THE INFLUENCE OF CORPORATE SOCIAL RESPONSIBILITY ON BUSINESS RESULTS

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Кamyshnykova E. The influence of corporate social responsibility on business results.

Modern enterprises are faced with a complex of economic, social and environmental problems, the solution of which is in the area of corporate social responsibility. The consequences of enterprise socially responsible behavior do not contradict the criteria of economic feasibility and lead to improved activities of economic entities. This paper proposes a methodical approach to the study of corporate social responsibility impact on business results, which is based on the formation of the matrix influence on two characteristics which are the duration and extent of impact on stakeholders. In terms of scale, the matrix assumes allocation of internal and external impact of corporate social responsibility practice on business results, based on similar characteristics of stakeholder groups, from the viewpoint of duration long-term and short-term impact are allocated. It was established that in the short term enterprise social and environmental initiative leads to positive effects in the short term are caused by the growth of labor productivity, sales, energy efficiency and pollution-free production, product quality. The analysis showed that activities in the area of corporate social responsibility bring the greatest benefits on business entities’ performance in the long term. Effective implementation of corporate social practices should lead to the achievement of ultimate goals which are the establishment of long-term competitive advantage and enterprise sustainable development.

Камишникова Е.В. Дослідження впливу корпоративної соціальної відповідальності на результати роботи підприємства.

Сучасні підприємства стикаються з комплексом економічних, соціальних та екологічних проблем, вирішення яких лежить у сфері корпоративної соціальної відповідальності. Наслідки соціально відповідальної поведінки підприємств не суперечать критеріям економічної доцільності і призводять до покращення діяльності суб’єктів господарювання. У статті запропоновано методичний підхід до вивчення впливу корпоративної соціальної відповідальності на результати діяльності підприємств, в основі якого лежить формування матриці впливу по двох характеристиках - тривалості і масштабу впливу на стейкхолдерів. З погляду масштабу, матриця передбачає виділення внутрішнього і зовнішнього впливу практик корпоративної соціальної відповідальності на результати роботи підприємства, виходячи з аналогічною характеристикі груп стейкхолдерів, з позицій тривалості виділено довгострокове і короткострокове впливи. Встановлено, що в короткостроковій перспективі соціальні та екологічні ініціативи підприємств ведуть до відтоку грошових коштів, викликаному необхідністю фінансування витрат на екологію, підвищення якості продукції, розвиток місцевого співтовариства. Позитивні ефекти в короткостроковому періоді викликані зростанням продуктивності праці, обсягів продажів, енергоефективності та екологічності виробництва, якості продукції. В результаті аналізу виявлено, що заходи в галузі корпоративної соціальної відповідальності приносять найбільші вигоди в діяльності суб’єктів господарювання у стратегічній перспективі. Ефективна реалізація корпоративних соціальних практик повинна вести до досягнення кінцевих цілей - встановлення довгострокових конкурентних переваг і забезпечення сталого розвитку підприємства.

Камышникова Э.В. Исследование влияния корпоративной социальной ответственности на результаты работы предприятия.

Современные предприятия сталкиваются с комплексом экономических, социальных и экологических проблем, решение которых лежит в сфере корпоративной социальной ответственностности. Последствия социально ответственного поведения предприятий не противоречат

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Problem statement. The need to provide the enterprises competitiveness, lay the foundations of sustainable development in the modern globalized highly competitive economic environment requires companies’ management to pay comprehensive attention not only to economic, but also to environmental and social aspects of their operations in accordance with the principles of corporate social responsibility (CSR). Implementation of CSR principles by leading companies is not considered as exclusively charitable activities, it is dictated by the logic of business. Currently the actual problem is to study the degree of the initiative influence in the field of CSR on business results.

Analysis of recent research and publications. Works of many domestic and foreign scientists including Y. Blagov, P. Drucker, K. Davis, A. Carroll, A. Prakash, M. Friedman, R. Freeman et al. are devoted to the study of scientific, theoretical and practical aspects of problems of providing the relationship between economic efficiency and corporate social responsibility. Many researchers are inclined to the view according to which socially responsible corporate behavior does not harm their economic component, and strategic management within the framework of CSR leads to an increase in the level of profits. However, there is a need for in-depth study concerning the direction and extent of impact of socially responsible actions on the enterprises effectiveness.

The purpose of article is the investigation of aspects of the initiative impact in the area of corporate social responsibility on business results.

Results of research. During the research of CSR an important task is to search for an answer to the question whether there is a link between economic performance and socially responsible activities implemented at the level of corporate entities. A number of researchers emphasize that in the implementation of CSR practices a priority should be given to the main goal of the enterprise which is profit making. Their arguments boil down to the fact that the actions in the field of CSR are mainly related to the funds’ diversion and therefore minimize profits. In contrast to this view, other scientists and experts insist that the implementation of CSR activities has the potential to generate earnings growth and provides the level of profitability in the long term. This enables us to introduce the debate about the importance of CSR in the corporate entity’s activities to economic sphere.

In this article the author provides an improved methodical approach to the study of the CSR impact on business results which is based on the formation of the matrix of influence on the characteristics of the duration and extent of impact on stakeholders (Fig. 1).

In CSR theory a key place is given to the concept of stakeholders (interested parties). Company’s stakeholders are all individuals, groups or organizations who have a significant impact on the decisions made by the company and / or are affected by these decisions [1].

Enterprises should implement CSR initiatives to all stakeholders, both external and internal. Thus, the internal stakeholder groups include owners and employees, and external - range of consumers, suppliers, competitors, investors, local communities, etc. This classification of stakeholder groups allows to differentiate the extent of CSR practices’ impact on business outcomes and identify various areas of their impact.
In terms of duration, the long-term and short-term impact of CSR practices on business results can be distinguished.

Account of these two characteristics (duration and extent of impact on stakeholders) allows to distribute the results of CSR practices’ influence on business results in four quadrants: "internal - short-term", "interior - long-term", "external - long-term", "external - short-term." The "+ / -" indicate the direction of the results obtained from the implementation of CSR initiatives in the corporate entity’s activities (positive or negative).

The main results of socially responsible initiative influence of corporate entities on their activities include the following.

Increased profitability

The theory of profit maximization assumes that companies will strive to implement a set of measures in the framework of CSR, corresponding the requirements of profitability growth. From the point of view of management approaches, classification of socially responsible practices can be based on two characteristics:

1. Compliance or the superiority by the profitability criterion, provided by the procedures of evaluating the investment effectiveness.
2. Compliance with the requirements of the law or staying outside the norms of existing legislation [2].

On the basis of these characteristics four types of CSR policy can be identified:

1. not required by law and corresponds to (or exceeds) the profit criteria.
2. not required by law and does not meet the profit criteria.
3. required by law and meets (or exceeds) the profit criteria.
4. required by law, but does not meet the profit criteria. [2]

The third and fourth types of CSR policy implemented by enterprises, are predictable and expected, since they act as a consequence of legislation enforcement.

Policy of the first type is not regulated in legislation, but is fully integrated into the model of profit maximization for compliance with the profitability criteria (e.g. policy to improve product quality, voluntary reduction of environmental emissions). Enterprises are able to improve financial performance by the monetization of bonuses from establishing a closer contact with consumers.

The second type of CSR policy is less probable. The possible motives for its adoption and implementation can be:

- Strategic reasons related to potential long-term economic benefits;
- Non-commercial purposes other than obtaining a company’s income (e.g. philanthropy);
- Pressure from external institutions.
Series of studies empirically confirm that CSR activities have a positive impact on the financial results of companies [3].

At the same time casual analysis shows that there is a reverse influence of level of company’s financial performance on the degree of its social activity. An opposite character of a causal relationship is explained by the fact that highly profitable companies have more resources for the implementation of CSR initiatives concerning eco-security technologies, personnel training programs, etc. However, the volume of direction of own resources for socially responsible activities depends on the priorities of the enterprises’ owners and management, which are established when developing CSR strategy, as there are always alternative ways of using profits.

**Growth in the company’s value and the level of social investment**

The benefits from improving the company's image, which can be capitalized as an increase in the cost of its brand are one of commercial reasons for the implementation of CSR initiatives. However during the implementation of social initiatives it’s necessary to adhere to the company’s informational openness and transparency, as evidenced by the publication of reports in the field of CSR. Non financial reporting is an essential factor in forming business reputation and it increases the value of the business. Thus, the study of information transparency of PricewaterhouseCoopers shows that voluntary disclosure of information beyond the legal requirements for reporting leads to an increase in the capitalization of 20-30% [4].

Implementation of CSR activities affects the potential of entities’ social investment. In 2001, the European stock exchange and the European Foundation for CSR discovered that one-third of fund managers and financial analysts offer products of socially responsible investing (SRI). The growing interest in social investment has led to a number of specialized stock indexes, which allow companies to rank the activity in the field of CSR and sustainable development. These include: DSI 400 (Domini Social Index), an index FTSE4Good, published by the London Stock Exchange, DJSI (Index Dow Jones Sustainability). It’s also been proved that a socially and environmentally responsible policy of enterprises provide greater access to their activities financing and cost reduction of borrowed resources by reducing risks.

**Growth in sales and consumer loyalty.** The results of research show that consumers prefer to buy products of socially responsible companies, including ones marked in the relevant ratings. The potential benefits of forming the image of a socially responsible company include reducing marketing budget by optimizing expenses for advertising. Also a number of companies are showing responsibility through internal CSR practices, as well as in relation to their own suppliers of goods and services in order to eliminate the possibility of negative impact of their corporate policy on their own business. It has a positive influence on the formation of socially responsible supply chains.

**Increase in energy efficiency and environmentally friendly production.** The introduction of environmental initiatives related to reducing emissions, utilization of waste, energy efficiency, leads to increased energy efficiency and environmentally friendly production and products, which in turn are manifested in reducing operating costs. Reducing the amount of emissions and concentrations of harmful substances is accompanied by a decrease of environmental fees and fines. Information dissemination about the enterprise environmental performance also allows consumers to identify environmentally friendly companies and serves as an additional competitive advantage in market conditions.

**Increase in the level of innovation.** Socially responsible enterprises are seeking to improve the intellectual potential of their employees by investing in their training and education. The increase in staff development and interest in work directly affects the growth of enterprises innovative activity, increasing the volume and quality of generated innovative ideas.

**Improving the quality of products and services.** Socially responsible activity assumes development and improvement of the enterprises’ products and services supported by a common understanding of the goals and requests from stakeholders, which is reflected in the growth of products quality. Similar results can be achieved by increasing the participation of employees in socially responsible practices.

**Productivity growth.** Involving staff in socially responsible activities leads to increased levels of motivation of employees providing their contribution to the enterprise development by improving productivity.

**Growth of expenses for initiatives in the field of ecology, quality of products, development of local community.** The relevant funding is required for virtually all of the enterprises’ social initiatives. Increased costs of environmental measures, improving product quality, local community development, personnel are referred to the negative effects of CSR initiatives in the short term. At the same time withdrawal of business social responsibility is transformed into financial losses caused by mainly reputational costs. To optimize the limited budget in accordance with a complex of goals set by the leadership prioritizing tasks are needed, taking into account the timing of their implementation.
Contributions to charity. Corporate philanthropy is based on altruistic manifestations forcing entities to donate funds for various social projects voluntarily, not expecting to benefit from donations. However, even acts of charitable activities undertaken from altruistic motives can simultaneously reduce taxes, appealing to consumers and improving company's image.

Sustainable development of the enterprise. The formation of long-term competitive advantages [5] and maintenance of the enterprise sustainable development should be the ultimate goal of implementing CSR.

From the perspective of CSR the enterprise sustainable development is regarded as a condition which both meets the demands of stakeholders and maximizes profit. [6]

Analysis of the results of CSR practices’ influence conducted in accordance with the proposed methodological approach, has shown that most of financial incentives of environmentally and socially responsible policy of corporate entities can be fully implemented in the long term. A strategic approach to the CSR management is required to maximize the financial benefits by identifying, planning and implementation of CSR practices having the strongest impact on long-term growth of business value and prospects to improve the enterprise competitiveness.

Conclusions: CSR initiatives bring the greatest benefits to economic entities’ activities in the long run. In the short term, enterprises have higher costs in connection with the implementation of CSR activities in the form of growth of operating and investment costs.

1. Refusal of a strategic approach to CSR management and focus on operational steps and actions can have serious negative consequences as an increase of unsatisfied expectations and demands of internal and external stakeholders.

References (BSI)


Key words: corporate social responsibility, stakeholder, business results, matrix of influence.

Ключевые слова: корпоративная социальная ответственность, стейкхолдер, результаты работы предприятия, матрица влияния.

Ключові слова: корпоративна соціальна відповідальність, стейкхолдер, результати роботи підприємства, матриця впливу.

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