THE CONCEPT OF CSR: DOES THE ORIGIN MATTER

(CASE STUDY OF UKRAINE)

Business research shows that corporate social responsibility is affected by the company’s country of origin and by the culture of this country. It’s mean that different countries have to have different CSR agenda. To prove or reject this fact we stated the hypotheses for the work as follows: is the concept of CSR in every country depends of local roots? The aim of this paper is to figure out if it would be wise to implement in Ukraine self-elaborated concept of CSR or it is enough to use as a base international experience. Actuality of this problem is connected with need of sustainable development of the country due to its economic and social declination. To gain the aim of the paper we analyzed the SEDA index, dimensions of national culture with specific for Ukraine according to 6-D model of national culture by Geert Hofstede, approaches to the CSR spreading paying attention to relationship between measures of CSR standing and firm profitability. We proved the fact, that Ukraine can use international CSR standards taking in account national specific.

Key words: CSR, concept of CSR, dimensions of national cultures, CSR national strategy, CSR implementation, approaches to CSR, local roots of CSR

КОНЦЕПЦІЯ КСВ: ЧИ МАЄ ЗНАЧЕННЯ ПОХОДЖЕННЯ
(КЕЙС-СТАДІ УКРАЇНА)

Бізнес-дослідження показують, що корпоративна соціальна відповідальність залежить від країни походження компанії та культури цієї країни. Це означає, що різні країни повинні мати концепції КСВ. Щоб довести або відхилити цей факт нами була висунута наступна гіпотеза: чи концепція КСВ в кожній країні залежить від місця походження компанії? Метою даного дослідження є з’ясування того, чи було б доцільно запровадити в Україні власну концепцію КСВ, чи достатньо використовувати як базу міжнародний досвід. Актуальність цієї проблеми пов’язана з необхідністю сталого розвитку країни внаслідок її економічного та соціального спаду. Для досягнення мети статті ми проаналізували індекс SEDA, виміри національної культури, специфічні для України відповідно до 6-D моделі національної культури Г. Хофстеда, підходи до розповсюдження КСВ, звертаючи увагу на зв’язок між показниками стану КСВ та рентабельністю компанії. Ми довели той факт, що Україна може використовувати міжнародні стандарти КСВ з урахуванням національних особливостей.

Ключові слова: КСВ, концепція КСВ, виміри національних культур, національна стратегія КСВ, впровадження КСВ, підходи до КСВ, місцеві корені КСВ

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Formulation of the problem. Business research shows that corporate social responsibility (CSR) is affected by the company’s country of origin and by the culture of their country of origin. For instance some works state [4] that socially responsible companies depend on companies located in countries such as Germany, Japan and most Nordic nations are more likely to practice CSR and sustainability initiatives than are companies in the France or India, for instance. So, it’s mean that different countries have to have different CSR agenda. To prove or reject this fact we stated the hypotheses for the work as follows: is the concept of CSR in every country depends of local roots?

Let’s discuss the hypotheses. The hypotheses say, that in a case it is right then the development of CSR have to have its own way. It will not depend on other countries and nationalities. In a case it is wrong, then for promotion CSR strategy of the company have not to find its own way, but just follow international experience.

Analysis of recent research and publications. The expansive literature on CSR contains numerous definitions of the construct. In addition to numerous definitions of CSR, there are many terms for the same construct. The most common term used in addition to corporate social responsibility is “corporate sustainability” that focuses on long-run shareholder value by incorporating principles in nine areas: ethics, governance, transparency, business relationships, financial return, community involvement, value of products and services, employment practices, and environmental protection [9, p. 22].

Decades of research on global CSR have shown that it vary significantly across countries. That is why there are the main approaches to CSR are slightly very across the countries and can be weaker or stronger from country to country. Ioannis Ioannou and George Serafeim [12] have argued for the importance of political institutions as potential drivers of CSR and identify two fundamental
institutional drivers in theoretical analysis: the level of corruption in the country, and the overarching ideological stigma of its government. In countries with higher levels of corruption is lower levels of CSR whereas the effect of a leftist government is ambiguous, depending on whether the collective social expectations or the increased governmental taxation effect dominates.

Labour market institutions essentially act as a mechanism of structural truce in the greater economy, balancing out the power of the corporation and the power of the employees to influence strategy at the level of the firm in general, and to influence socially responsible behavior in particular, stated Ioannis Ioannou and George Serafeim [12]. In countries with a high degree of union power, firms will perform better on the social and environmental scores since powerful unions may push for more benefits for employees, perhaps more attention to employee health and safety provisions, more workplace amenities, possibly more socially responsible policies for local communities from which the labor force may originate, and they may even increase overall awareness of the firm’s environmental policies to audiences outside the firm itself.

Consistent with cross-national variation in governance arrangements, a number of studies show that country characteristics have a significant impact on country level measures of governance. Past research has shown the influence of the political environment, the legal environment, press diffusion and cultural heritage on corporate governance. Moreover, they show that most of the firm-level variation in corporate governance is explained by country characteristics. So, CSR is strongly influenced by cultural and socio-economic environments [1, 14]. CSR practices typically relate to a country’s national business system that includes political and legal systems, political institutions, market, competition and cultural orientation [12]. That is why most investigations of CSR focusing on the standard set of national business system examined in other studies [12]. The question “what
are the conditions under which corporations are more likely to engage in socially responsible behavior?” is still open.

A common denominator across these studies is that informal institutions such as national cultures have an important effect on organizations’ CSR practices. This is not surprising, as cultures are persistent and uniformly affect different aspects of organization behavior (e.g., adoption, engagement, and compliance) [11], compare with more context-specific regulations and rules. For instance M. Keith Chen [5] argues that the language spoken by corporate decision makers influences their firms’ social responsibility and sustainability practices. Linguists suggest that obligatory future-time-reference (FTR) in a language reduces the psychological importance of the future. Prior research has shown that speakers of strong FTR languages (such as English, French, and Spanish) exhibit less future-oriented behavior [5]. So, the companies in countries with strong future-time reference languages as the official working language have lower CSR performance. However multilingual communication, whether between headquarters and subsidiaries or among subsidiaries across different countries, will affect many activities, such as knowledge transfer, merger integration, global value chain insource/outsource, and global teams cooperation [25]. All these will reduce the importance of the use of a single language and weaken the pure negative effects of language FTR on CSR.

**Setting objectives.** The aim of this paper is to figure out if it would be wise to implement in Ukraine self-elaborated concept of CSR taking in account national specific or it is enough to use as a base international experience.

Actuality of this problem is connected with need of sustainable development of the country due to its economic and social declination.

**The main material research.**

**CSR in Ukraine**
Ukraine joined the Global Compact in April 2006 and reached more than 140 organizations. Up to 2010 Ukrainian universities were able to introduce a separate discipline “Corporate Social Responsibility” in the curriculum areas of “Economics and Business” and “Management and Administration”: Ministry of Education and Science of Ukraine adopted the appropriate program.

We should note that at the end of 2007, Ukraine joined the development of the international standard ISO 26000 “Guidance on social responsibility”. In the spring of 2010 this standard was adopted by the international community. However it is optional and the authorities cannot force companies to follow it.

**Ukrainian national culture and CSR**

A growing body of research has considered CSR as a part of organizational behavior and empirically tested cultural influences on CSR using the Hofstede cultural dimensions. Dimensions of national Ukrainian culture are in the table 1.

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<th>Title of dimension</th>
<th>Explaining of dimension</th>
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<td>1</td>
<td>Individualism vs collectivism</td>
<td>The degree to which individuals are integrated into groups”. The fundamental issue addressed by this dimension is the degree of interdependence a society maintains among its members. It has to do with whether people’s self-image is defined in terms of “I” or “We”. In Individualist societies people are supposed to look after themselves and their direct family only. In Collectivist societies people belong to ‘in groups’ that take care of them in exchange for loyalty.</td>
<td>Ukraine, with a score of 25 is an Individualistic society. If Ukrainians plan to go out with their friends they would literally say “We with friends” instead of “I and my friends”. Family, friends and not seldom the neighborhood are extremely important to get along with everyday life’s challenges. Relationships are crucial in obtaining information, getting introduced or successful negotiations. They need to be personal, authentic and trustful before one can focus on tasks and build on a careful to the recipient, rather implicit communication style.</td>
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<td>3</td>
<td>Uncertainty avoidance index</td>
<td>the dimension has to do with the way that a society deals with the fact that the future can never be known: should we try to control the future or just let it happen? This ambiguity brings with it anxiety and different cultures have learnt to deal with this anxiety in different ways.</td>
<td>Scoring 95 Ukrainians feel very much threatened by ambiguous situations. Presentations are either not prepared, e.g. when negotiations are being started and the focus is on the relationship building, or extremely detailed and well prepared. Also detailed planning and briefing is very common. Ukrainians prefer to have context and background information. As long as Ukrainians interact with people considered to be strangers they appear very formal and distant. At the same time formality is used as a sign of respect.</td>
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<td>4</td>
<td>Long-term orientation (LTO) vs. short term orientation</td>
<td>This dimension describes how people in the past as well as today relate to the fact that so much that happens around us cannot be explained. In societies with a normative orientation, most people have a strong desire to explain as much as possible. In societies with a pragmatic orientation most people don’t have a need to explain everything, as they believe that it is impossible to understand fully the complexity of life. The challenge is not to know the truth but to live a virtuous life.</td>
<td>With a moderately score of 55, Ukraine is seen to not express a clear preference on this dimension.</td>
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<td>6</td>
<td>Indulgence versus restraint (IVR)</td>
<td>One challenge that confronts humanity, now and in the past, is the degree to which little children are socialized. Without socialization we do not become “human”. This dimension is defined as the extent to which people try to control their desires and impulses, based on the way they were raised. Relatively weak control is called</td>
<td>The Restrained nature of Ukrainian culture is easily visible through its very low score of 18 on this dimension. Societies with a low score in this dimension have a tendency to cynicism and pessimism. Also, in contrast to Indulgent societies, Restrained societies do not put much emphasis on leisure time and control the gratification of their desires. People with this orientation have the perception that their actions are</td>
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<td>“indulgence” and relatively strong control is called “restraint”. Cultures can, therefore, be described as indulgent or restrained.</td>
<td>Restrained by social norms and feel that indulging themselves is somewhat wrong.</td>
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Source: based on 6-D model of national culture by Geert Hofstede [17]

As we can see Ukrainian dimensions of national culture have their own specific that can leads to the national specific of CSR: midterm CSR strategy, interaction with local community, providing CSR activity due to the moral principles of people.

Focus on the CSR approaches adds considerable insight into understanding international variation in CSR practices and their cultural roots. At first we will investigate the reasons of spreading CSR.

1. Global development of CSR standardization. The global CSR literature suggests that the social responsibilities of corporations reflect the historically determined institutions in the world. Furthermore, recent studies also argue that the spread of CSR globally is driven by isomorphic forces as firms and countries seek to gain institutional legitimacy [14]. As business has globalized over the past decade, there has been increasing pressure on companies around the world to join in the global movement for corporate social responsibility [12].

2. Long-term oriented vision. The classic literature in business and society asserted that while CSR might entail short-term costs, it paid off for the firm in the long run [8, 25]. The scholars argued that firms would benefit from greater social legitimacy with less government regulation, and that a better society was simply good for long-term profitability. Strategic CSR concepts origins traced back to Baron [2], who coined the term to refer to a profit-maximizing corporate strategy that can be regarded as socially responsible. Firm performance is expected to be
positively related to strategic CSR, however negatively related to other forms of CSR, since they would increase the cost of the firm [2]. Our data analysis states Belu and Manescu [3] did not find evidence for a positive association between our strategic CSR measure and profitability; rather, a neutral association. The effects of strategic CSR on a firm’s economic performance can become true through consumers reward, employee and supplier reward, and investor reward due to the fact that stakeholders value the CSR that the firm provides. Siegal and Vitaliano [22] also performed and proved an empirical investigation concerning the determinants of strategic CSR and also reported evidence of economic benefits derived from strategic CSR.

3. Altruistic intentions. Firms simply believe their CSR efforts are part and parcel of being a good global citizen stated Geoffrey B. Sprinkle, Laureen A. Maines [10] and put it like the reasons why firms are engaged in CSR.

4. Potential contracting benefits. Firms are providing employees the opportunity to take significant amounts of paid time off to volunteer for social events and state that this program helps to attract valuable talent staff. Staff are seeking meaning at work that is why increased employee motivation is a key driver of corporate responsibility.

5. Customer-related motivations. Such efforts also may help luxury goods companies reinvent their images; toward an understanding of how luxury products might even be better for the environment because they last longer.

6. Reductions in production costs. For example, reducing transportation costs from a CSR perspective means saving of materials and fuel. Energy conservation also is an area in which companies report significant operating costs savings.
7. Integral part of a company's risk management efforts. CSR may reduce the likelihood of untoward incidents occurring, which reduces the chances of lawsuits and damage to the firm's reputation.

9. Value Creation. The ultimate measure of strategic benefits from CSR activities is the value they create for the firm. Value creation refers to the economic benefits that the firm expects to receive. Given that the fundamental goal for a company is to maximize its value, according to M. Friedman, it has become important considerations for companies to invest in CSR activities, which concurrently can maximize firms’ value and profitability.

All these approaches do not touch the national cultural dimensions of Ukraine. However, to use international CSR standards for national specific we need the national CSR strategy. If companies follow a global CSR strategy and are able to transmit these practices effectively to their foreign subsidiaries, then they have the potential to function as mechanisms for harmonization of CSR standards internationally. If, on the other hand, companies value endogenous CSR development at the subsidiary level through dialogue with local stakeholders and responsiveness to local institutions, the potential exists for a truly CSR strategy. The risk of such a local strategy is that increases the complexities of managing that requires a considerable degree of coordination and control. At the same time, increasing internationalization means that firms are faced with a wider range of potentially conflicting stakeholders. This greatly increases complexities because the same stakeholder category can be very different from one country to another. This means that a truly locally responsive CSR approach based on extensive subsidiary autonomy in host countries entails a considerable number of risks. The company’s CSR strategy may be fragmented and inconsistent, leading to tensions within the organization, a lack of clear responsibility and to approaches that only live up to minimum host-country requirement levels. Consequently there has been a shift
towards an “integrated” perspective, particularly in the literature on environmental management, by which a firm characterized by a high degree of headquarter control over its foreign subsidiaries would have more ease in disseminating strategy to those subsidiaries [6]. Since corporate strategy is very much defined by the home-country context this implies that for diffusion CSR practices would be more centralized. In this case dimensions will show up the expectancy of the country both from national and international companies and will not allow to reduce the standards of CSR. As stated Alan Muller [16], when the local context is in a country with lower CSR standards, there is a risk that decentralization will lead subsidiaries to target those lower standards rather than the higher standards expected in their home countries. Existence of such dimensions will lead to the higher CSR performance.

The expectation of the firms and county from the CSR seems clear, but not obvious. Since Friedman (1962) provided arguments regarding the CSR issue on firm performance, many researchers have explored and advanced the issue, but the findings have been inconsistent. These studies can be categorized into four groups based on the different results about the relationship between CSR and firm performance: positive, negative, simultaneous, and no relationship. Each of these four groups is discussed further.

The first group has found the positive relationship between CSR and financial performance. The positive relationship supports social impact theory [7], rooted from Freeman's stakeholder theory. Social impact theory states that CSR activities help companies create better brand images not only for customers but also for business partners and prospective employees (non-owner stakeholders), resulting in improved employee retention and relationships with government entities. This group includes also studies devoted to relation between CSR and
financial measures such as return on equity (ROE), return on assets (ROA), return on capital employed (ROCE), and the ratio of gross profit to sales (GPS).

Other groups of researchers have found negative or no relationship between CSR and financial performance, supporting Friedman's trade-off theory which purports that companies must use all resources of their core businesses to maximize profitability and must not be deterred by anything including CSR activities. Some researchers have also found no particular relationship between CSR and financial performance. These researchers argued that there may be too many confounding factors when examining a direct relationship between CSR and financial performance. McWilliams and Siegel [15] supported the same vein of argument by finding that the positive impact of CSR disappears at the point of introducing research and development expenditures.

Though many researchers have focused on the CSR impacts on firm performance, some researchers examined the simultaneity of the relationship, which Salzmann et al. [21] referred to as synergy theory. According to him there exists two contentions regarding synergy theory: positive or negative. Waddock and Graves [24] argued for a positive synergy theory based on the social impact theory (positive CSR impacts on performance) and the slack resources theory which states that the better firm performance enables companies to invest more in CSR activities. On the other hand, Preston and O’Bannon [20] argued for a negative synergy theory, because managers decrease CSR activities to maximize their personal compensation when the firm performance is good (managerial opportunism theory), which simultaneously results in a negative impact of CSR on financial performance (trade-off theory).

Cristiana Manescu [13] emphasizes that most empirical studies in the area of the relationship between measures of CSR standing and firm profitability make no statements on the linear or non-linear nature of it. In fact there is no economic
reason to suppose a linear relation between the CSR variables and performance. It is in fact very likely that economic performance dependency on CSR is strongly non-linear. The assumption of linearity has no real economic base and is commonly made for statistical convenience.

The relation between CSR standing and market-based financial performance can hence be expected to fluctuate possibly only due to information availability issues. We present the mostly common used criterions to see the CSR influence on the profitability (fig. 1)

![Diagram showing the relation between CSR and profitability]

**Figure 1. The common used criterions to prove the CSR influence on the profitability**

*Source: own elaboration.*

As far as empirical results on the relation between corporate responsible practices and profitability do not allow for a clear, strong conclusion we can say that the classic literature in business and society asserted that while CSR might entail short-term costs, it paid off for the firm in the long run. As a result better society is simply good for long-term profitability. By better society we mean not wealth but well-being.

According to the rating of the Global Competitiveness 2017-2018 (The Global Competitiveness Index, GCI) of the World Economic Forum (WEF), which includes an assessment according to 12 criteria, Ukraine ranked 81 place among

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137 countries [19]. Ukraine's neighbors in the global competitiveness rankings were Trinidad, Tobago, Namibia, Guatemala. The annual Global Competitiveness Index (World Competitiveness Yearbook 2011) Management Development Institute of the Swiss Business School (IMD) assigns Ukraine 60th place among 63 countries. That is one place lower compare with a last year [18].

Ukrainian GDP per capita is 2194,4 U.S. dollars, while GDP is 93.3 US$ billions that is 0,29 % of the world one [19]. As far as GDP alone cannot give a full picture of a country’s well-being. The Boston Consulting Group’s Sustainable Economic Development Assessment (SEDA) is a tool designed for diagnosis and comparative the level countries convert economic development and wealth to the welfare of citizens to estimate the main components of well-being. SEDA use ten dimensions of socio-economic development through three fundamental elements: 1) economics (income, economic stability and employment); 2) investments (health, education and infrastructure); 4) sustainability (income equality, civil society, governance and environment).

SEDA assess the development in three time horizons: the current level of wealth, the recent progress (last five years) and long-term sustainability. It shows the relative efficiency of the country's GDP in translation and GDP growth in the welfare of its people. Ukraine current SEDA level score is 50.2 among 162 analyzed countries. The ratio of wealth to the well-being of Ukraine is 1.4, so well-being is 40% higher than expected according to the GDP, which suggests BCG attributed it to a number of the most effective.

Companies that clearly link employee remuneration to performance on social and environmental issues send a strong signal to employees, investors and other stakeholders that they are serious about CSR performance and ensuring the long term viability of the company.
Conclusion. The main results of the work are following. We argue that CSR development in Ukraine is based partly on charity and partly on global problems. As far as Ukraine has its own specific national culture, it leads to the specific features of national CSR. Research of different approaches to CSR highlighted, that they are typical for different countries. That allows us reject the hypotheses, which stated, that approaches to CSR depend on local roots in every country. We also proved the fact, that Ukraine can use international CSR standards taking in account national specific.

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