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SOCIALLY RESPONSIBLE BUSINESS FORMATION IN UKRAINE

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Abstract: The paper reviews development process of social responsibility of business in Ukraine during transition of its economy to market. Today social responsibility of business is understood by national entrepreneurs as marketing or PR-technology, this way it is limited to social events. In this interpretation the concept can not support stable development both at micro- and macro level and provide competitive edge for enterprises in the longer term. The author suggests possible scenarios for developing of social responsibility of business in the crisis.

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Thus, social problems solution in modern Ukrainian society is of high priority. It is time for deliberate use of our social resources to guarantee sustainable development of country and qualitative improvement of population life. Under the conditions when great part of national economy belongs to private sector it is logically and naturally that business sector shares with state the responsibility for social and economic situation in the country.

Referring to history we can see that social trend in activities of national business was entirely developed at the end of 19th century. Before the revolution the social activities had the form of philanthropic and charitable projects, including construction of hospitals, schools, housing for workers, etc. Unfortunately, after the revolution the traditions were forgotten. Later, under the Soviet Union, enterprises performed a number of social functions and had their own social infrastructure. Thus, enterprises played a role of specific social guarantee, quantity and quality of social services for workers directly depended on enterprise size.

Commencement of market reforms made social policy of enterprises to undergo through cardinal transformations. First of all, the transformations impacted their social infrastructure. Today, we can distinguish some consecutive stages of the transformations: period of social infrastructure collapse, period of stabilization and optimization (Chirikova et al., 2005).

Beginning and mid of 90s of 20th century (stage one) is characterized by sharp collapse of social infrastructure of enterprises. Within the period, companies of all property categories tried to remove social infrastructure objects from their balance as their maintenance was burdening in hard time of market fluctuations. To a certain extent the behaviour was conditioned by necessity to survive under those constraining conditions. Sharp and deep economic disturbances forced enterprises cut costs which were not related to short-term return. As a result, social objects which used to belong to enterprises turned out to be private; some were passed to local authorities or just lost.

Afterwards, due to improvement of financial situation the practice was not further considered by managers of enterprises as tool in survival strategies. From the beginning of stage two (end of 90s of 20th century) social infrastructure returns its significance as valuable factor in corporate strategy. Managers of enterprises started to pay attention to other, besides corporate income variables, benefits in their performance and development. As they were receiving incomes and profits, they were investing some part of financial resources to restore and building up social infrastructure. As a result, process of social infrastructure cut was interrupted.

Then business expansion and development of enterprises caused the beginning of the third stage in social infrastructure transformations. In the beginning of 21st century the social infrastructure started to become restructured and optimized. Among other things, use of social objects started to be considered by enterprises as a part of corporate social policy, business communities and country on the whole began to frame their attitude to social responsibility of business.

However, there are still many domestic enterprises that continue clearing policies in regard to social sphere. Taking into account such situation in the country, we can assume that optimization of social infrastructure will take much time. Thus, the above mentioned division of phases in social infrastructure development is rather nominal, and transition from one stage to another depends on economic state of enterprises and understanding by managers social problems which arise today or may arise in future. Each transactor relying upon self interests determines parameters of own social activity. Unfortunately, current Ukrainian legislation favors it as state stays to be the main guarantor of equitable employment policy, equable approach to employment, worthy labour conditions, observance of human rights and preservation of ecological balance. Besides, obvious paradox is available: national businesses consider social responsibility as a tool to raise competitiveness and as a certain burden.

Today, to provide proper level of social guarantees it is necessary to increase investment level which can not be achieved using only state budget resources. It is essential to develop revolutionary mechanisms of social sphere development. Competitiveness and business efficiency will depend on success of joint efforts of enterprises, state and noncommercial associations to shape active strategy of social progress. If business can not undertake today some share of responsibility to solve problems of social and labour sphere, it will become the first their victim. To prevent social polarization and destabilization important funding will be needed, and increase in taxes on commercial structures will take place. It will result in deterioration of

the competitiveness, economic downturn and aggravation of social problems.

That is why, poverty negotiation, welfare gain, social protection of the population, promotion of public health, education, science and culture are the problems which should be solved by governmental authorities, the whole society and business organizations. Implementation of high technologies, consumer goods and services production, strict observance of tax legislation, creation of new jobs, respectable wages and proper labour conditions, environmental protection and energetic charity should become the key criteria of social responsibility as well as background for future business progress (Shapoval, 2006).

The category "social responsibility of business" in Ukraine has been formally used in 16th of December 2005 when Memorandum on Social Responsibility of Business in Ukraine was signed in Kiev to determine principles and tasks of socially responsible business. The document has signatures of representatives from various business structures, international organizations and social organizations. Among them are "Kievstar", Insurance Company "Ilichevskoie", "TNK-VR Ukraine", "Microsoft Ukraine", Ukrainian National Committee of International Chamber of Commerce, Association of Ukrainian Towns and Communities, Industrial Broadcast Committee, Ukrainian Society of Quality, All-Ukrainian Social Union of Businessmen "New Formation", Ukrainian Construction Association, etc. That time All-Ukrainian Movement - so called Forum of Social Responsibility of Business in Ukraine (SRB Forum) - started.

The Movement organizers believe that company's social responsibility and active social position as community of "corporative citizens" participating in settling complex social problems is essential imperative. In turn, aspiration to construct social exposure in their business will develop companies' image and raise their competitive profile on the markets of goods and services and it will result in competitive growth of both regions and the whole society.

Social responsibility appears in Ukraine not just in response to the global tendencies. First of all, its emergence gives evidence on socioeconomic inevitability conditioned among other things by a result of bad reforms. That is why formation of social responsibility of business in Ukraine is influenced by both favorable factors and constraining ones. Regrettably, the influence is not primarily determined by the favorable factors which in particular include:

a. availability of large business structures (corporations) possessing resources and market potential necessary for social investments;
b. emerging role of large companies for development of regions;
c. participation of national economy in globalization processes resulting in business social responsibility institutionalization according to international models.

So, constraining factors have greater effect on the process. First of all, it is decline of national social policy as well as shortage of social investment. As it is known, during the whole period of business transformation in Ukraine the problem of budget deficit constraining social policy development stays to be urgent; social role of large companies is interpreted as some equivalent to public social policy. Such a situation results stable imperception of idea of social responsibility of business. Thus, it is impossible to develop socially responsible strategy without state support of business.

Informal shady economic relations are great obstacles for socially responsible business formation in Ukraine. State budget can not provide sufficient funds; workers suffer from labour violations. Among the most important problems in terms of social responsibility of business we can note timely and complete tax payments and proper remuneration of labour.

Imperfection of social partnership is another constraining factor for business social responsibility formation in Ukraine. Developed countries experienced gradual progress of developing partnership through intensive search for alternatives to take into account conflicting interests of employers and employees. As a result, both trade unions and employers developed rather potent structures and their representatives are very competent. Unfortunately, Ukraine keeps paternalistic social and labour relations formed in the time of the Soviet Union. Majority of employees are aware of the fact that their salary depends on decisions of boss or owner. Few people in Ukraine link their salary to their work results and to economic status of enterprise. It affects formation of partnership relations though social partnership is considered in Ukraine as component of socioeconomic modernization of community. There were adopted proper legal acts to enhance formal institutionalization of social partnership. Unfortunately, national trade unions come down in their influence, their protective function today is mainly declaration of intent as they are not independent, so they can not pretend to be effective partner in negotiation process and can not stand for interests of workers. Trade unions completely depend on authorities, they disclaim enhancement of their competence zone and associate social responsibility with employer's responsibility to deliver the goods.

To some extent Ukrainian trade unions tend to energize their protective function but there are too many problems concerning such legal status of trade unions to meet the demands of market relations. First of all, it concerns legislative consolidation of both rights and liabilities of trade unions. It should be solved a number of problems concerning responsibility of trade unions for their property, financial sources and duties.

Besides, it is necessary to develop legal platform to provide trade union with independence from employers and authorities. Otherwise, trade union activities lose their essential effect and become declaration again. At the same time, in the context of democracy and pluralism problem of prevention trade union monopolization and their advantage to be the only representatives of interests of workers stays to be very important. It should be noted that despite the importance of trade unions they are just mediators.

Study of recent practice shows on complexity of factors influencing on development of national business. Not only national and historical traditions but political and economic situation, as well as lack of standard requirements of social policy influence formation of domestic business. The latter includes the following moments (Shapoval, 2007):

1. Lack of ideology of socially responsible business in the country (lack of appreciation of the term «social responsibility of business» itself) as the problem is relatively new for Ukraine. Accordingly, there is little understanding that social responsibility is expedient for business and the country has not currently well-established mechanism to realize social responsibility of business.
2. Lack of shaped and powerful sector of civic community which would purposefully advance principles of business social responsibility in the country, as well as lack of experts who can develop the trend. First of all, it depends on peculiarities and level of public spirit of citizens of Ukraine and their economic status.
3. Lack of clear legal boundaries to realize social business investments, to develop social partnership and hence forced character of social responsibility, manipulation at all levels of power, use of business to achieve one of not always strategic and socially important objectives.
4. Lack of economic interest of companies to realize principles of social responsibility. First of all, it is connected with features of active legislation and position of state.
5. Sizable variation in forms of social activities within different enterprises. Unfortunately, each domestic enterprise seeks to find own equilibrium between economic benefit and social necessity.
6. Lack of transparent procedures of social policy development, strict dependence of forms and methods of social companies' activities on concerns of managers and owners.
7. Lack of system of social reporting at enterprises and, as a result, lack of information concerning social activities of business community.
8. Sizeable gap between approaches of business and state when it comes to understanding priorities of social responsibility.
9. Lack of complex studies of social responsibility of domestic business. Unfortunately, only some of its aspects are considered - charity, sponsorship, etc.

Today social responsibility of business is understood by Ukrainian entrepreneurs as marketing or PR-technology, this way it is limited to social events. In this interpretation the concept can not support stable development both at micro- and macro level and provide competitive edge for enterprises in the longer term. As a rule, the events are paid keen interest before campaign launch. Such pre-election donations are expected to have specific political or economic dividends. However, such an approach not always answers expectations of concerned parties and may affect business. So, paternalistic approach to social responsibility of business dominates in Ukraine, and dialogue with interest groups at the stage of planning, implementation, monitoring and assessment of activity is not usual practice.

Despite this, a number of enterprises in Ukraine realize programs of social responsibility based on dialog and benefit of interest groups (FPG "System Capital Management", "British American Tobacco Ukraine", FC "Arterium", "Coca-Cola Beverages Ukraine", "Microsoft Ukraine", "NADRA BANK", DP "Siemens Ukraine", GC "Foxtrot", Company "Gestalt Consulting Group", GC "Volia", Company "XXI Vek", etc). These companies are experienced in realization of both domestic and foreign social programs including different charitable programs according to their social reports. But it should be noted that levels of socially responsible activities of Ukrainian enterprises differ. First of all, it depends on enterprise size, its activities and location.

At the same time many national enterprises have no desire to avow that they are getting involved in social responsibility projects mainly to heighten image and pursue business interests. Sticking on business purposes of social-oriented actions might increase the negative attitude of citizens to business in Ukraine. Also, realization of any social events may look like attempt to hood profit. Ukrainian companies try to get rid of publicity of socially responsible activities, avoid drawing attention of tax administration and municipal authorities interested in their compulsory participation in solution of social problems of region or country on the whole.

Thus, maturing of business social responsibility is long-term process. It is impossible to solve the problem in Ukraine without participation of the state. Especially as many problems and contradictions intensify in the context of crisis. It results in the following. Some businessmen for whom social responsibility is something like fashion start treating social responsibility not as tool of competitive growth but as certain charge cutting back on their programs. Other enterprises deferred planned projects to a later date, getting satisfied with achieved results or support of proved projects which gave a good account. There are few enterprises where principles, procedures and tools of social responsibility are part of their strategy.

It should be noted that current crisis, though creating serious problems, has some positive influence on development of social responsibility in the country. In particular, crisis makes it possible to give up on useless programs and projects, conditions transparency and log-term focus of social programs. Crisis also diminishes the attitude to social responsibility as an additional PR-action, helps companies to grasp importance of doing business on the principles of social responsibility.

We can assume possible scenarios for developing of social responsibility of business in the crisis condition.

Option one is inertial where social business responsibility will move to a new stage with accumulated «inheritance» of previous years, i.e. with the same problems, contradictions and drawbacks. As it was previously stated, social responsibility of business in Ukraine has not become the compound concept of corporate strategic management, contributing to provision of company's sustainable development. This scenario option seems to be the most trustworthy for Ukrainian economy in the conditions of relatively fast "passing" a sharp crisis phase.

Option two is "optimistic" which will develop if the crisis provides a strong impulse for a dialogue and company interaction with interested parties. In these conditions both a concept and practice of social business responsibility will reach a new, higher phase in content and instrumental scope.

The third option is "pessimistic". According to this scenario, the concept of social business responsibility will devalue due to the crisis; it will be ostracized as an ineffective form of company positioning in business and social environment. In this case it will take a lot of efforts and time after the crisis in order to resume the present level of social responsibility of business.

It is possible to assume one more option - the fourth scenario (or more extended second one) which will possibly be connected with definite awareness of terminology, content, and tasks on social responsibility of business. Within this scenario for social responsibility of business a company's actions will be more closely correlated with their real tasks and potentialities as well as with commitments made by companies for interested parties: personnel, local community, and the country.

All the above-stated makes it possible to draw some conclusions. Socially responsible business in Ukraine is on its initial stage of development. Promotion of concept of social responsible business in domestic business community is limited by means of both subjective factors and objective ones. It stipulates great complexity and duration of the process. Implementation of social responsibility of business will face difficulties and obstacles until proper conditions on side of state and civic society are available, national spirit is taken into consideration and a valid dialog between power and business is achieved.

World economic crisis has escalated problems of business responsibility in community. Finding proper tools and strategies for recovery are of great importance for interests of business, state and community. Business bears its part of responsibility for not allowing financial and economic crisis to evolve into social crisis. Balanced decision making that concerns of all interested parties becomes requirement to meet the crisis.

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