

# **CORPORATE SOCIAL RESPONSIBILITY AS A ETHICAL COMPOSITION OF BUSINESS MANAGEMENT: REGULATION ON THE STATE LEVEL**

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## **ABSTRACT**

*The article deals with the issues of formation and development of corporate social responsibility as an ethical component of business, in particular, the historical aspects of its emergence are highlighted. The characteristic features of the European model of social responsibility of business are determined. It is determined that the effectiveness of the development of corporate social responsibility in the countries of the European Community is due to the existence of a strong legislative framework. A comparative analysis of the existing legal and regulatory framework for regulating the sphere of corporate social responsibility at the international level and in Ukraine has been conducted. The state of state support in promoting CSR and business assistance is determined. Focused attention is paid to the role of state bodies empowered in the field of socially responsible business conduct.*

**Keywords:** Corporate Social Responsibility, Institute of Socially Responsible Business, Strategies for Developing Social Responsibility of Business.

## **INTRODUCTION**

Effective development of any business company, strengthening and maintaining its competitive position, which is the key to a long-term life in the market of goods and services, depends on the presence of many factors. Among them, an important place is profitability as an indicator of the effectiveness of the company and the premise of the emergence of opportunities to expand its activities. At the same time, the "life expectancy" of a modern company is directly dependent on the ethical component, as an integral part of any business. This is explained primarily by the fact that the conduct of modern business, based on compliance with the rules of the current legislation, is considered possible in the presence of responsibility of business partners among themselves, responsibility for the quality of products, services and work performed, decent pay and safety of work of hired workers, truthfulness of advertising, access to public information of the public and state bodies regarding the company's activities, etc. All this suggests the existence of social responsibility, which, in the context of the globalization processes taking place in the international business environment, has become fundamentally important part of it.

It is important to note that in the world practice for the majority of economies, built on the basis of ancient democratic traditions and based on market values, the institute of socially responsible business is not a new phenomenon. Today, the principles and standards of corporate social responsibility are formulated and reflected in many international documents. At the same time, in Ukraine, the sphere of social responsibility of business (corporate social responsibility-CSR) is practically not regulated at the legislative level, which is explained by the lack of a single regulatory legal act of regulation in this area, but only by partial and indirect regulation in the norms of certain legislative acts. Consequently, there is no coordination of CSR at the state level (Sancllemente-Téllez, 2017).

## LITERATURE REVIEW

Corporate social responsibility as an ethical component of doing business does not simply contribute to the firm's performance, but is primarily a basis for its development and achievement of high profitability indicators. As appropriate, Long et al. (2016) point out that the unethical behavior of business harms the company's aim of maximizing the wealth of shareholders.

According to Agus & Salas (2017), engagement of the company with social responsibility is to expect rewards from consumers, which ultimately boosts productivity. That is why, according to Dutot et al. (2016), the success and effectiveness of socially responsible activities depend on adapting the strategy of corporate communication to the rapid development of information and communication technologies, as well as the development of social networks and the Internet.

Fernández (2016) focuses on the important role of socially responsible behavior in creating value for a company based on the growth of key strategic non-material resources, while ensuring the effective use of opportunities to achieve better economic results.

Barnett (2016) acknowledges the complexity of the concept of CSR or the impact of other characteristics of the firm, and therefore claims that CSR as the ethical component of a business has a positive effect on its performance, but cannot be generalized, since only the primary CSR stakeholders can increase financial income.

Thus, most scholars in the study of the essence and characteristics of corporate social responsibility come from the fact that it has an important impact on the efficiency of doing business, including the profitability of the company and its performance.

## METHODOLOGY

The study of corporate social responsibility regulation at the state level was conducted using historical, comparative legal and system-structural. Thus, the historical approach was used to cover the historical aspects of the emergence and formation of corporate social responsibility in foreign countries and in Ukraine. Comparison of the experience of international states and Ukraine regarding the regulation of corporate social responsibility at the state level was carried out using the comparative legal method. An analysis of the latest scientific publications devoted to the study of CSR, generalization and presentation of the results of the study allowed system-structural method.

## FINDINGS AND DISCUSSIONS

Turning to the historical aspects of the emergence of social responsibility, it is important to note that the emergence of CSR as a separate direction occurred in the 70-80s of the XX century in the western countries. The conduct of such activities until that time was characterized by the manifestation of the activity of only certain representatives of the scientific community and business. During this period, companies regardless of whether they had personal interest or whether they responded to regulatory requirements or protest activists entered into an era that could be called "*corporate social responsibility management*" as they began to formalize and institutionalize their responses to social and social issues (Archie, 2015). Consumer studies and sensitivity to social well-being have pushed organizations to show a sense of responsibility to society (Osman et al., 2015). That is why the activity on the formation and implementation of the principles and methods of corporate social responsibility was initiated.

To date, corporate social responsibility in the European Union has been emphasized as a key factor in enhancing the competitiveness of civil society campaigns and standards of living. It is important to emphasize the fact that the European model of social responsibility of business inherent in state interference in the processes of socio-economic nature. In this context, the main task is not the profit of the company, but the focus of attention is the creation of a legal and regulatory framework for resolving issues of corporate social responsibility in the context of decent conditions and labor protection, wages, optimal working hours, employment, social guarantees, etc. (Sardak et al., 2017).

Business ethics embodies the full range of norms, standards, values and expectations that affect consumers, employees, shareholders and other stakeholders as fair and consistent in protecting the moral rights of stakeholders. These expectations are not codified in the law, and there is a debate about what they are and how far they should be done (Archie, 2015).

The effectiveness of CSR development in the European Community is due to the existence of a strong legislative framework. In doing so, while specifying the issues of sustainable development and CSR, it should be noted that they are regulated internationally: The UN Global Compact; ILO convention; The OECD Guidelines for Multinational Enterprises; ISO standards of the 14000 series (environmental management systems); the standards of social and ethical reporting of the series AA 1000 (Account Ability 1000); The Global Reporting Initiative–GRI; The Global Sullivan Principles–GSP; the Social Accountability 8000 Social Responsibility Standard, based on which the ISO 26000 has been developed (Duff, 2016). The international standard ISO 26000 discloses the essence of CSR, which is the responsibility of the organization for the impact of its decisions and activities on society and the environment and is realized through transparent and ethical behavior, consistent with sustainable development and welfare of the society, takes into account the expectations of stakeholders, distributed throughout the organization and does not contradict the relevant legislation and international standards of conduct (International Organization for Standardization, 2000). However, it should be emphasized that ISO 26000 is an international ISO standard that provides only guidance on social responsibility, that is, it has an advisory nature and concerns this assistance in constructing a socially responsible manner.

In examining the existing regulatory framework in Ukraine regarding the regulation of social responsibility, it should be noted in this regard that an important place is reserved for the

Constitution of Ukraine, in Art. 64 which stresses the impossibility of restricting the constitutional rights and freedoms of man and citizen. At the same time, the current level of corruption in the mechanism of the state indicates the practical inability of the state to fulfill its obligations under the constitutional norms of obligations (Kulish et al., 2018).

The Commercial Code of Ukraine also mentions a number of norms that are more or less regulated by CSR and which are aimed at ensuring the growth of business activity of economic entities, increasing the efficiency of socially-lawful production, its social orientation, the establishment of social economic order, etc. The resolution of CSR is also carried out through the provisions of other codes of Ukraine (The Code of Labor Law, the Code of Ukraine on Administrative Offenses, etc.), laws of Ukraine ("*On Consumer Rights Protection*", "*On Labor Remuneration*", "*On Protection of Economic Competition*", "*On Protection against Unfair Competition*", "*On Environmental Protection*" and others.), Various by-laws, namely decrees, orders, regulations, instructions, rules, technical regulations, etc.

The basis of the UN Global Compact consists of the principles and rules of business ethics that are considered in civilized countries as a standard or code of conduct for a socially responsible business. In 2011, the Initiated Project of the National Strategy for the Development of Corporate Social Responsibility in Ukraine, developed by the UN Global Compact Network in Ukraine and the CSR Development Center, was developed (Concept of the National Strategy, 2011). In order to implement the said draft, the Decree of the President of Ukraine dated June 25, 2013, No. 342/2013 approved the Action Plan for the implementation of the State Policy Strategy for the Promotion of Civil Society in Ukraine in 2013. However, to date, the National Strategy for the Development of Corporate Social Responsibility in Ukraine has not been approved. Adoption and approval of such a strategy at the state level can become an important factor in modernizing the national economy and will increase the competitiveness of companies in the international market and thus contribute to the European integration process.

In many EU countries, CSR is regulated at the state level by empowering relevant public authorities in the field of socially responsible business conduct. For example, in Italy, the Ministry of Labor and Social Development is monitoring the process of developing CSR and social reporting. In turn, an Expert Technical Commission on CSR has been set up in Spain, whose activities are aimed at helping businesses combine their economic activity with activities for the benefit of society. In Poland, the Ministry of Labor created a CSR Working Group, which included representatives from many departments (Bodaruk, 2016).

Thus, the regulatory framework for CSR regulation in Ukraine is not a coherent system, it does not have complexity, only a few issues are selectively regulated at the legislative level. One can also mention the lack of state support in promoting CSR and business assistance in combination of economic activity and civil society activities.

## RECOMMENDATIONS

In Ukraine, today there is no body with authority in the field of socially responsible business conduct, which would deal with CSR development issues. The central executive body in Ukraine, which ensures the formation and implementation of state policy in the field of labor and social policy, employment of the population and labor migration, labor relations, social protection, etc., is the Ministry of Social Policy of Ukraine. Taking into account international

experience, it would be expedient to attribute the regulation of the sphere of socially responsible business behavior to the authority of the said ministry.

## CONCLUSION

In Ukraine, the regulatory framework for the regulation of social responsibility is represented by a set of norms of various normative legal acts, in particular, the Constitution of Ukraine, codes, laws, various subordinate acts, which speaks of partial and indirect regulation in the norms of certain legislative acts. At the same time, there is no single regulatory legal act in this area, hence, there is no coordination of CSR at the state level.

Consequently, the relevance of the regulation of the sphere of socially responsible business behavior at the state level, taking into account foreign experience in this area, is substantiated, which is substantiated by the need to formulate and approve the domestic model of CSR as a guarantee of the harmonization of the goals of the social policy of the state and the goals of Ukrainian business companies.

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