

SOCIAL AUDIT IN THE DEVELOPMENT OF THE CORPORATE SOCIAL RESPONSIBILITY SYSTEM OF AGRICULTURAL ENTERPRISES, AS THE MAIN VECTOR OF THEIR COMPETITIVE DEVELOPMENT

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The issue of corporate social responsibility has become increasingly relevant in recent years. Economically developed countries are paying more attention when conducting business not only on its profitability, but also on the price and consequences of profit. This leads to the fact that the composition of the mechanism of functioning of economic entities is complemented by a social and environmental element.

Significant economic, social and environmental turmoil in recent decades has led to a rethinking of established business practices and principles of social service organization. That is why the concept of Corporate Social Responsibility (CSR) has emerged in the last century, defining a new approach to corporate governance, attracting an increasing number of companies around the world every day. At the same time, large industrial enterprises have a high level of resource, energy and material resources, they, being the accumulator of significant material, human and other resources, have a high potential for impact on social well-being, socio-economic stability and sustainable development, which necessitates an urgent need not only in social but also ethical and environmental responsibility.

Social responsibility issues have been actively pursued since the beginning of the 19th century: the movement to protect workers' rights and the use of the first social programs by the British industrialist R. Owen; the organization of houses of mercy by the priest John Kronstadt; participation of domestic entrepreneurs in the establishment of social services in the country. Practices of this kind have become a subject of intense research interest since the mid-20th century. The theoretical conceptualization of this issue occurred in 1953 thanks to G. Bowen's article "Businessman's Social Responsibility", in which the author says that corporate social responsibility is the implementation of such a policy, making such decisions that would be desirable to achieve the goals and realization values of society [1, p. 333].

In the 1960s, British economist George Goider insisted that social audit could become "an effective management tool and at the same time allow stakeholders (individuals or groups of people who influence a company's business) to influence company policy." It was during these years that public dissatisfaction with the negative effects of production growth began to grow as a result of increasing economic growth due to environmental pollution, all kinds of discrimination, decreased production safety, and deterioration in the quality of goods.

As a result of these circumstances, the government and public opinion have shifted much of the responsibility for social injustice and economic inequality to business. As social technologies are introduced into corporate governance, new, flexible forms of indirect legislative regulation of these processes emerge, such as social reporting standards.

Social audit is a specific form of "analysis, audit of the conditions of the social environment of the organization in order to identify the factors of social risks and make proposals to reduce their impact."

When conducting a social audit should proceed from the fact that ideally the company should provide:

- Consumers – high quality of goods and services, respect for their human dignity;
- employees – decent pay and working conditions, health and efficiency, care for problems and needs, equal rights and opportunities for work regardless of gender, age, race;
- to owners and investors – the attitude of trust, guarantee of optimum return on invested capital, free access to information, limited only by the framework of law and conditions of competition;
- suppliers – fair and honest relationship with them, development of long-term and stable relationships, exchange of information and involvement in the planning process;
- to the local population – observance of universal norms of behavior, maintenance of peace and security, observance of human rights, sponsorship actions, participation in public life;
- competitors – mutual attention, development of open markets for goods and capital, refusal to use dubious means of achieving competitive advantages, respect for property rights, including intellectual property;
- environment – fulfillment of all sanitary norms, carrying out of measures on nature protection.

Given these positions and should evaluate the activities of the organization.

The methodological basis of social audit is the general theory of technologicalisation, as a universal process characteristic of social development. There are temporal bases of division of social process into stages, periods, operations. The process of social audit is divided into stages.

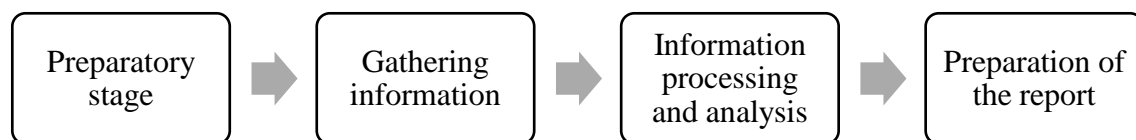


Figure 1. Stages of social audit

1. The preparatory stage includes:

- conclusion of the contract between the audit firm and the client;
- recruitment of auditing company staff (creation of audit team);
- determining the level of audit (unit, department, company).

2. Gathering information. There are several methods for assessing the social responsibility of organizations. In the practice of management, the following quantitative indicators of measuring the social effect of corporations, proposed by a number of American scientists in the early 80's of the twentieth century are known:

- use of "social indicators" that determine quality of life indices based on quantitative parameters: living conditions, health care, transportation, etc. and other assessments of the impact on the quality of life of corporations' social activities;
- drawing up a "social report" in the usual balance sheet that takes into account the social benefits and costs of the activities of the companies concerned to employees, customers, suppliers, local authorities as a whole, for example, environmental improvements and local taxes relate to local benefits.

- a method of managing a social program aimed at developing a system, including estimating the costs of social programs, the effectiveness of their implementation, which allow to "reasonably" make a budget and increase "social income" for capital investment.

3. Information processing and analysis. Information processing can be done by the method of calculating the social index. Scores are calculated for each question group. The organization thus determines its rating, as well as the relationship between the goals and efforts of the organization in the social sphere ("what the organization wants" and "what the organization does" on the one hand, and "what the organization receives" on the other).

4. Preparation of the report. The evaluation of the social activity of the enterprise is completed by the preparation of a report, which analyzes the principles of social orientation, determines the responsibility of each of the groups of personnel and proposes incentive measures. The report may look at ways to improve personnel management, including the introduction of new technologies, suggestions for modifying existing procedures, improving documentation, and clarifying.

Domestic experience in social accounting and social reporting is virtually nonexistent. In the practice of Ukrainian enterprises and financial and credit institutions, social reports are still unusual (the first social report was compiled by the Credit Union First Credit Society in 2006), but globalization and integration processes are necessitating increasing implementation. Publication of social reporting stimulates the economy to improve the conduct of its business, increase social indicators in the enterprise.

According to the expert study of the NAS of Ukraine and the Institute of Sociology, 71% of Ukrainian enterprises among the possible positive consequences of social activity of companies report an increase in stability in society, while among the internal effects, the majority noted only moral satisfaction (23%) [2, p. 22]. And since functioning of one's own business from the inside, given the Ukrainian mentality, is a priority task, these statistics confirm the low level of practical implementation of ideas of corporate social responsibility. The practice has led to the need to develop more rigorous standards for the evaluation and comparison of enterprises in terms of social responsibility, which requires the development of an appropriate scientific basis.

The following companies are making public social reports in Ukraine: METINVEST Group of Companies [3], Obolon PJSC [4], Nestle Ukraine LLC [5], Coca-Cola [6], Kyivstar [7], SAN InBev Ukraine [8], Vidi Groups [9], Life [10], etc.

Among the Ukrainian agroholdings that submit social reports are the following:

- Agrofussion is an enterprise located in Mykolaiv and Kherson regions. The main vector of social responsibility is rationalization of energy use, minimization of consumption of water resources, ensuring of high quality of production at the proper level of environmental policy;
- JV Nibulon LLC – has land resources in about 12 regions of Ukraine, the social component of the enterprise provides decent working conditions for staff, a special place belongs to the provision of proper basic education, development of infrastructure of the Ukrainian village;
- PJSC Mironovsky Bakery is located in more than 9 regions of our country. Social activity consists in ensuring safe working conditions in the enterprise, maintaining decent pay, ensuring maximum environmental protection and minimizing anthropogenic impact;
- Kernel Trade LLC (Kernel) – covers over 12 regions of Ukraine. The company pays considerable attention to the professional skills of the staff, the environment and is responsible for product quality.

We investigated the activity of almost 40 agricultural enterprises of the Mykolaiv region, which showed that social activity is conducted at the proper level in the following enterprises: STO "Beam" of the Novoesselsky district, LLC "Novosillya" of the Kazankivsky district, LLC "Golden Colossus" of Vitovsky district, STOV them. T.G. Shevchenko of Bereznegovatsky district, JSC "Vradiyevsky" of Vradiyevsky district, JV "Southern colossus" of Novoadsky district – at these enterprises the social reporting is not formed separately, however there are separate directions of formation of "Labor report", etc.

There is an objective need to develop more rigorous standards for evaluating and comparing businesses in terms of social responsibility

Based on accurate quantitative methods, social audit as a method of controlling the social responsibility of an enterprise, provided it is conducted regularly, gives an opportunity to present the dynamics of socio-economic processes that occur in a particular enterprise, which inevitably leads to a change in the awareness of each participant in this process of their role. as an equal partner. Publication of the results of the social audit of the activity of the enterprise makes its actions more open to the public. Thus, from the control tool, social audit becomes a tool for building new, dialogical relationships in society.

The Global Compact of the United Nations was signed in 1999 to unite the efforts of entrepreneurs with the activities of trade unions, NGOs and government bodies. It is a volunteer initiative and aims to bring together socially responsible companies to share experience in implementing relevant projects and programs.

Today, the agreement brings together several thousand companies from more than 100 countries, creating one of the largest voluntary CSR initiatives in the world. It should be noted that Ukrainian business structures have become quite active in signing this agreement – 93 companies have

joined the initiative. However, only one in three executives in Ukraine is aware of the CSR concept, and no unified standards and rules for Ukrainian business have yet been created.

For many years, well-known companies in the world believe that only those who use ethical approaches to the community as a whole and to their employees in particular can be reliable partners. Therefore, international expert organizations, business associations, and audit firms are currently actively developing standards in compiling and verifying companies' social reporting. These reports should supplement the financial information and provide a clear picture of the sustainability and long-term prospects of business development.

There are four main approaches to the concept of corporate social responsibility in the scientific literature [11]:

1) economic approach, according to which the enterprise is a tool for wealth creation, and all its social activities are aimed at achieving economic results. The most prominent supporter of this approach is the American economist M. Friedman, who believes that "there is one and only one social responsibility of the business world – to use their resources and engage in activities aimed at increasing profits, subject to the rules of the game, ie to engage in open and free competition without fraud and fraud" [12]. That is, in this way, the enterprise performs its economic function, producing goods and services necessary for society, while creating jobs and maximizing profit for shareholders.

2) political approach, based on the fact that businesses are able to influence society in some way, which is why they must use that ability responsibly. At the same time, social power means the ability to influence the results of important social processes in order to solve social problems, regardless of political institutions. The most famous is the concept of "corporate citizenship", which originated in the early 21st century. According to this concept, the role of the enterprise can be considered in a narrow and broad sense. In a narrow sense, the role of the enterprise is reduced to philanthropy, social investment and certain generally recognized responsibilities to the local community. In a broad sense, an enterprise should be responsible for those areas where the state is incapable of protecting its citizens.

3) social approach, according to which the enterprise should focus its activities on defining the social demands of society and responding to them, thereby contributing to the strengthening of their positions. In the 1970s, the concept of corporate social responsibility changed slightly from a "good for society" attitude to a definition of "what society requires from business." In view of this, the activities of any enterprise in the field of CSR should be determined by the expectations that society places on it. However, some authors distinguish between the requirements for reducing the negative impact and the requirement for enhancing the positive impact of the company on society. The emergence of stakeholder theory in the 1980s led to the emergence of a new line of research, according to which the social role of business should be determined by stakeholder requirements, thus replacing the concept of society with the concept of "stakeholders" [13, p. 58].

4) ethical approach the main feature of which is that the idea is based on the moral and ethical obligation of business and individual managers to society.

Other approaches include the triple bottom line of the American economist J. Elkington [14, p. 48] and a normative approach from the perspective of the stakeholders of his colleague E. Freeman. According to J. Elkington's approach, each enterprise bears economic, environmental and social responsibility to society, thereby ensuring its viability. J. Elkington's ideas were further developed and reflected in the theories of "universal rights" and "sustainable development". Yes, the theory of "universal rights" is based on the recognition of human rights, labor rights and respect for the environment as necessary conditions for the work of enterprises. At the heart of the theory of "sustainable development" is the idea that the enterprise in its activity is responsible not only to the modern, but also to future generations. That is why it must control both economic, social and environmental performance. Instead, E. Freeman's normative approach made it possible to describe the relationships between enterprises and groups of persons interested in their activities. According to this theory, the enterprise bears moral responsibility not only to the society as a whole, but only to the stakeholders, to whom they include: shareholders, employees of the enterprise, suppliers, consumers and territorial communities in which it operates [13, p. 32]. According to this theory, the enterprise bears moral responsibility not only to the society as a whole, but only to the stakeholders, to whom

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Charity companies are more likely to develop a CSR strategy that covers business processes within the company. Over time, charity programs evolve into CSR programs.

Corporate social responsibility is multilevel in nature [15, p. 112]:

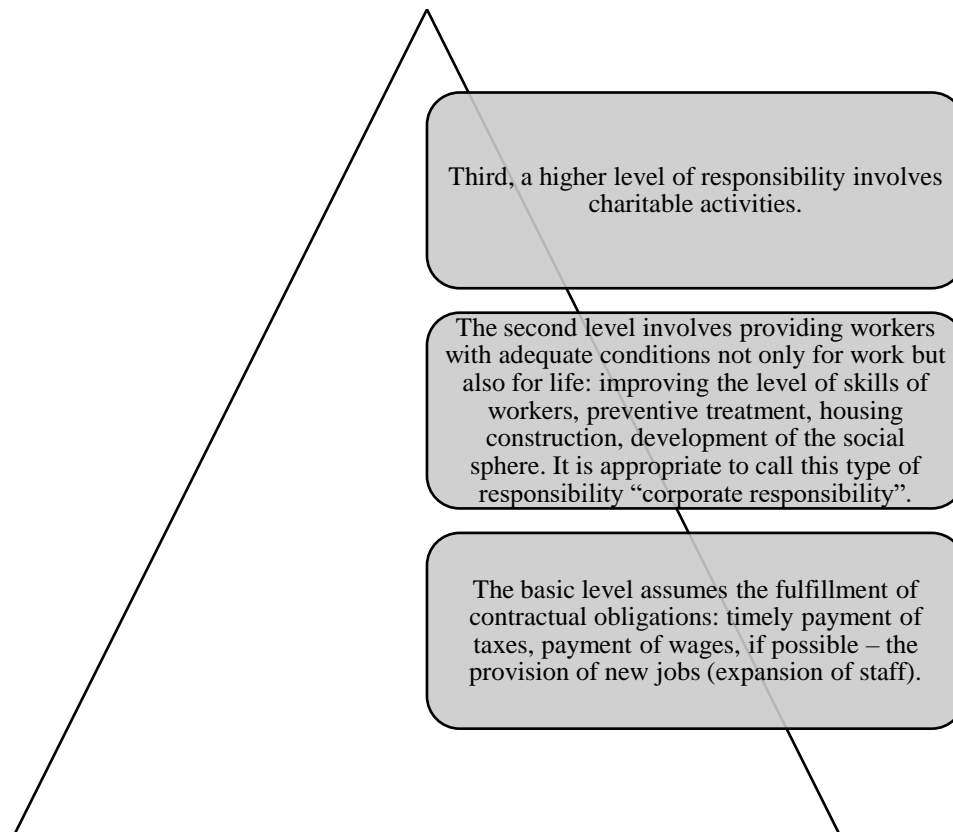


Figure 2. Levels of corporate social responsibility
Source: created by the author [16]

Social capital is a complex category that is often referred to in the context of CSR, and on which the pace of economic growth, industry competitiveness, and the effective functioning of other components of social capital depend. In a narrow sense, social capital is determined by investments in the development of state and public institutions, connections, norms that promote the growth of welfare, stimulate the development of production, reduce poverty, and social injustice. Social capital is characterized by the presence in individuals and legal entities of stable public relations, useful for increasing their income, which creates advantages of their location in the hierarchical structure of society, organizations, in interpersonal relations. Social capital is an indicator of existing potential resources that can

With the spread of corporate social responsibility principles in the world, there is a shift in emphasis on aspects such as employment relations and good business practices. The elements of corporate social responsibility respond to the expectations of society at some point in time and are accordingly subject to change. In addition, corporate social responsibility interpretations have changed over the years, with various researchers and companies offering their own definitions, but after the release of the 2010 ISO 26000: 2010 International Standard on Social Responsibility, a discussion on the core concepts, principles and elements of social responsibility business has lost its relevance. According to this standard, corporate social responsibility is the responsibility of an organization for the impact of its decisions and activities on society and the environment through transparent and

ethical behavior that promotes sustainable development, including the health and well-being of society; takes into account stakeholder expectations; complies with the laws and complies with international standards of behavior; introduced throughout the organization [17, p. 28].

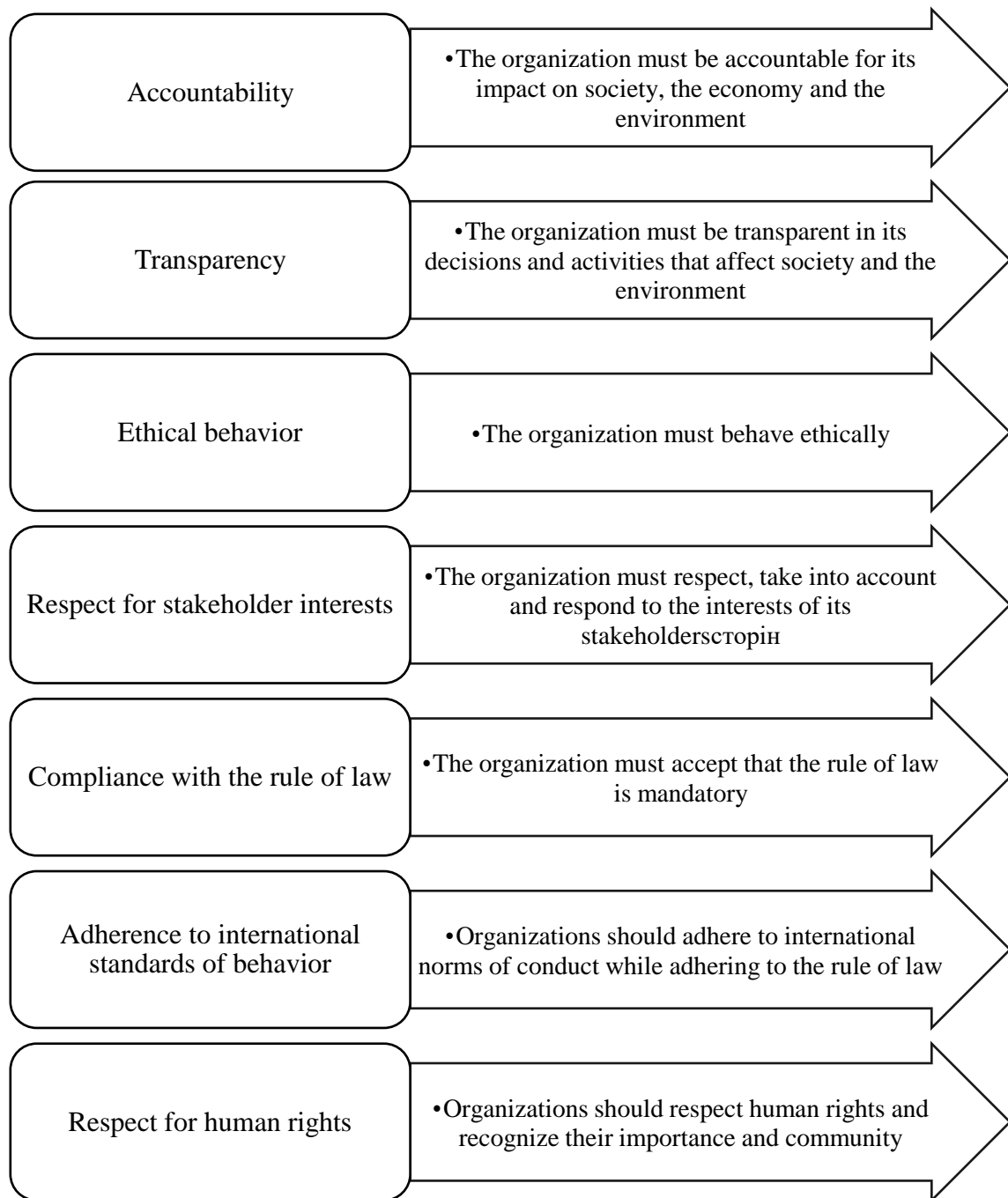


Figure 3. Principles of Corporate Social Responsibility

Source: systematized by the author using [17, p. 26]

The application of corporate social responsibility also provides companies with specific benefits, in particular, in improving risk management; improving reputation management; increase in sales and market share; motivation of employees; optimization of operating processes and cost reduction; investor loyalty; improving financial performance; establishing relations with the public sector and society, etc.

The evolution of views on CSR is shaping new approaches to its contemporary concept in the age of globalization.

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