

Research Paper

# Toolkit for Ensuring Management of Socially Responsible Business Activities

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## ABSTRACT

The article is devoted to the deepening of the theoretical and methodological provisions aimed at solving the scientific and applied task regarding the development and methodical support of mechanisms for managing socially responsible activities and enabling the formulation of practical recommendations for improving its organizational tools. Integration of Ukrainian business into the global one economic space provides for the conformity of domestic business practices enterprises to international requirements, standards that are largely new poses the problem of increasing the level of their competitiveness, which in mainly considered as a set of economic and financial results. Intensification of global competition requires improvement of existing forms conducting business, use new effective tools every day management and develop new mechanisms of "government-business society" relations. Widespread traditional methods of formation competitive advantages have almost exhausted themselves and need new ones toolkit, which includes a "socially oriented component" and intensifies partnership relations between the government, business and society, and how as a result, ensures long-term relationships with consumers, attracts the best personnel, promotes state support and the formation of a competitive stability Modern management sees as one of such tools corporate social responsibility, the main principles of which provide mandatory participation of business representatives in the development of society and responsibility of the latter for solving social and environmental problems, implementation of educational programs, labor protection, etc. That is, in the area of responsibility new non-economic factors enter, the aspect expands of social significance, and social progress is actively developing not only in sociology, but also in economic science.

## HIGHLIGHTS

- ① The main aspect of the socially responsible activity of enterprises is the reliability and predictability of the results of their activities, responsibility for the implementation of the principle of continuity of economic activity, since only under these conditions is the confidence of labor groups in their social security preserved, and the state and public organizations have the opportunity to plan social programs with the participation of enterprises.
- ② The purpose of the research is the justification and development of theoretical and practical recommendations for improving the organizational tools for ensuring the management of socially responsible activities.

**Keywords:** Socially responsible activity, social policy, management mechanisms, strategic management, social resources, accounting and controlling tools, accounting policy

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Creating the fundamental foundations of a welfare state requires strengthening the social responsibility of both industrial enterprises and business in general, with the aim of preserving their stability in society and improving the social climate. The social policy of the state is designed to implement one of the fundamental functions - the fulfillment of social duties and the observance of the social rights of citizens. That is, finding the optimal ratio (balance) between personal and social responsibility.

It is no accident that the Constitution of Ukraine states: "Ukraine is a sovereign and independent, democratic, social, legal state (Article 1 of the Constitution of Ukraine)."

In fact, the socio-economic compilation of the problem shows a close connection: on the one hand, it is a social problem (establishing the limit of solidarity); on the other hand - economic (setting the limits of social responsibility between interested parties: distribution and redistribution). Due to the known circumstances, there is an increasing attention to social responsibility on the part of employers, and, accordingly, the need for a theoretical and practical rethinking of the social institutions of the state and society regarding the balancing of social policy.

Solving the above-mentioned problems is possible under the condition of building a comprehensive system of management of social responsibility of enterprises by involving the most effective tools.

The relevance of the research is determined by the insufficient solution of both scientific and practical aspects of the problem of managing socially responsible activities in our country.

Carrying out research, we come to understand its main question: can enterprises be responsible in principle and in what form can it manifest itself? Looking for an answer, we come across the multivariate nature of this question. For example, there is an opinion that generally denies the existence of the phenomenon of "enterprise responsibility". Contrary to it, there is an assertion that enterprises are responsible for the consequences of social development. Another opinion is that responsibility is imposed by society or is implemented automatically regardless of people's will. However, in fact, all views in one way or another boil down to the social component of the

studied concept. Dominant in this process is the responsibility of a separate economic unit to society, which is specified through the interrelationships of the set of subjects of responsibility.

## Literature Review

Today is public the attention and hopes of many countries are focused on corporate social responsibility, and therefore the relationship between business and government is actively discussed regulation mechanisms and the possibility of public control on the basis transparency and openness.

Taking into account the fact that in Ukraine relatively recently began to pay attention to this issue and domestic science is in active development, it is necessary to point out the significant contribution of such domestic researchers in the specified direction - N. Bibyk, P. Burkovskiy, O. Berezina, O. Buyan, L. . , cultural and social environment of our states. Among the many definitions of social responsibility, the definition given by the International Standard ISO 26000 "Guidelines for Social Responsibility" (2010) is considered to be generally accepted. In this document, social responsibility is characterized as "the organization's responsibility for the impact of its decisions and activities on society and the environment through transparent and ethical behavior that: promotes sustainable development, including the health and well-being of society; takes into account the expectations of interested parties; complies with the law and in accordance with international norms of conduct; introduced throughout the organization.

It is extremely important that in modern business conditions, the goals of the JV are understood and worked out by Ukrainian business. This once again proves that the path of sustainable development is inevitable for Ukraine. We believe that the concept of social responsibility should reflect rationality in the, as a rule, conflicting expectations of the entire set of interested parties, be based on the principles of continuous and long-term development of business entities, with the aim of obtaining competitive advantages. Actually, these and other circumstances are substantiated by the formulation of the purpose and objectives of the article. In particular, the purpose of the article is the justification and development of theoretical

and practical recommendations for improving the organizational tools for ensuring the management of socially responsible activities.

## MATERIALS AND METHODS

The theoretical and methodological basis of the study was formed by the works of foreign and domestic scientists in the field of managing socially responsible activities of enterprises. The work uses a set of general scientific and special research methods: dialectical cognition - for studying and detailing the object of research; historical analysis - when studying scientific approaches and basic research concepts; morphological analysis - when specifying the categorical research apparatus; abstract-logical approach - when making theoretical generalizations and forming conclusions; statistical analysis - when identifying the main trends of socially responsible activity and factors of the formation of social costs; functional synthesis - when forming a social strategy and its integration into the enterprise management system; systemic and hierarchical approach - when developing the concept of managing socially responsible activities; economic and mathematical analysis - to identify factors influencing the formation of social costs.

## RESULTS

Sustainable development and long-term competitive stability of socially responsible enterprises is ensured by the quality of management, the awareness of top management and the adoption of managerial decisions based on the principles of corporate social responsibility and the implementation of these technologies in the strategic development of enterprises. The active implementation of promising social projects, the implementation of effective social activities ensure the development of the state, contribute to the well-being and improvement of the quality of life of the population of Ukraine.

Our analysis shows that today there is no single scientific approach to the interpretation of the category "social responsibility of business". The most complete, in our opinion, is the definition of social responsibility of business as an independent, proactive, systematic activity of economic entities in the formation of relations with society, authorities, the population, partners with the aim of harmonizing

and/or satisfying the social, economic, financial, ethical interests of all groups of interested users on mutually beneficial terms to achieve both economic and social results. Companies that have chosen a strategy of social responsibility receive a number of advantages, namely: formation of a positive image of the company; increasing the interest of investors; improvement of relations between the public and local authorities; increasing the motivation and productivity of employees; increase in sales volume and market share. This is confirmed by the research data of Your Cause company in the field of social responsibility of business, according to which 66% of consumers are ready to pay more for the goods of enterprises whose activities correspond to the concept of sustainable development; in socially responsible companies, labor productivity increases by 13%; in enterprises that implement corporate social responsibility programs, staff turnover decreases by 50% and staff loyalty increases accordingly. In modern conditions, the main goals and tasks of social responsibility at the enterprise level are completely interconnected with the Sustainable Development Goals 2016-2030 "Transforming our world: the agenda in sphere of sustainable development by 2030". This document foresees 17 goals and 169 tasks in the economic, social and ecological spheres of the development of society (Karpenko O.O., Mandzyuk N.K. 2018). Of great importance for the development and implementation of social responsibility in the activities of enterprises of Ukraine is the National Report "Goals of Sustainable Development: Ukraine" presented by the Government on September 15, 2017, which determines the basic indicators for achieving the Sustainable Development Goals adapted taking into account the specifics of national development (Karpenko O.O., Mandzyuk N.K. 2018).

One of the most effective leadership strategies in the market is the social responsibility of business, notes I. Khovrak. In the internal aspect, this is manifested in the orientation of social responsibility towards employees: training programs, collective insurance, formation of corporate culture, etc. In the external aspect – on: business partners (reputation of the company); consumers (quality improvement programs, social advertising); society (provision of socially significant services, environmental

protection programs, education and research, cooperation programs with the authorities, support of sports, cultural and artistic events, sponsorship). (Khovrak I., 2017).

Based on the study of domestic and foreign experience, O. Levchenko presents the following definition of corporate social responsibility : “adherence to the direction chosen and adopted by the owners, management and ordinary staff of the organization to satisfy the expectations of the social environment, which positively affects the relationship of the organization with the environment and improves the results of activity as a whole” (Levchenko O.P., 2014). It is worth emphasizing , that the responsible attitude of any company, including an insurance company, should be in relation to its product or service, to consumers, employees, partners. An important role is played by the active social position of the company, which consists in harmonious coexistence, interaction and constant dialogue with society, participation in solving the most pressing social problems.

Social responsibility implies the need for modern a concept that encourages companies to take into account the interests of society, taking responsibility for the impact of their operations on consumers, stakeholders, employees, communities and the environment in all aspects of their activity. Social responsibility implies a responsible attitude of any company to its product or service, to consumers, employees, partners, as well as harmonious coexistence of interaction and constant dialogue with society, participation in solving the most acute social problems (Shutaieva, O. O., 2014).

The implementation and observance of the principles of social responsibility in the activities of companies is both a social and economically justified necessity, which allows to achieve the following results:

Improving the results of commercial activities through increasing labor productivity and production efficiency, activating innovative activities, improving the financial and non-financial risk management system, etc.

Increasing the level of reputation and image of the company. Reputation is determined by such intangible assets as reliability, trust, quality, good relations and transparency. As a result of the implementation of socially significant

programs, trust in companies significantly increases and a positive opinion is formed among the target audience, which leads to an increase in market share, an increase in the loyalty of existing and attracting new consumers of products. Strengthening business relations with business partners. Increasingly, business relationships are built on a long-term basis with socially successful companies. As a result, opportunities for concluding more profitable contracts with business partners and resource providers are expanding. Ensuring stable partnership relations with regional bodies, local communities, trade unions, public institutions, mass media, by implementing best practices that demonstrate high civic and social responsibility to the state and society. Promotion of increasing opportunities for attracting and retaining qualified personnel in conditions of their acute shortage. Social responsibility is an important factor in motivating employees and attracting highly qualified specialists. As a result of the implementation of internal social responsibility, human relations and employee productivity improve, the level of competence and professionalism of the company’s employees increases significantly, and labor productivity increases. The formation of a zone of social well-being around the enterprise through social projects, which will continue to attract more and more attention from the mass media. A properly built strategy for the implementation of such projects and highlighting them to the community can act as a significant support for business and bring a greater economic and communication effect than standard commonly used measures (Mazurenko V. P., 2012).

The structure of social responsibility, given its object, consists of several levels: responsibility to the consumer, responsibility to subordinates, responsibility to society, the country, responsibility to shareholders or partners. In the part of the relationship between producers and consumers and society, along with obligations of a general nature, targeted obligations can be provided in terms of the following aspects: care for the health and safety of citizens; satisfaction of consumer expectations; reasonableness of pricing; responsibility for its suppliers; responsibility for those engaged in the sale of products (services); ethics and decency in relations with consumers; openness of information about the enterprise and products (services);

constant evaluation of the level of satisfaction of consumers' needs; the priority of consumer interests when resolving conflicts; integrity of advertising; timeliness of tax payment; support of social movements for quality and charity; protection of the natural environment. Manufacturers' commitment to self-improvement can be based on Total Quality Management (TQM) concepts and involve continuous improvement in terms of the following aspects: leadership development and formation of the company's value system; consumer-oriented policy and strategy; quality improvement planning; measurement and analysis of enterprise activity and results; attitude towards own staff; involvement of consumers in improvement processes; relations with partners, including suppliers and intermediaries; management of processes and their improvement; systematic self-assessment of the actual level of excellence; intermediaries (implementers of products and services); environmental management; modern energy-saving technologies; the procedure for collecting and processing information from consumers (complaints and suggestions). Existing social responsibility systems in the modern world can be presented in the form of two models: insider and outsider. The first - provides for high activity of enterprises subject to certain adjustments of activity by the state and society. The second is based on state prescriptions, while the role of entrepreneurial structures and society is subordinate, although it presupposes their activity. The process of social formation of an individual is inextricably linked with the phenomenon of responsibility, because it is a person's dependence on something that is decisive in making and implementing decisions. Responsibility is: a person's personal life, the people around him, as well as responsibility to society. According to H. Skovoroda, the transformation of feelings and responsible actions into a habit is the process of forming responsibility. In order to more fully cover the issues of the research, we made an attempt to periodize the historical aspects of the development of the concept of "responsibility".

So, social responsibility from the point of view of the macro level is a socio-economic category that characterizes the country's policy regarding the goals and values of society, forms mutual relations between stakeholders, subjects management and the population on terms of satisfaction, aimed at

increasing profitability and improvement quality of life. From the point of view of the enterprise, social responsibility is characterized by the goals of production, which are useful for the country, lead to economic development and profitability to protect the environment and increase the welfare of workers and society in general.

In contrast to T. I. Lunkina defines that corporate social responsibility (CSR) is "voluntary activity of companies of the private and public sectors, aimed at compliance high standards of operational and production activities, social standards and quality of work with personnel, minimization of harmful impact on the environment etc., with the aim of equalizing existing economic and social disparities, creating trusting relationships between business, society and the state." She notes that CSR affects competitiveness campaign (Lunkina T. I., 2016)

In addition, as noted by N. S. Krasnokutskaya, corporate social responsibility is related with the theory of conscious capitalism, the main core of which is not profit maximization, but "utility of specific business stakeholders (suppliers, buyers, competitors, personnel, public organizations, etc.), which leads to to "a positive impact not only on individual companies, but and to the strengthening of the reputation of countries due to the increase in their rank in global rankings" (Krasnokutskaya N.S., 2017).

That is, the author uses the concept of CSR both at the macro level - at the level of the state, suppliers, competitors, buyers, etc., and at the micro level - at the enterprise, personnel etc. N. S. Krasnokutskaya emphasizes the importance of CSR for the formation of relations between stakeholders and the enterprise for effective business and life activities of the country as a whole (Krasnokutskaya N.S., 2017).

In our opinion, this thesis is very important for business entities, so companies must consciously build the best relationships with stakeholders, but the formation of effective internal is also important the environment and relationships formed in the process of it functioning.

Y. M. Laguta proposed the concept of "internal social responsibility", which is based on "directions implementation of internal social responsibility":

1. before shareholders (owners) and investors;
2. support and development of personnel;

3. interdependence of the economic efficiency of production and the social value of products; ecological balance of production;
4. financial support for the sustainable development of enterprises according to the basic principles of CSR;
5. the company has an approved policy and compliance with product quality standards;
6. presence of corporate style, honest advertising policy, corporate charity, sponsorship activity, high rating of the company etc. (Laguta Y. M., 2017).

In our opinion, such an approach is too broad, needs to be clarified and specified, therefore its practical use is complicated. In addition, Y. M. Laguta did not provide a clear definition of the very concept of “internal social responsibility”. Social responsibility of a separate enterprise cannot be “internal”, because an enterprise does not exist in a vacuum, it has an impact on the livelihood of the region where he works and the country as a whole (Laguta Y. M., 2017)..

Therefore, the use of the term “internal social responsibility” is not entirely accurate.

## DISCUSSION

The author’s clarification of the purpose and principles of the concept of sustainable development is that, under the condition of balanced use of the enterprise’s overall potential, which takes into account the influence of factors of the external and internal environment, the enterprise carries out development in the spheres of activity (economic, social, ecological and energy) during short- and long-term periods of time, which are consistent with the sustainable development of the regions and the country as a whole. This goal is taken as a basis.

The following principles are proposed for its implementation: compliance with international and domestic legislation (tax, labor, environmental, energy); organization of the process of production of quality products under the conditions of mutually beneficial relations with interested parties (stakeholders); full use of the total potential of the enterprise through investments in the development of production and human capital; compliance with environmental standards in the production

of products, use of secondary, alternative and non-traditional sources of energy; the use of social expectations and generally accepted ethical norms in business practices regarding personnel, residents of the region, owners, business partners; fight against corruption.

On the basis of the above, an algorithm for decision-making by the management regarding the implementation of social programs was developed. The specified list of questions is not exclusive, so it can be supplemented and improved if necessary.

As a result, the costs of the enterprise during the implementation of external social programs are reduced. It should be noted that the social responsibility of most Ukrainian enterprises has a non-systematic, situational nature. There is a low level of awareness of the expediency of including in the enterprise management strategy. To overcome the above-mentioned situation, it is necessary to solve the three-fold task of the interaction of the enterprise, the state and the environment, which must be documented.

## CONCLUSION

The article examines and provides a proper understanding of the category “Mechanism of socially responsible activity management”, which should be understood as a component of the management system, which determines the order of socially responsible activity of the enterprise through management components and characterizes it as external and internal factors. Tools for the implementation of socially responsible activities require appropriate support, consisting of the following elements: regulatory, corporate, and informational and methodological support.

The most widely used tool for regulatory and legal support of socially responsible activity can be an agreement that allows regulating the relations between state administration bodies and business and enterprise employees for the purpose of implementing labor and economic relations. The fact of signing an agreement on the socio-economic policy of the enterprise would demonstrate readiness to accept the basic principles of social responsibility, which are based on the openness of doing business, taking into account the long-term strategic interests of economic development.

During the last ten years, the concept of social responsibility of business has emerged and is actively developing. The above advantages of conducting socially responsible activities determine the need to implement an adequate complex system of information and analytical support for business management, by organizing social accounting and developing internal processes of non-financial reporting. Although the Ukrainian practice of social accounting and non-financial reporting is based on international standards, it lags far behind foreign companies in terms of the number and quality of reports. This circumstance is explained by the lack of a single regulatory and legal regulation of social accounting and non-financial reporting, the lack of development of national systematic approaches to accounting, methodological tools for compiling non-financial reporting, necessary for monitoring the results of the implementation of the concept of socially responsible business. Further scientific research will be related to the solution of the outlined problems.

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