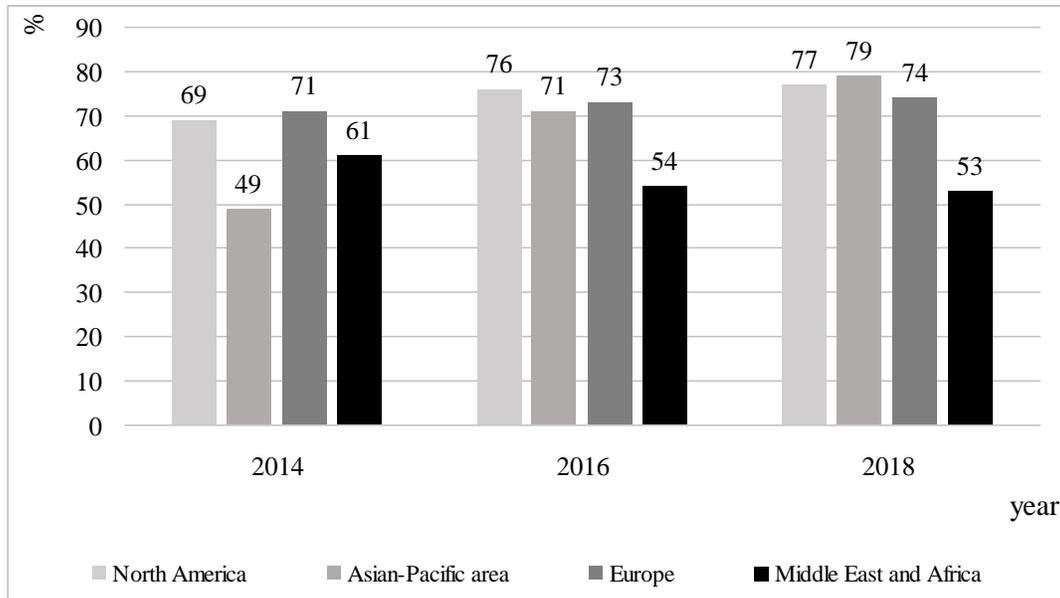


FIGURE 2
THE PERCENTAGE OF REPORTING ON CSR BY REGIONS (UNITED NATIONS GLOBAL COMPACT PARTICIPANTS)

Reporting on CSR in Latin America is increasing, and reporting level in Eastern Europe is still lower than that one in the countries of North and South America, which has increased by 6 percentage points over the past two years. As a result, it has outpaced the Asia Pacific region to become a leading reporting region on a global scale. This increase occurred mainly in Mexico, where the level of reporting increased from 58 percent in 2015 to 90 percent in 2018, which was driven by a change in regulation. This was complemented by a 5-percentage point increase in Colombia and the United States, as well as due high rates in Brazil. The reporting statistics indicators in the Asia-Pacific region stabilized between 2014 and 2016 due to a surge of 8 percentage points (Metelenko et. al., 2019; Wood, 2010). The Asia-Pacific region has the highest CSR countries in the world, such as Japan, India, Malaysia and Taiwan (Figure 2).

There is a mixed picture in Europe, the Middle East and Africa. The main trend in Europe is growth (by 3 percentage points), but the difference between Western and Eastern Europe that was observed in 2016 remains. The reporting speed in Eastern Europe remains relatively low at the level of 65 percent, despite a 4-percentage point increase since 2015 (United Nations Global Compact Participants). Eastern European countries may close the gap compared to the rest of the regions, but they are doing this slowly. The impact of the European Directive on non-financial reporting is not yet felt. In the Middle East and Africa, there is a slight decrease of 1 percentage point, where reporting levels are traditionally low. Low reporting rates in Angola, Oman and Israel offset high rates in South Africa and Nigeria.

Traditionally, Walt Disney, BMW, Volkswagen, Toyota, Sony, Colgate, Lego, Apple, JP Morgan Chase, ExxonMobil, General Electric, and Samsung Electronics are among the most famous and respected corporations in the world through their effective corporate social responsibility. In addition to the obvious positive moral component, adhering to the CSR principles brings financial profit to the above companies (Masoud, 2017), since reputation management itself is a complete component of managing an international corporation (Table 2).

Table 2						
DYNAMICS OF KEY FINANCIAL INDICATORS OF THE LARGEST COMPANIES, BILLION USD US DOLLARS						
Place	Company	Country	Sales	Income	Assets	Market
						Value
1	ICBC China	China	151.4	42	3473.2	229.8
2	Construction Bank	China	134.2	35	3016.9	200.5
3	Berkshire	United States	222.9	24.1	620.9	409.9
4	JPMorgan	United States	102.5	24.2	2513	306.6
	Chase					
5	Wells Fargo	United States	97.6	21.9	1943.4	274.4
6	Agricultural	China	115.7	27.8	2816	149.2
	Bank of China					
7	Bank of America	United States	92.2	16.6	2196.8	231.9
8	Bank of China	China	113.1	24.9	2611.5	141.3
9	Apple	United States	217.5	45.2	331.1	752
10	Toyota Motor	Japan	249.9	17.1	412.5	171.9
11	AT&T	United States	163.8	13	403.8	249.3
12	Citigroup	United States	84	14.7	1795.1	164.3
13	ExxonMobil	United States	197.5	7.8	330.3	343.1
14	General Electric	United States	119.7	10	365.2	261.2
15	Samsung	South Korea	174	19.3	217.1	254.3
	Electronics					

Source: United Nations Global Compact. Business Solutions to Sustainable Development: United Nations Global Compact Progress Report. New York, (2017)

RECOMMENDATIONS

An example of corporate social responsibility is Samsung Electronics Corporation, which regularly collaborates with governments, investors, and non-profit organizations, and productively work with its employees. According to Forbes, the market value of the company was made up 254.3 billion USD in 2017, and profit for the same year was 19.3 billion US

dollars. Samsung Electronics pays great attention to increase the value for customers, environmental friendliness, and workplace safety (Table 3).

Table 3				
DATA ON CORPORATE SOCIAL RESPONSIBILITY OF SAMSUNG ELECTRONICS FOR 2016-2018				
Indicator	years			Growth rate, 2018/2016
	2016	2017	2018	
Increase of value for customers				
Customer satisfaction (%)	84.1	83.7	84	-0.12
Percentage of employees who have completed a career program in customer service (internal certification program)	97.97	97	95	-3.03
An environmentally friendly and safe workplace				
Frequency	0.289	0.24	0.227	-21.45
Injury rate	0.054	0.045	0.044	-18.52
Information about employees				
Total employees (number of people)	319208	325677	308745	-3.52
Percentage of female employees (%)	42	45	44	4.76
Average hours of training per person (number of hours)	74	79	71	-4.05
Cost of training per person (1,000 won)	1299	1335	1198	-7.78
Data on Corporate Social Responsibility				
Total costs for corporate social responsibility management (hours)	523109	523395	444789	-14.97
Total number of hours worked by local and global employees (number of hours)	1162824	1044847	108387	-90.68
Total number of Samsung Smart School beneficiaries (number of people)	n/a	667326	1404776	110.51
Number of Samsung Smart School programs (number of programs)	1209	2360	3231	167.25
Costs of Samsung Institute of Technology (number of people)	n/a	39659	74192	87.07
Source: United Nations Global Compact. Business Solutions to Sustainable Development: United Nations Global Compact Progress Report. New York, (2017)				

Overall, the total cost of corporate social responsibility management was 444,789 hours in 2018. At the same time, the indicator Total number of beneficiaries of Samsung Smart School and Costs of Samsung Institute of Technology increased by 110.51% and 87.08% respectively.

CONCLUSION

The study showed that CSR does not have a significant impact on the financial performance of major international banks. The presence of independent audit, allocation to committees, presence of a separate audit committee, information on taxes paid and dividends to shareholders, compliance with regulatory and legal norms, general philanthropic activity, volunteer activity of employees, training and science support, availability of employee support services, environmental responsibility, general disclosure of information, GRI compliance, openness to information on rewards and bonuses, the full information about Board of Directors and CSR development activities are among the most typical for international banks in the field of CSR.

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