EXPANDING THE BOUNDARIES OF THE ECONOMIC SECURITY OF INTERNATIONAL COMPANIES ON THE BASIS OF CORPORATE SOCIAL RESPONSIBILITY PRACTICES

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Abstract. The methodological and formative foundations for the development of the corporate social responsibility practice of international companies to ensure a sustainable level of economic security are defined in the article. It has been determined that the corporate social responsibility of international business is a systemic guideline in the development of corporate plans for market development, which are explained by the annual increase in the degree of integration of economic processes in the context of globalization, which provides for corporate transparency, social responsibility, and business efficiency. With the organizational foundations, it has been revealed that the concept of corporate social responsibility provides an opportunity to position oneself as a reliable employer and business structure, which is successfully developing and operates in accordance with international standards and requirements of the modern market. The modern directions of implementation of the practice of corporate social responsibility of international business have been substantiated, a structure for assessing the social responsibility of international business has been formed. An information map of social investment in the international business environment has been developed. The main areas and directions of corporate social responsibility in the international business environment that ensure economic security are highlighted and structured. A system of indicators for a comprehensive assessment of corporate social responsibility in the business environment and a method for ranking the integral indicator within the limits of corporate economic security have been developed.

Keywords: international company; economic security; corporate social responsibility; international business environment; integral indicator; social investment

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1. Introduction

More and more international companies position their activities as socially responsible and important, show their commitment to the principles of corporate social responsibility (CSR), and economic security. However, determining the reality and reliability of such statements is an acute issue for stakeholders both within the company and in the system of international economy and security. In such a situation, it becomes necessary to quantitatively and qualitatively assess the level of CSR in such a way that the company itself can determine the indicators using its open public reporting (without showing internal confidential information). The corporate social responsibility assessment allows to check the company’s activities for compliance with environmental,
tax and labor laws, standards, and corporate governance code. CSR assessment is also important for the internal use of the company: using the results obtained, the company can detect flaws in its own CSR and find ways to improve social performance and ensure economic security (Djelic & Etchanchu, 2017).

The problem of assessing the effectiveness of corporate social responsibility is reduced to the development of the unified procedure or methodology that determines the effectiveness of social investments, that is, the comparison of expended resources to the result obtained. Social investment in this case means the investment of the company’s financial resources in solving social problems, both within oneself and in the external environment, which are accompanied by an increase in the company’s capitalization. The situation is complicated by the variety of directions and forms of social investment, and corporate social responsibility itself is aimed at both the internal and external environment of the company in the context of its economic security. In addition, the effectiveness of CSR can be viewed from two perspectives: both efficiency for the company and its economic security and for the welfare of society.

2. Literature Survey

In economics, there is an opinion that corporate social responsibility appeared relatively recently – in the 90s of the XX century, along with the development of globalization processes. However, back in the early 70s of the XX century, in the West, a theory arose that explains the relationship between business and society, the main postulate of which is that if a company does not evade taxation, sets a good level of wages (above the industry average), and also meets the requirements for labor safety and environmental protection, then in such a company positive business practices will develop. This means that the company itself becomes socially responsible, which becomes the basis of its economic and social security (Brenner, Cochran, 1991; Freeman, 2001; Waterhouse, 2017; Mazzoni, 2020).

In modern conditions of social development, the interpretation of the concept of social responsibility expresses the ability and desire of business to voluntarily engage in the development of the welfare of society, including consumers of products and company employees (Aquino et al, 2001; Fombrun, 1997). The modern concept of corporate social responsibility shows the desire of companies to voluntarily and independently participate in solving problems of society (Detomasi, 2008). An example is the definition of social responsibility formulated by the European Commission: “corporate social responsibility, at its core, is a concept that reflects the voluntary decision of companies to participate in improving society and protecting the environment” (CSR Europe. (n.d.). CSR Europe – 20 years of business policy interaction driving the CSR movement 2018).

In works (Garriga, Melé, 2004; Roper & Weymes, 2007) it is said that the social responsibility of business is understood as the voluntary acceptance by a company of a part of additional social obligations to employees, as well as to society, which exceeds the statutory standards, in order to increase the welfare of people who have both direct and indirect relation to the company but who are not its owners.

It is obvious that the implementation of the effective social policy by a company is a prerequisite not only for the growth of the welfare of society but also for the success of the company in the modern economy as well as ensuring its economic security. This duality manifests itself in both internal and external responsibility. The theses are confirmed in scientific papers (Lee, 2008; Werther & Chandler, 2005; Voronkova et al., 2020; Rela et al., 2020).

In their publications (Marshall, 2007; Pillay, 2015; Zeng & Hengsadeekul, 2020), scientists point out that the internal provisions of corporate social responsibility should include labor as well as social and labor relations. Labor relations are based on agreements between the employer and the employee on the performance of the latter’s duties for a fee (work in accordance with the staffing schedule), and the direct subordination of the employee to the work schedule. In turn, social and labor relations are broader in nature, as these relations are aimed at improving the quality of work, as well as improving the social life of employees of the company, which ultimately has a positive impact on economic security.
3. Methods

A comprehensive assessment of the effectiveness of CSR is reflected in a number of the following basic methodologies and concepts.

1) Methodology for building effective social investments and partnerships. The methodology provides for an assessment of the effectiveness of social investments by society and the business itself. The performance indicators of social investments are considered in four dimensions: a) care – implies internal social investments, which are assessed from the perspective of society (labor and health, investment in human capital) b) conscientiousness – assesses internal social investments but from a business point of view (investments aimed at developing relations with contractors); c) involvement – an assessment of external social investments from the perspective of society (improvement, health care, education, culture, leisure; d) success – implies an assessment of external social investments by business (improved economic performance, increased popularity, respect and recognition) (Kao et al, 2018).

2) CSR “key indicators method”, which defines the main areas of corporate social responsibility, the so-called “nominations”, which were mentioned earlier: care, conscientiousness, involvement, success. Further, for each nomination, the main indicators are distinguished (their number may vary, the main thing is to take into account the importance of indicators for the purposes of the effectiveness of social investments). Further, each group of indicators is assigned a base amount of points. The base amount of points is distributed within each group according to separate indicators: each indicator is assigned with a certain amount of base points. The number of points is determined based on the importance of the indicator in question. The main condition is that the sum of base points in each nomination must be the same, regardless of the number of selected indicators in each nomination. The distribution of points is carried out directly by the expert council, taking into account the situation in the country and the purposefulness of social investments. In addition, the expert council determines additional points for particularly relevant areas and forms of social investment.

3) the concept of developing competitive advantages. Thus, only those companies that begin to exhibit socially responsible behavior in relation to society and to carry out economically safe activities will receive an additional competitive advantage. Based on this statement, the demand of the world community for the creation of socially responsible behavior by companies is formed, which is a significant fact, the role of which increases in proportion to the scale of the company’s growth and the number of markets, in which it conducts its business (Nan & Heo, 2007). It should also be noted that both internal incentives, which provide for a positive relationship between the implementation of CSR principles and the company’s financial performance, and the impact of the external environment (environmental and social requirements on the part of stakeholders), contributes to the growth of socially responsible companies.

4. Results

In modern conditions, one of the main economic institutions is the social responsibility of international companies since it contributes to the achievement of sustainable development of world business in the environmental, economic, and social spheres in connection with an increase in the positive impact on society. In addition, the principles of social responsibility of business are now increasingly widespread in the world community, which attracts new countries and foreign organizations from micro-companies to transnational corporations. Despite the fact that these principles are unified, they acquire the characteristic features and characteristics of the country, whose companies are gradually introducing them into their activities. In foreign practice, many business models of social responsibility have been formed. The American and European practices of social entrepreneurial development were briefly considered in the article (Figure 1).
In American corporations, the social responsibility of business is characterized by a stable entrepreneurial culture, which implies the popularization and availability of a social strategy, voluntary acceptance, and adherence to its principles among employees and the publication of reports on corporate social responsibility annually. The American business model is based on minimizing interference in the corporate one. Social policy is now dominated by the priority of individualism and private property, the growth of personal responsibility for one’s health.

The fundamental postulate of the European practice is the clear regulation by the state of the directions of implementation of corporate social responsibility: compulsory health insurance; pension provision; environmental protection. The principles of social responsibility for European companies are enshrined in the Integrated Product Policy, ISO 26000, social responsibility standards, environmental audit and management scheme (Secchi, 2007). There are also reasons that encourage international companies to focus on the principles of corporate social responsibility (Figure 2).

Figure 1. Directions of implementation of the corporate social responsibility practice of international business

Source: compiled by the author according to the data (Brussaeau, 2011)

Figure 2. Reasons that motivate international companies to focus on the principles of CSR

Source: compiled by the author according to the data Stakeholder Dialogues: The WBCSD’s approach to engagement, World Business Council on Social Development (WBCSD) (2019).

Assessment of corporate social responsibility on the basis of primary documents that can be submitted (Table 1).
Table 1. The structure of the social responsibility assessment of international business

<table>
<thead>
<tr>
<th>Direction of assessment</th>
<th>Indicators used</th>
</tr>
</thead>
<tbody>
<tr>
<td>Institutionalism of social policy</td>
<td>Availability of special documents, which enshrine the company’s social policy in detail. The presence of the special unit, which is responsible for the implementation of social policy. Existence of a collective agreement.</td>
</tr>
<tr>
<td>System of accounting for social activities</td>
<td>Availability of annual financial statements, which are prepared in accordance with international standards. Implementation of international social reporting standards. Evaluation of the effectiveness of social investments (providing feedback between the investor and social investments). Examples of social programs (informing the public in order to transfer positive experiences, self-promotion, and improve reputation).</td>
</tr>
<tr>
<td>Complexity of social investments</td>
<td>Development of the company’s staff through advanced training. Occupational health. Environmental activities, as well as resource conservation. Supporting good business practices based on social responsibility</td>
</tr>
</tbody>
</table>

Based on the results of the collection and processing of information, the next stage will be carried out, at which an analysis of costs to effectiveness and benefits will take place. A cost-benefit analysis clearly shows how much the money spent on various programs will correspond to the social response in the form of physical indicators. Based on this method, comparisons of various programs are carried out, which in the future allows to invest in a more efficient one. This approach is used in many areas of the economy but the results from the conduct will be comparable only for companies in one area of activity (Soylu, Azizzadeh, 2018). Cost-benefit analysis is used to assess the impact of a project when it can be expressed in monetary terms. This technique has become widespread in business (Aguilera et al, 2007). The difficulty with this method lies in the fact that the social effect cannot always be measured in monetary terms (Jamali & Carroll, 2017). In the course of further research, the authors of the methodology developed an information map for presenting the initial data for calculations (Figure 3).

In summary, it should be said that the proposed method of assessing the effectiveness of CSR is aimed at analyzing the key areas of corporate social policy. Compilation of the rating involves assessing the effectiveness of doing business on the financial and economic indicators of the company, the size and frequency of payment of wages, payment of taxes.

Another method of assessing corporate social policy can determine the integrated indicator or index of
effectiveness of CSR by scoring the implementation of key areas of social responsibility. Corporate social responsibility is considered in terms of reproducing human potential. The methodology reflects the main CSR areas of the company, the directions of these areas, their key indicators, as well as the proposed scales for scoring these indicators are identified (Wayne, 2010). We can aggregate in our study the main areas and directions of CSR, which are presented in Figure 4.

Within the framework of such a methodological approach, for each direction of the four CSR areas, the authors identify a number of indicators that fully reflect the characteristics of the selected direction. In addition, a score scale from 0 to 10 points was developed for each indicator. Consider what are these indicators in the context of each direction of the CSR areas. To calculate quantitative indicators, it is enough to use information about the company presented in the non-financial statements, as well as statistics from the company. It is obvious that in the CSR area, on a certain territory, for a clear assessment of the indicators, the expert assessment is used but which does not appear in other directions. If the degree of satisfaction is a more subjective assessment, then the expert assessment provides a more objective view, notably in relation to the characteristics of the company (Tempels et al, 2017).

Figure 4. The main areas and directions of CSR in the international business environment, which provide economic security

After calculating the indicators of corporate social reporting directions, the integrated indicators should be calculated, which can be three options:

1. Integral indicator at the level of CSR directions:

$$I_p = \frac{\sum_{i=1}^{x} pp_i}{x}$$

(1)

where $I_p$ is the index in the direction of CSR;

$x$ – the number of indicators of the direction;

$pp_i$ – score of the $i$–th indicator of the direction.
2. Integral indicator at the level of the CSR area (area index):

\[ I_z = \frac{\sum_{i=1}^{y} I_{psi}}{y} \]

(2)

where \( I_z \) – the index of the area;
\( y \) – the number of directions of the CSR area;
\( I_{psi} \) – indices for CSR directions in this area.

The integrated indicator at the level of the company as a whole, this indicator is the CSR efficiency index. The calculation of this indicator is presented in formula (3).

\[ I_{ch} = \frac{\sum_{i=1}^{z} I_{si}}{z} \]

(3)

where \( I_{ch} \) – efficiency index of the CSR;
\( z \) – the number of the CSR areas;
\( I_{si} \) – indices of the area of the specific company.

Since the evaluation of the indicators of the directions of the CSR is based on a ten-point scale, the ranking of the value of the integrated indicator should be in the same range. The ranking of the value of the integrated indicator is presented in Table 2.

<table>
<thead>
<tr>
<th>Ranking range, points</th>
<th>Effectiveness of CSR</th>
</tr>
</thead>
<tbody>
<tr>
<td>0–1.8</td>
<td>Ineffective CSR</td>
</tr>
<tr>
<td>1.8–3.5</td>
<td>Low level</td>
</tr>
<tr>
<td>3.5–5.5</td>
<td>Mean level</td>
</tr>
<tr>
<td>5.5–7.5</td>
<td>Normal level</td>
</tr>
<tr>
<td>7.5–10</td>
<td>High level</td>
</tr>
</tbody>
</table>

This method allows to obtain the value of integrated and private assessments of the effectiveness of CSR, which confirms the objective assessment of the level of the company’s social responsibility. In addition, with the help of the above, it is possible to compare the directions of corporate social policy, regardless of the size of the company and its industry affiliation.

Another method of assessing the effectiveness of CSR is based on a system of indicators of comprehensive evaluation, which allows to compare companies and rank the company. The developed system of indicators includes 21 positions, grouped into six groups (Chaffee, 2017). The indicators of complex assessment of CSR are listed in Figure 5.

The largest number of indicators belong to the group of indicators of social investment and cost-effectiveness of wage expenses, indicators of environmental protection costs, and social indicators of hiring and staff development. It is worth noting that in this system there is a group of indicators that are not found in the previously discussed methods – these are indicators of innovation activity of the company. Information for calculating these indicators can be taken from the company’s annual and non-financial reports.

If CSR is considered according to this method within one company, it is necessary to analyze the indicators of assessment of the effectiveness of CSR in the dynamics, an integrated indicator in itself is not provided. In case of comparison of several companies, the rating on each of the indicators is exposed, if the information on any
indicator is absent, the company in a rating falls to the last place. At the end, the total amount of points for each company is calculated and the appropriate rating is affixed. This technique can also be used both for compiling industry rankings and for internal corporate use.

Based on the fact that the basis of corporate social policy is CSR, it is worth considering a method of assessing the level of social responsibility of the company. In fact, the higher the level of CSR, the more commitments the company makes, which leads to an expansion of the range of areas of social policy or increase social investment in the same areas and activities of the company’s CSR.

![Figure 5. System of indicators of complex assessment of CSR in the business environment](image)

In addition to quantitative indicators, the authors of the methodology proposed indicators of the qualitative assessment of the company’s CSR: a) the presence of the collective agreement; b) the existence of the organizational structure, which is responsible for CSR; c) publication of a non-financial report in the field of CSR; d) the availability of measures to conduct good business practice; e) society’s attitude to CSR activities. Qualitative indicators are estimated by means of the integrated indicator ($P_q$):
where \( i \) – the number of qualitative indicators; 
\( P_j \) – qualitative indicator (if \( P_j \) is present, the value is 1, if not, then 0).

After calculating the indicators, it is recommended to calculate the average quantitative indicator, and then adjust according to the qualitative indicator. Thus, by identifying different methods for evaluating the effectiveness of the company’s CSR, it is possible to identify what each of them is based on, the advantages and disadvantages, and to develop a combined method of evaluation, composed of the strengths of each method (Cropanzano et al, 2003). By highlighting the strengths of these techniques, you can develop a combined method of evaluating the effectiveness of CSR, based on them. The main directions of CSR assessment of companies include: 1) assessment of human reproduction; 2) assessment of CSR from a business perspective; 3) assessment of environmental protection and safety.

5. Discussion

When considering the CSR as a way to ensure economic security, it can be concluded that its growth allows to obtain additional economic effects not only of resource owners but also social groups. At the same time, the development of social responsibility gives managers a fuller understanding of the company’s place in the international business space and the impact it has on the environment, which allows to more accurately and predictably develop strategies for the company’s long-term development. The manifestation of corporate social responsibility increases the reputation of the organization, increases its visibility in the market, which in turn helps reduce the cost of attracting highly qualified professionals who seek to work in prestigious and socially responsible companies. It also minimizes the cost of marketing and advertising by establishing positive relationships with consumers and consumed, which in turn allows to effectively and with minimal cost to conduct market research and create advertising aimed to a specific target audience.

It is also possible to say that the modern concept of CSR can cover the following closely related areas: 1) long-term development of the company; 2) ensuring staff development; 3) strengthening corporate ties with suppliers and customers; 4) responsible environmental policy and rational use of natural resources; 5) interaction with representatives of local authorities, state institutions, and public organizations. Therewith, a well-designed and effectively functioning socially oriented system provides a progressively developing company and allows not only to make a significant contribution to the well-being of the world community and environmental stability but also to increase efficiency and ensure a high level of economic security.

Conclusions

The study found that corporate social responsibility is the only concept of corporate orientation in areas such as environment, social work, employee management, and relationships with suppliers and other institutions, which contributes to sustainable corporate development in economic, environmental, and social aspects. It is proved that for the stable operation of the company it is necessary to use methods of evaluation of social programs, which cover the widest possible range of indicators that characterize both internal and external corporate social responsibility. Corporate social responsibility must be developed both internally, ensuring stable work and growth through continuous improvement of staff and social life, and externally, manifesting through the company’s participation in regional social programs, which will form its favorable image and proper economic security.

Based on the research conducted in the article, it should be noted that in the modern market economy, the practice of corporate social responsibility is an integral part of corporate governance strategy and tactics. In this case, all without exception, production, technological, and economic decisions should be made only after
assessing the possible social and environmental risks, both for modern organizations and society as a whole. This, in turn, contributes to the transformation of the concept of CSR by progressive world organizations in a powerful factor of their further strategic development, strengthening of the business reputation and competitiveness, as well as the growth of market capitalization. In this regard, in recent years, the concept of CSR has become a key position in the management of international business.

It has been proven that CSR, like any other significant social phenomenon, needs to be managed properly. Social or non-financial report is represented as a procedure, which ensures the quality of management, including in terms of planning, monitoring, and evaluation of business. This is a voluntarily disclosed information, which reflects the main aspects and results of the activities of the company’s activities, which are of interest to all stakeholders and related to the implementation of the strategy of sustainable business development. The practice of implementing a socially responsible concept demonstrates that it is economically justified to implement it from strategic business decisions through tactical measures to operational decisions. As well, the implementation of the concept of CSR requires a systematic approach, ie sustainable development, in our opinion, can not be carried out on a case-by-case basis and it must be comprehensive and consist of elements inherent in this concept and become one of the key components of sustainable development strategy of modern companies.

References


