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SOCIAL RESPONSIBILITY OF BUSINESS AS A TOOL FOR IMPLEMENTING THE PRINCIPLES OF SUSTAINABLE REGIONAL DEVELOPMENT

СОЦІАЛЬНА ВІДПОВІДАЛЬНІСТЬ БІЗНЕСУ ЯК ІНСТРУМЕНТ РЕАЛІЗАЦІЇ ПРИНЦИПІВ СТАЛОГО РОЗВИТКУ РЕГІОНУ

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Among the most effective mechanisms for social development and institutional modernization of the national economy in European practice is the system of social responsibility of business. Given the European integration trajectory of Ukraine's economic development, the issue of aligning social responsibility of business standards with European norms remains a subject of debate and requires further research. The implementation of European legislation on social responsibility of business standards is a crucial task in Ukraine's reform process, as it can serve as a foundation for modernizing the institutional environment of the national economy and as an indicator of its success. We believe that the primary priorities for developing of social responsibility of in Ukraine should include: state promotion of the importance of social responsibility of business, its benefits, and its necessity for society; the creation of a state fund and the allocation of local budget funds for partial co-financing of social projects implemented by private enterprises; the provision of various tax incentives and moral encouragement for entrepreneurs who invest in socially important projects; and the introduction of mandatory social reporting at the national level for companies eligible to list shares on stock exchanges, participate in government tenders, obtain certain licenses etc.

Keywords: social responsibility of business, European integration, regional development, competitiveness.

Серед найбільш оптимальних механізмів соціального розвитку та інституційної модернізації національної економіки у європейській практиці визнана система соціальної відповідальності бізнесу. Враховуючи євроінтеграційний вектор розвитку національної економіки, питання приведення у відповідність до європейських стандартів норм соціальної відповідальності бізнесу все ще залишаються дискусійними та потребують подальшого дослідження. Імплементация положень європейського законодавства в частині норм соціальної відповідальності бізнесу є вкрай важливим завданням здійснення реформ в Україні, оскільки вони можуть слугувати основою для модернізації інституційного середовища національної економіки та індикатором її успішності. Вважаємо, що основними пріоритетними заходами щодо розвитку соціальної відповідальності в Україні має стати: державна пропаганда важливості соціальної відповідальності, її переваг та потреб для суспільства; створення державного фонду та залучення коштів з місцевих бюджетів для часткового співфінансування соціальних проєктів, що реалізуються приватними підприємствами; надання різноманітних податкових пільг та створення моральних стимулів для підприємців, які інвестували в соціально важливі проєкти; запровадження на національному рівні обов'язкової соціальної звітності для компаній, які можуть розміщувати акції на фондових біржах, брати участь у державних тендерах, отримувати певні ліцензії тощо.

Ключові слова: соціальна відповідальність бізнесу, євроінтеграція, розвиток регіону, конкурентоспроможність.

Formulation of the problem. Today, alongside economic factors, non-economic indicators such as employee social protection, the implementation of quality control mechanisms, and the adoption of environmentally safe and energy-efficient technologies are increasingly playing a vital role in ensuring the competitiveness and profitability of both domestic and foreign enterprises. As a result, social responsibility of business has evolved into a global business concept that defines the modern framework of entrepreneurial activity. In Ukraine, however, social responsibility of business is still in its formative stages, highlighting the need to actively promote the integration of the social responsibility of business principles into society and economic institutions. This need is driven by the necessity of creating a positive image of Ukrainian enterprises in international markets, especially as Ukraine becomes increasingly involved in global and international integration processes, underscoring the relevance of this study.

Highlighting previously unresolved parts of the overall problem. The issue of social responsibility of business has been addressed by both domestic and foreign scholars, including T. Bredgaard, P. Drucker, M. Friedman, P. Kotler, I. Savchenko, and others. The role of social responsibility of business in shaping the reputation of enterprises in Ukraine and the application of European experiences in government regulation of social responsibility of business have been discussed in the work of O. Bodnaruk and P. Lypova. However, considering the European integration trajectory of Ukraine's economic development, the alignment of social responsibility of business standards with European norms remains a subject of debate and requires further investigation.

The aim of the article: to characterize the pathways for implementing corporate social responsibility of business as a foundation for the social development of Ukrainian society.

Presentation of the main research material. Social responsibility represents a company's commitment to addressing social issues both within a specific country and on a global scale. Social responsibility is a mechanism for helping society and developing business at the same time. Leading global companies leverage this concept to strike a balance between generating direct profits and addressing social challenges.

Currently, social responsibility contributes to the development and enhancement of the company's image, and in the long run, companies

with a higher level of social responsibility, as the basis for ensuring business activity, have more competitive advantages and a sustainable trend of economic growth. As trust levels increase, so do profits, which in turn drives the development and success of the enterprise in the market.

In recent years, there has been a growing trend of businesses focusing on social issues. This trend has been particularly influenced by global events, such as the COVID-19 pandemic since 2020, and, more recently, by the Russian aggression against Ukraine in 2022. In this context, an active and clear social stance by businesses has become even more critical, ensuring their competitiveness in global markets. During times of economic hardship, large private enterprises can play a key role in addressing numerous social issues. For example, the procurement of masks and antiseptics for the public during the COVID-19 pandemic or the development of vaccines by private pharmaceutical companies are notable examples of business social responsibility. It is important to note that the war in Ukraine, which began in February 2022, has significantly impacted the role and development of social responsibility in business within the country. Efforts such as supporting the Armed Forces of Ukraine, demining projects in liberated territories, and implementing humanitarian initiatives in areas close to the war zone are all manifestations of social responsibility in Ukrainian business. Due to the state of emergency, the structure of expenses to income of companies has changed somewhat, but the main role in increasing spending on social responsibility was played by the civic position of owners and employees. Supporting the state, the Armed Forces of Ukraine, and their own workers has become a primary task for Ukrainian enterprises. Businesses are now focusing more on their immediate stakeholders – owners, the state, and employees. A distinctive feature of social responsibility in Ukrainian business is philanthropy and sponsorship, which are the key concepts through which business social responsibility is perceived in Ukraine [2].

The fundamental principles of social responsibility of business include environmental stewardship, the effectiveness of state policies in the field of ecology, economic security of enterprises, tax and monetary freedom, and the level of corruption perception at all stages of business operations, from internal company activities to combating corruption at the state level. Based on these principles, it was decided that the Environmental Performance Index,

Economic Freedom Index, and Corruption Perceptions Index most vividly illustrate the level of social responsibility of Ukrainian businesses compared to leading countries worldwide. However, Ukraine's overall ranking in terms of social responsibility of business remains low [4; 7; 8]. The example of European countries demonstrates that social responsibility actively influences the formation of a positive corporate image, enhances reputation, and establishes strong ties with customers and partners.

According to a survey conducted by the research company Factum Group Ukraine [6], about 67% of Ukrainian enterprises have restructured their budgets and added social responsibility as a separate item in their budget balance. The most significant contributions come from Ukrainian companies operating in the telecommunications and mobile communications sector (46%). This is followed by contributions from the food production/food industry (38%), logistics and delivery (34%), banking/finance (32%), and IT sector companies (28%).

The European model of social responsibility of business, known as the "stakeholder company", focuses on equal interaction with numerous stakeholders, from local communities to organizations representing various socially significant interests. Identified social needs are addressed considering the opportunities provided by the national economy and business through an innovative economic development model. Moreover, innovations are implemented not only in the production sphere but also in labor relations and environmental interactions, becoming an integral part of business development strategy. The leaders in implementing the European model of social responsibility of business are companies operating in industries primarily focused on consumers, such as the food and pharmaceutical industries, retail, and others [6].

Examining the European experiences in social responsibility of business at the national level, common traits shared by all European companies can be identified.

Among the most prevalent areas of social responsibility of business across EU countries are employment issues, education, and healthcare [6]. The distinctive features of the European model of social responsibility of business that define its essence include the involvement of government structures in the development of social responsibility of business, a well-developed employee education system, increased media interest, and transparent non-

financial reporting by businesses in the field of social responsibility of business.

In Ukraine, the strategy of promoting the development of social responsibility of business is developing in three directions:

- tax reform; this involves reducing the tax burden, allowing businesses to develop their core assets and accumulate working capital, companies gain additional funds that can be allocated towards the development of social programs;

- pension system improvement; updated pension legislation increases employees' interest in receiving legal wages. In this scenario, the employer and employee act as social partners, with the employee being motivated by the need for financial security in old age;

- innovative and knowledge-intensive projects, which is implemented through the accumulative scheme of technology parks, which implies preferential taxation. The development of this third direction opens up opportunities to support the country's scientific and technical potential and retain domestic scientific talent.

Thus, considering the current conditions, the best mechanism for improving the level of social responsibility of business could be changes at the state level, achieved by increasing economic freedom and reducing corruption. Additionally, the introduction of mandatory initiatives that continuously draw public attention to social issues, both environmental and humanitarian in nature, is crucial. Supporting vulnerable population groups is equally important. Mandatory quotas for people with disabilities, provided it does not endanger their lives, the creation of internal pension funds for employees through salary deductions, and the formation of personal financial savings are essential steps. Mandatory health insurance is also an integral part of social culture and contributes to increasing employee loyalty. In other words, through state regulation, the level of social responsibility of business will increase year by year and will extend not only to large companies but also to small enterprises, leading to the recognition of social responsibility of business as an integral part of corporate culture.

Thus, the study of global and domestic experiences in social responsibility of business indicates significant opportunities and prospects for implementing the most important social projects for the national economy.

Addressing the theoretical foundations, it is important to note that in many developed concepts, social responsibility of business is

often substituted with other definitions. The most well-known among these are "social responsibility of business", "corporate social activity", "business ethics", and others. Our research relies on the classical definition of social responsibility of business provided by Philip Kotler: "Social responsibility of business is the voluntary commitment of a company to enhance societal well-being by adopting appropriate business practices and allocating corporate resources" [5].

We also proceed from the understanding that in the programmatic documents of the European Union (EU), social responsibility of business is considered an effective tool that "offers a set of values upon which a more cohesive society can be built and facilitates the transition to a sustainable economic system" [3]. We agree with the perspective that social responsibility of business encompasses the following key areas: respect for human rights, compliance with legal requirements, business and corporate ethics, environmental protection, stakeholder engagement, adherence to international norms of conduct, transparency, and accountability.

Additionally, in conducting our research, we rely on documents that EU countries use in developing national policies regarding social responsibility of business:

- The "EU Environmental Action Plan" outlines the key areas of activity for EU member states in environmental protection;
- The "Integrated Product Policy" (IPP) was created to monitor the environmental impact of production processes and promote the integration of the most effective production methods;
- The "Eco-Management and Audit Scheme" (EMAS) recommends a system for assessing and reporting on CSR, aimed at implementing environmentally friendly management practices within companies;

- The "European Eco-Efficiency Initiative" (EEEI) focuses on integrating eco-efficiency principles into the industrial and economic strategic plans of companies;

- The European Parliament's "EU Standards for European Enterprises Operating in Developing Countries: Toward a European Corporate Code of Conduct" resolution proposes the creation of a European model corporate code of conduct [1].

Conclusions. In summary, it can be concluded that European integration not only demands the implementation of institutional reforms in the sphere of Ukraine's socio-economic development but also creates the framework conditions and drivers for their realization. Among the most optimal mechanisms for social development and institutional modernization of the national economy, the European practice recognizes the system of social responsibility of business. The implementation of European legislation concerning the social responsibility of business standards is a crucial task in carrying out reforms in Ukraine, as it can serve as a foundation for modernizing the institutional environment of the national economy and as an indicator of its success.

We believe that the primary priority measures for developing social responsibility of business in Ukraine should include the following: state promotion of the importance of social responsibility of business, highlighting its benefits and the needs of society; the creation of a state fund and the involvement of local budget funds for partial co-financing of social projects implemented by private enterprises; the provision of various tax incentives and the creation of moral incentives for entrepreneurs who invest in socially significant projects; and the introduction of mandatory social reporting at the national level for companies that can list shares on stock exchanges, participate in government tenders, obtain certain licenses, etc.

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