

**SOCIAL  
RESPONSIBILITY  
OF UKRAINIAN BUSINESS  
RESEARCH RESULTS**  
Summary

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## **Understanding of the Corporate Social Responsibility**

- Awareness about social responsibility of businesses is growing in Ukraine. Almost three quarters of the Ukrainian companies surveyed have some knowledge about CSR. The majority regard CSR as
  - a) The implementation of social programmes to improve work conditions for employees and their development,
  - b) Charity aimed at the society, and
  - c) Ethical attitudes towards their customers. That is, understanding the CSR concept in Ukraine is mainly by attention to internal social programmes, aimed at employees. These results do not correlate with the wide-spread idea that CSR in the society is primarily associated with charity.
- Almost one half of the Ukrainian companies believe that resolution of social problems is the function of state agencies, and businesses must only generate profits for their owners and pay taxes to the state. This reflects the dissatisfaction existing in the society (specifically, in the business milieu) by the way the state fulfils its responsibilities in social development. Irrespective of that dissatisfaction, large, small and medium enterprises are all concerned with the state of resolving social problems in the society and realise the usefulness of their participation in their resolution.

## **CSR Practices**

- Almost all companies surveyed do practice some CSR events. Almost a quarter, however, carries out their CSR activities without realising it, and sporadically rather than within any planned strategy. Their CSR activities, on the average, are not very intensive.
- Two thirds of the companies help with development of their territorial communities. The most popular events are local amenities development and improvement, and financial assistance to local authorities in resolution of various social issues.
- Almost all companies take social responsibility measures regarding their employees. The most wide-spread are timely payment of salaries, regular wage raises and payment of bonuses, absence of discriminatory practices on the basis of gender, age, religion and political convictions at hiring and in the course of career growth, and skills upgrading.
- One half of the companies carry out environment-related events of social responsibility, most often, in the form of implementation of power-saving technologies and waste re-processing. Environmental responsibility is perceived by the companies rather as compliance with environmental standards than attempts to reach performance that exceeds the regulatory norms.

- Almost all companies carry out social responsibility measures aimed at their clients or business partners. The most widely spread CSR form as regards consumers and partners is product quality assurance, followed by ethical conduct training for employees.
- In contrast the situation with understanding of CSR, large companies lead CSR implementation in all directions. Large companies, much more often than small and medium enterprises, take part in regional programmes, take environment-related measures and carry out CSR events aimed at their employees. At the same time, no significant differences concerning product quality assurance exist among different size enterprises.

### **Principal partners in CSR activities development**

- Local authorities are the companies' principal partner in development of CSR programmes, leaving organisations representing the civil society (NGOs, mass media and other organisations and agencies) far behind.
- The level of cooperation with local authorities in development of CSR activities is directly proportional to the size of the enterprise: the larger the enterprise is, the higher the cooperation level. A relatively low level of cooperation between small enterprises and local authorities is apparently related to a higher degree of vulnerability to pressure on part of local authorities ("involuntary cooperation"), with the small enterprises having the richest experience in that.
- NGOs, as well as the civil society organisations, play an insignificant role as companies' partners in the process of CSR activities development. This reflects the inadequate level of development of the infrastructure intended to provide CSR services to companies.

### **Socially responsible activities as the companies' strategy**

- Only one third of the companies have strategic plans for CSR measures, that is, CSR at present has not become a part of Ukrainian enterprises' strategic management. The above-average share of small and medium enterprises among those that have strategic plans testifies to proliferation of strategic social planning practices in that sector.
- Formation of special functional units for strategic planning of CSR events is so far a matter for the future. Development of a socially responsible direction is most often carried out by the company director, deputy directors or marketing and PR departments.
- Companies do not have a well-developed CSR management; the monitoring functions for social programme implementation are not effective. Monitoring the results of the implementation of social programmes is as rare as the monitoring of proper funds utilisation
- Less than one third of companies have a special social budget. This testifies to the fact that CSR activities have not yet become an essential component in the company development strategy.

- The increase of expenditures on social measures testifies to slow growth of the companies' social activity over the last three years. Although growth of budgets for social programmes has been observed at enterprises of any size, it has been characteristic primarily of large businesses.
- On the whole, the majority of companies believe that their socially responsible policies over the last three years have promoted improvement of their employees' attitudes towards the company. A large part of the enterprises acknowledge the overall social effect (benefits for the society). Almost one half of the companies indicated that the CSR activities influenced improvement of economic performance.
- Businesses do not practice social reporting. The majority of the Ukrainian enterprises have never prepared such a report, either as a separate document or as a part of the company's comprehensive reports.
- The companies' disclosure by of information about themselves remains another potential direction in which Ukrainian businesses can become more mature. Only a small percentage of Ukrainian companies provide information about their activities to external channels.

#### **Incentives, obstacles and prospects CSR programmes development in Ukraine.**

- The majority of Ukrainian companies believe that the principal motivators for CSR activities are moral reasons and the perception of CSR is as a paramount component of the company's strategy. This indicates that the idea of inseparability of CSR activities from companies' commercial interests is not popular in the Ukrainian society.
- At the same time, the survey results provide reasons to assume that companies do not wish to declare openly that they engage in CSR not only for moral reasons, but also in order to improve their image with partners and consumers, as well as for purely business-related reasons. In our opinion, that situation emerged for two reasons. Firstly, it reflects the average citizens' generally negative attitudes towards business in the Ukrainian society. Secondly, CSR activities may be regarded as an indicator that companies conceal their real profits. Proceeding from that, companies try to hide their CSR activities in order to avoid attracting the attention of taxation authorities or bodies of local power that may be interested in compelling companies to contribute to the resolution of social problems in their area.
- The Ukrainian companies believe that CSR activities produce positive impacts on the results of their economic operations primarily because they improve the companies' reputation, facilitate finding and retaining highly qualified employees, as well as helping to establish contacts with bodies of power. Among other matters, this reflects an important role played by non-financial incentives for the retention of qualified employees, and also

the high importance of relations with bodies of power for overall successful business.

- Every fifth company conducts its CSR activities without highlighting its name before the public, while others use CSR events for the purposes of PR.
- Among the greatest obstacles to CSR activities, companies cite the lack of funds, and insufficient legislative incentives for CSR events (including absence of taxation preferences).
- In the companies' opinion, cut-rate taxation of CSR activities and mitigation of regulatory and administrative pressure are the most important stimuli for development of CSR programmes. Large business also expects a greater share of cooperation in CSR activities on part of local authorities. Apart from that, there appears a demand growth for (local) organisations that could collect ideas for CSR and provide services to companies in implementation of CSR events.
- Three quarters of the companies surveyed give preference to the “motivational” strategy of the State in engagement of business to resolution of social issues, i.e. they believe that the State must both ensure the taxation discipline in order to collect sufficient tax amounts to resolve social issues at the budget cost, but it should also offer incentives to business to carry out CSR events and participate in providing for social needs.