Corporate Governance and Corporate Social Responsibility Model in Multinational Corporations

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Abstract: The article explores the relationship between corporate governance and corporate social responsibility. The corporate social responsibility model has emerged strongly as a policy popular with many US and Western European corporations. German multinationals practices prove a more positive public image, enhances profitability model, and shows the benefits of corporate investments in the society. The aim of article is to review the factors affecting on the development of corporate social responsibility and proposes the adjustment measures to encourage the adoption of corporate social responsibility practices in Ukraine. This paper makes an attempt to review the literature addressing corporate governance and corporate social responsibility, and the roles of various institutions, including media, NGOs, and mechanisms.

Keywords: Corporate governance, corporate social responsibility, profitability model, multinational corporations

Paper type: Literature review

1. Introduction

In world practice of the concept of corporate socially responsible business has become synonymous with the concept of an effective and transparent business with sustainability effects. Economic growth, social progress and high living standards as strategic goals of social development are associated with the processes of providing comprehensive CSR, which considered being an essential component of the concept of sustainable development not only in the business world, but also in humanity as a whole. CSR means the ability of an organization or enterprise to evaluate the consequences of their actions for sustainable social development.

The concept of CSR started in 60th century as a philanthropic activity directed at solving socially important issues. With the development of society a further redefining of the concept took place for a strategic philanthropy, linking to the solution of social problems with the strategic objectives, and later it transferred to social projects or social investments. Its notion is transformed into strategic goals; which apply in the ideology of social investments and meet the long-term interests of all stakeholders.
The aim of article is to review the factors affecting on the development of corporate social responsibility (CSR) and proposes the adjustment measures to encourage the adoption of CSR practices in Ukraine. German multinationals proves a more positive public image, enhances profitability model, and shows the benefits of corporate investments in the society.

The need to integrate environmental, ethical, human rights and consumer concerns into their business operations and core strategy in close collaboration with their stakeholders is the goal for promoting CSR in Ukrainian companies. The corporate socially responsible institutions development can be used to address critical economic, social and environmental issues, and to act in favor of the development of the national economy. Ukraine today has set a goal to form a qualitatively new institutional environment that will promote entrepreneurial activity and economic growth based on structural reforms and innovations’ application.

2. Literature Review

Literature review makes it possible to analyze the relationship between corporate governance and CSR, and suggests adjustment measures for CSR improvement in Ukraine. The rules of Corporate Governance and CSR have many interactions. The rules of the Corporate Governance (CG) have today often the condition of law. In Germany are these rules part of the statute-book of stock-companies (Aktiengesetz) with validity for companies listed on the stock exchange. The influence is more and beyond this legal form for companies. Other companies – especially with international activities – do orient them on this regulatory framework for the management and monitoring. Companies listed on the stock exchange give statements about the corporate governance at the annual report.

The rules of CSR are directives given by the management of a company for the company. CSR is the compliance with laws and regulations, observing (external) standards and (internal) values, action instructions and guidelines and designing management and control structures. All interests of every group of stakeholders are considered and the sustainability and transparency are the main topics of today.

The research method used in this study will consist of a critical review of the scholarly and refereed literature and will be based on the use of comparative economic analysis models of corporate governance and CSR. The study of the large amount of literature sources shows the various research methods of corporate governance and CSR application demonstrates the existence of an ambiguous understanding of the interrelationship and interdependence between these categories. Heal and Garret (2004) apply financial indices analysis for CSR estimation. The authors define the role of policies under CSR as a prediction and minimizing distribution conflicts between corporations and society. They include a compensation list of the benefits that commentators have linked to CSR programs the following: reducing risk; reduced waste; improving relations with regulators; generating brand equity; improved human relations and employee productivity; lower cost of capital (Heal and Garret, 2004).

Aguilera, Williams, Conley, Rupp (2006) explore differences between institutional investors in the UK and the US concerning CSR, and draw on a model of instrumental, relational and moral motives to explore why institutional investors in the UK are becoming concerned with firms’ social and environmental actions.

Soellner (2014) considers an application of a sequenced approach of education, sanction, and institutional building. The author specifies the role of the self-enforcing mechanism of learning, the implementation and enforcement of values which results in a responsible behavior, and the process of shaping and enforcing an institutional environment. The impact of multinational corporations defines the function for future prediction development as an investment in social order and future cooperation.

The Majority of East European countries have adopted a national code of best practice for corporate governance. It defines the strict rules for listing the companies’ shares on a stock market, clarify the powers of shareholders and supervisory boards, and to makes signals for any financial changes to foreign investors. Bebchuk et al. (2009) consider which provisions, among a set of twenty-four governance provisions followed by the Investor Responsibility Research Center (IRRC), are correlated
with firm value and stockholder returns. Berndt (2012) traces the network effects of system based on corporate law, securities law, and the capital markets.

The example of the “best practices” of corporate governance could be seen from comparison of possible two strategies of the Northern Russia Electric Company (NREC) to entice the parent to raise more capital for the company or to develop a plan with the minority shareholders to raise more capital demonstrates that the predominance received the first, where it sold some of its shares in NREC to foreign investors in order to obtain foreign exchange to invest abroad and to acquire suppliers of high-technology equipment (Gillies, 2006).

Over the past 20 years, managers enhance the use of tools for developing reputations techniques in order to study the influence of interest groups in the company, and mechanism, how to manage relationships with them. Some experts believe that the division of corporate communications with the advertising world and PR transfer today market leaders to those organizations that pursue policies of a single system of communication with all interested groups. The analysis of table 1 demonstrates the literature review of the basic approaches to corporate governance system indicated in the article.

Table 1. Basic approaches to corporate governance system

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<tr>
<th>№</th>
<th>Authors</th>
<th>Theory</th>
<th>Application</th>
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Callaghan (2007) asserts that differences in the dispersion of corporate ownership can help explain why party positions on corporate governance vary across countries and over time. The author states that party positions depend on the relative size of the insider and outsider constituencies, which in turn depends on countries’ prevailing structure of corporate ownership.

Aguilera et al. (2000) emphasize two divergent hybrids of the neo-liberal economic model and the neo-corporatist model, where the first model defines more centralized and concentrated financial systems based on financial market regulation which is designed to correct market failures and facilitate market process, strong emphasis on transparency and disclosure rules. The neo-corporatist model considers the existence of legalistic regulation which structures institutional frameworks for private interest bargaining, marginal power and importance of shareholder interests, corporation responsibility for stakeholder employees, takes into account an institutional setting which are mediated by firm and labour market structures. The distinctive feature of statist model distinguishes is highly centralized and concentrated bank-dominated financial systems, existence of more mandatory rules than in previous models, strong impact of informal regulatory and inter-firm relationships on corporate structures. Authors suggest that national political institutions remain powerful and distinctive determinants of
political economic adjustment. It covers the assumptions that underlie theories of corporate governance and the expected outcomes of various board structures and compositions.

The proponents of the neoclassical approach emphasize stakeholder theory, the theory of corporate internal control, the theory of agents costs and etc., and argue that the term corporate governance is typically defined more narrowly, as the processes of supervision and control ‘intended to ensure that the company’s management acts in accordance with the interests of the shareholders.’ (Tore, 2002). Neoclassical theorists highlight the obligation of the company to maximize the return on investment of their shareholders. The stakeholder theory assumes that corporate executives are responsible to stockholders, and it also maintains that there are other groups that are directly affected by the conduct of the company. Companies that invest too heavily in social responsible activities may jeopardize their profitability, thereby failing their shareholders; likewise, to the extent that such companies fail to engage in such social responsible activities at all, or only in superficial ways, may threaten their company’s survival by driving customers and potential customers away. Arias and Petterson (2009) concludes that a careful balance of the neoclassical and stakeholder approach to doing business in the international market place is required today. Cheng et al. (2016) argue that stakeholder engagement based on mutual trust and cooperation reduces potential agency costs by pushing managers to adopt a long-term rather than a short-term orientation. Superior stakeholder engagement enhances the revenue or profit generating potential of the firm through the higher quality of relationships with customers, business partners and among employees. Firms with better CSR performance are more likely to publicly disclose their CSR activities, and consequently become more transparent and accountable. Higher levels of transparency reduce informational asymmetries between the firm and investors, thus mitigating perceived risk. The post neoclassical views, however, show that stakeholders’ incentives can play a significant role on the mix of debt and equity used in financing the firm's assets, and on its capital investment decisions. Thereby corporate executives can add value to the firm and affect distribution of wealth between common stockholders and bondholders (Malek, 2004).

The impact of global financial crisis affects corporate governance and banks as executive directors, remuneration and bankers’ bonuses, board composition and board diversity. CSR in multinational companies hence requires the identification of global and local stakeholder groups and an understanding of their concerns and the cultural context shaping their expectations (Bustamante, 2011).

Lyman and Johnson (1988) argue that investor interests truly are paramount and their well-being the proper end of corporate endeavor. They consider that to justify defensive measures as free of management self-interest and as being in the best interest of the corporation simply is irrelevant. The management's takeover can be evaluated exclusively in terms of its responsiveness to shareholder preferences, and its efficacy in maximizing investor opportunities to obtain the immediate economic benefits of takeover contests.

The interdependence of corporate governance and CSR could be seen in legal application of G20/OECD Principles of Corporate Governance and European Commission regulations on CSR. The European Commission considers social responsibility (CSR) as part of a contribution to the sustainable development strategy and European economic growth and employment, as CSR contributes to a variety of purposes, including social cohesion, economic competitiveness and a more sustainable use of natural resources. The Commission puts forward a new definition of CSR as “the responsibility of enterprises for their impacts on society”, where enterprises aim to maximize the creation of shared value for their owners/shareholders and for their other stakeholders and society at large; identify, prevent and mitigate their possible adverse impacts (European Commission, 2011).

Market actors require compliance with the basic principles of CSR: trust, social justice, openness, and transparency. Majority of companies try to perceive the philosophy of thinking about the wellbeing of society, its prosperity, and participate in environmental problems solution. Company pursues a policy of constant and deliberate social activity. CSR strategy is considered to be consistent, and really feasible. All projects are subject to the general purpose and mainstream of business ideas. Griffin and Prakash (2014) suggest that there is not necessary one “best” way to give evidence of managing
responsibly, but there are many ways to manage responsibly; some ways are better than others, depending on leadership, competitive, and contextual conditions that include issues, industries, and nation-states.

In deciding on the adoption of CSR of the company is not only important to identify the most significant social needs of stakeholders, but also to analyze their feasibility, to provide cost benefits analysis of company, estimate potential benefits of social investment for society. At this stage management explores the possibility of joining efforts in the implementation of various social projects with other companies or nonprofit organizations.

Numerous violations of legal (formal and informal) rules between companies and society, corporations and their shareholders in the world rise to intense viewing not only use, but also the reassessment of the fundamental principles of the relationship between power holders (shareholders), management holders (managers), the R&D owners (technological staff) and the employees (workers). Jain (2015) points out that it appears that U.S. and Indian firms are more prone to greenwash their image in comparison with their German counterparts.

Arias and Patterson (2009) points out two different aims for company’s management, on the one hand, that they manage the enterprise’s affairs in a responsible way that ensures the long-term survival of the company; and, on the other hand, the same managers are being confronted by a wide range of external forces over which they have little or no control, but which must be taken into account in formulating strategic business plans. The most important issue according to the authors view is to emphasize the need to balance these needs while in many cases it is to be a highly elusive moving target.

Witt and Jackson (2016) hypothesize that certain combinations of liberal market and coordinated logics across two or more institutional domains may enable institutional comparative advantage by compensating for institutional weaknesses inherent in “pure” configurations. Liberal corporate governance may provide an important external monitoring of strongly coordinated and otherwise insider-oriented governance institutions. This view explains the potential for “beneficial constraints” based on institutional arrangements with conflicting logics.

Corporations, having strategy based on successful operation of the market, cannot ignore the role of CSR actions. Instead they are trying to create for themselves the image of socially responsible businesses. CSR is what that companies are trying to meet the expectations of society providing needs for products or services, which form a high technical standard, and contributing thus for improving the quality of living standards in the country.

Höpner (2003) points out the problem of institutional complementarity via theoretical analysis of different models of capitalism. The theories differ with respect to the degree to which they emphasize the coherent organization of subsystems of the political economy, such as the skill formation system, the industrial relations system and the corporate governance system.

The bulk of the available evidence from scientific literature sources suggests that most firms view social responsible actions in the same way that they view more traditional business activities. Reinhardt et al. (2008) stress that instead of altruistically sacrificing profits, they engage in more limited - but more profitable – set of socially beneficial activities that contributes to their financial goals. Authors consider that CSR should be viewed as a complement to, rather than a substitute for, increasingly effective government regulation.

Bloomfield (2013) argues that the term “CSR” is applied as a substitute term for describing the company’s response to the legitimate expectations of stakeholders which means greater distinction between the two aspects of governance – inward facing and outward facing. CSR deals with ethical treating the stakeholders of the firm and respecting their needs. Socially responsible behavior increases the human development of stakeholders both within and outside the corporation. Sjoestrand (2016) describes and analyses the key nature-based and actor – based forces that ultimately determine corporate governance processes and long-term corporate paths.
Some scientists consider that the corporate governance and CSR relationship can be interpreted by abandoning the standard view of the firm as a shareholder value maximizer and embracing the view of a firm as a stakeholder value maximizer. This convergence paves the way for corporate governance to be driven by ethical norms and the need for accountability, and it enables CSR to adapt prevailing business practices. At present time both corporate governance and CSR focus on ethical practices in business and the responsiveness of an organization to its stakeholders and the environment in which it operates.

The study of the corporate governance and CSR interdependence reflects the various stakeholders’ views on organization and management, on the company’s portfolio, ethical norms, the possibilities and attractiveness, and effects on other forces. The research indicates complementary relationship between categories through reflection of all stakeholders’ interests, provide balance between major groups and social institutions involved in market interaction, and promote the constructive development. The analysis demonstrates different models of corporate governance application which explain needs to apply certain institutional arrangements, enabling shareholders to play a more active role in CSR, and resulting in more sustainable companies’ development.

3. Features and Peculiarities of Corporate Social Responsibility Model in Ukraine

The concept of CSR is quiet new for Ukrainian business. In Ukraine an example of successful implementation of CSR standards by companies could be seen via substantial increases of their contribution to the sustainable development of the society, including all economic, social and environmental aspects of the company activities.

Ukrainian companies manage to achieve the basic goals via taking part in various socially oriented projects and programs: to increase investment attractiveness, to be included and involved in global network, and to improve the quality of corporate culture within the company. Corporations independently determine the extent of their contribution to public participation in the projects and programs involving CSR.

The critical analysis of literature sources and analytical reports provide the basis for highlighting differences of CSR model in Germany and in Ukraine, and to define adjustment measures (See Table 2).

<table>
<thead>
<tr>
<th>No</th>
<th>Title</th>
<th>CSR Model in Germany</th>
<th>CSR Model in Ukraine</th>
<th>Adjustment measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Global aim</td>
<td>- Improvement of the well-being of society and the sustainable development</td>
<td>- Improvement of the well-being of society and the sustainable development</td>
<td>Focus on social values of society</td>
</tr>
<tr>
<td>2.</td>
<td>Tasks</td>
<td>- Community development&lt;br&gt;- Improving the environmental conditions&lt;br&gt;- Staff development&lt;br&gt;- Technological improvement of the economy</td>
<td>- Investment attraction&lt;br&gt;- Companies’ inclusion in the global network&lt;br&gt;- Improvement of the quality of corporate governance</td>
<td>- Civil society formation with formal and informal rules and regulations&lt;br&gt;- Application of standards of corporate ethics&lt;br&gt;- Investment in personal development</td>
</tr>
<tr>
<td>3.</td>
<td>Motivation</td>
<td>- Moral values&lt;br&gt;- The creation of public goods&lt;br&gt;- The preservation and environmental care&lt;br&gt;- Economic business tradition</td>
<td>- Moral duties&lt;br&gt;- Authorities’ appeals&lt;br&gt;- Positive experience copying of competitors’ actions and activities</td>
<td>- Priorities changing towards social projects and public goods&lt;br&gt;- Formation of common moral values in society</td>
</tr>
</tbody>
</table>
4. **Factors which influence the social projects implementation**
   - Social
   - Cultural
   - Economical
   - Ecological
   - The growth of corporate earnings
   - Threats to the environment safety of the society
   - Audit of cultural and social environment of the society

5. **Legal and economic mechanism of projects implementation**
   - UN Global Compact
   - Multilateral Forum on CSR in the EU and OECD
   - German Sustainability Code
   - Code of corporate ethics
   - Tax code
   - Civil code
   - State institutions at national, regional and local levels
   - Adjustment of national legislation with norms and rules of international legislation for CSR

6. **Practical application**
   - Social investment
   - Social partnership programs
   - Corporate communications
   - Social investment
   - Social projects
   - Social partnership
   - Expansion of the scope of the implementation of socially-oriented projects

7. **Forms of stimulating activities**
   - Social acknowledgement
   - Tax incentives
   - Tax incentives and privileges
   - Additional business contacts and etc.
   - Expansion of various forms for social acknowledgement of company’s and employees achievements in CSR activities
   - Reorientation on the business company’s criteria, including goodwill, brand value, investment attractiveness, competitive advantages

7. **The results of the implementation of CSR programs**
   - Increased brand value, reputation
   - Additional investment attractiveness of the company
   - Competitive advantages
   - Goodwill improvement
   - Gaining competitive advantages
   - Financial indicators improvement
   - Sustainable development
   - The adoption at the state level regulations, stimulating corporate activities towards the development of CSR.

8. **The role of the state**
   - The active intervention of the state - the provision of social benefits, taking into account the interests of all stakeholders
   - An absence of state policy in the field of CSR
   - An absence of the concept of public goods in favor of all stakeholders interests
   - Change of CSR priorities and expansion of the scope of corporate activities from local to national level

9. **Results**
   - Welfare of society improvement as a whole
   - Company's image improvement
   - Increase of individual groups of citizens well-being

Having a strategy based on market operations, corporations are trying to create for themselves the image of socially responsible businesses. CSR’s perception is what these companies are trying to meet the expectations of the society, providing needs for their products or services, which form a high technical standards, and contributing thus for improving the quality of living standards in the country. The companies conduct efforts to extend the range of educational projects in improving the quality of education in Ukraine. The necessity of CSR principles adoption explains companies’ confidence increase, which confirms their commitment in attracting, retaining qualified staff, and positive companies’ image formation. This process should be escorted by different campaigns in media. The best example is J. F. Kennedy’s speech: “Don’t ask what the society can do for you – ask yourself what you can do for your society!” (Kennedy, 1961).

The CSR started in Ukraine since launch of UN Global Compact in 2006 with support of 34 leading local and multinational companies. Social responsibility of business - is the company responsible for the impact of its activities to all people and organizations with which it faces during the normal course of business, and whole society. In order to implement best practices of CSR Ukrainian companies need to explore business environment, current legislation framework, public authorities’ attitude to social projects etc.

The necessity of integration of environmental, ethical, human rights and consumer approaches defines core company strategy in close collaboration with stakeholders’ interests, and coordinate its behavior for CSR promotion in Ukraine. The basic forms of business operations of CSR include investment projects in environmental protection, sustainable development, human capital development, and improving the company's reputation. Company’s motives for social projects participation are moral duties, authorities’ appeals, copying of positive experience of competitors' actions and activities.

In Ukraine in 2005, researchers found no dependence awareness of social responsibility on the size enterprises (small enterprises - 78.1%, average - 78.5%, large - 79.2%) in 2010 observed a direct correlation - the more company, the higher the level of awareness (See table 3).

Table 3. Awareness of social responsibility of enterprises in terms of their size in Ukraine, % (N = 600)

<table>
<thead>
<tr>
<th>Total</th>
<th>More than 500 people</th>
<th>From 251 to 500 people</th>
<th>From 50 to 250 people</th>
<th>Up to 50 people</th>
</tr>
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<tbody>
<tr>
<td>Total</td>
<td>23.7</td>
<td>1.9</td>
<td>8.2</td>
<td>13.1</td>
</tr>
<tr>
<td></td>
<td>98.1</td>
<td>91.8</td>
<td>86.9</td>
<td>75</td>
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</table>


The distinctive feature of CSR model in Ukraine points out companies’ initiatives for implementing socially significant projects through involvement of government officials, NGO’s, consumers, and stakeholders. According to the data of analytical survey in Ukraine the stimuli for CSR activity realization of the majority of Ukrainian companies consider tax exemptions (76.5%), reduction of administrative pressure (38.5%), positive examples of successful implementation of the appropriate programs, and events in the world (35%) (Analytical Report, 2011). The insufficient legal regulations, lack of knowledge, competences and experience impede CSR application in Ukrainian companies.

Aloni (2015) analyses the aims of corporative strategy of ten biggest companies in Ukraine. The author asserts that ATB-market, Fozzy Group and Megapolis - Ukraine do not have any strategy, and in DTEK declares some strategies, but does not implement. The data of Transparency International confirms the high level of corruption in Ukraine where the corruption perceptions index score was 29. The country ranked 131 among 176 countries in 2016.
The basic factors influencing the implementation of social projects in Ukraine define the growth of corporate earnings and threats to the ecological security of the society. Legal framework for CSR defines by tax code, civil code and regulatory acts. Doing business rating in Ukraine in 2015-2016 shows some improvements in the business climate rising to 16 positions and took 96 places (Doing Business, 2016). Companies take part in social investment, social projects, social partnership programs, supports entrepreneurship, education and environmental sustainability in order to build a better future. Companies apply various CSR strategies which suggest participation in environment safety projects, investment in company’s staff personal development, and comparative company's public strategy as it looks compared to other companies in the implementation of universal social values and norms. They apply various forms of stimulating company’s activities in CSR relating to tax incentives and privileges, additional business contacts etc. The assessment of results of the implementation of company’s CSR programs demonstrates the priority for reputation and financial indicators improvement, and obtaining competitive advantages.

The creation of independent expert organization of CSR Development Center in Ukraine allowed uniting the efforts of the 38 leading Ukrainian companies on the organization of charitable activities aimed at improving the welfare of the population. The Center’s mission is to provide consultancies for HR managers, training programs, including teaching corporate volunteering, studying the social return on investment etc.

Form encouraging companies investing in social development programs is the reward of CSR which is given to companies that provide assistance in the amount of $ 10,000 for the year in Ukraine. "Auchan", "International Airlines of Ukraine", “PrivatBank”, “Uria-Farm”, “DTEK”, “Interhim”, “WOG” Companies, one of the few Ukrainian agricultural holdings “AgroGeneration” etc. are honored to receive an award sign of social responsibility, assigned proactive socially responsible companies that recognize their interdependence with society, implementing social projects and allocate funds for charity. The company Nova Poshta took an active part in a number of large-scale social projects. In 2015 the project "Humanitarian Mail in Ukraine" involves more than 100 volunteer organizations and initiative groups who permanently engaged in the collection and delivery of various humanitarian aids. For more than a year and a half of the project the company has delivered more than 11000 tons of relief supplies to Ukrainian soldiers who served in the ATO zone, wounded soldiers, residents of the affected areas and internally displaced persons in the Eastern part of Ukraine.

In 2015 SE NNEGc "Energoatom" received the first place among the largest public Ukrainian companies according to the transparency index. Thus, in 2015 SE NNEGc "Energoatom" became the first public enterprise which approved the anticorruption program in accordance with the requirements of the new anti-corruption legislation. The establishment of a corruption non-acceptance system creates the new level of perception and consciousness in the company.

Analysis of disclosures about non-financial aspects in the context of macroeconomic in Ukraine shows that only 10% of the 100 largest by the net income companies prepare and publish non-financial reports. For comparison, 80% out 250 of the largest companies in developed countries and 45% of companies out of 2,200 largest companies in developing countries prepare such reports. The overall share of companies engaged in social reporting in Ukraine amounts to 11.44% of GDP (or 108,774 billion USD). Nonfinancial reporting in Ukraine is far behind other countries in its spread and has a considerable potential for development (Ignatieva, Khomenko, 2012).

The obstacles preventing an effective CSR in Ukraine relates to ineffective coordination mechanism for interactions with local authorities. It restricts implementation of personnel development and environmental protection. Shortage of available regulatory acts and positive experience for best practices for CSR application, insufficient number of specialists in CSR, the lack of comprehensive training programs in this area limits the wider use by a number of Ukrainian companies.

The concept of the public goods is not completely understood by the large part of the population which explains not significant role of the state in defining corporate strategy for social well-being. The assessment of company's activities shows that the management is often fixed and oriented on improving
the company's image, a short success, an increase of individual groups of citizens’ wellbeing, and is not enough interested in the common goals of the society. The corporate institutions development can be used to address critical economic, social and environmental issues, and in favor of achieving national interests for improvement of wellbeing of society in Ukraine.

4. Adjustment Measures for Corporate Social Responsibility in Ukraine

Based on the German companies’ experience in CSR the following adjustment measures are proposed for improving and making more effective the Ukrainian model. Global aim of CSR should be focused on social values of society. The tasks of such model are formation of a civil society with a fixed formal and informal rules and regulations, orientation on training standards of corporate ethics, and investment in human capital. Priorities of motivation social activity should be changed towards the concept of public goods, needs of society, and social projects implementation. The formation of common social values in society could create the solid base for entrepreneurial culture and economic behavior. Audit of cultural and social environment of the society will be directed to the social projects implementation. An adjustment of national legislation with norms and rules of International standards ISO 26000, UN Global Compact Multilateral Forum on CSR and EU and OECD principles of CSR, German Sustainability Code and etc., and an expansion of the scope of the implementation of socially-oriented projects in Ukraine will benefit society, provide healthy environment, resource conservation, and enhancing lives.

In order to stimulate activities in sphere of CSR the state should expand the use of various forms for social acknowledgement of company’s achievements in CSR activities: public recognition, different forms of social initiatives, and media reports. Reorientation on the business company’s criteria, including brand value, investment attractiveness, competitive advantages will results in the implementation of CSR programs in Ukrainian companies. The adoption at the state level regulations will stimulate corporate activities towards the development of CSR. Changing priorities and expansion the scope of corporate activities from local to national level will be directed to utilize the results of CSR activities at the national level in Ukraine.

Comparison of models of CSR shows that social partnership programs in Ukraine are advisory in nature, and do not provide any administrative responsibility for companies’ declaration. A characteristic feature of Ukrainian reality is the partial or incomplete implementation of the proclaimed social obligations. Especially it concerns issues of social partnership programs, projects, and greenwashing.

Some companies replace the real concept of CSR for its direct obligations, including timely payment of taxes, carrying out activities related to compliance with environmental regulations and the relevant standards of production. Most companies are faced with the problem of recruitment that means the staff deficit having entrepreneurial skills, competencies, and socially-oriented behavior.

5. Conclusions

Ukraine today has set a goal to form a qualitatively new institutional environment that will promote entrepreneurial activity and economic growth based on structural reforms and application of innovations. The research demonstrates different models of corporate governance application which explain needs to apply certain institutional arrangements, enabling shareholders to play a more active role in CSR, and resulting in more sustainable companies’ development. The adjustment measures for CSR application in Ukraine are the following:

- Expansion of various forms for social acknowledgement of company’s and employees achievements in CSR activities.
- Reorientation on the business company’s criteria, including goodwill, brand value, investment attractiveness, and competitive advantages.
The civil society formation for solution of social and environmental problems. It includes formal and informal rules definition, education, investments in human capital, and imports of absent western types of institutions.

Taking into account national cultural traditions CSR model shows the necessity of personal staff education, formation of norms for contract obligations fulfilment behavior rules, contacts, discipline, trust and etc.

The development of a corporate culture is based on the use of the moral principles of companies’ ethic code to influence business behavior. To provide the specified program adoption representing a set of effective rules of virtue, which would be directed on formation a new corporate culture in the companies.

To expand the role of institutions, including critical media and NGOs in order to prevent frauds and disclosures, and to apply effective tools for CSR greenwashing identification.

To apply the German Sustainability Code for Ukrainian companies on the basis of both nationally and internationally recognized standards which will contribute sustainability management transparency, accountability of CSR reporting.

To expand the use of incentives of moral acknowledgement inside the company which affect every stakeholder, increase the value of trademark, improve company’s reputation, and raise employees’ involvement in decision making process.

To enhance the role of the state in supporting and disseminating CSR concept, and adoption the National strategy of CSR in Ukraine.

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