

## SOCIAL RESPONSIBILITY OF BUSINESS AS A DIRECTION TO IMPROVE SOCIAL DEVELOPMENT OF AGRARIAN ENTERPRISES

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### **Сиротюк Г. Соціальна відповідальність бізнесу як напрям підвищення соціального розвитку аграрних підприємств**

*Розглянуто питання сутності, складу й структури соціальної відповідальності бізнесу аграрних підприємств. Визначено, що соціальна спрямованість підприємства є основним знаряддя досягнення суспільної репутації та ринкового успіху, потужним інструментом у забезпеченні достатнього для підприємства рівня економічної захищеності та перспективою на шляху до сталого розвитку. Наголошено, що впровадження соціально відповідального підходу в аграрному секторі доцільно проводити з врахуванням інтересів місцевих громад, рівня доходів працівників, особливостей вітчизняного зако-нодавства та фінансових можливостей виробників, котрі хочуть позиціонувати себе як соціально орієнтовані підприємства. Визначено чотири рівні оцінки стану соціальної відповідальності: соціальна безвідповідальність; низька соціальна відповідальність; незначна соціальна відповідальність; висока соціальна відповідальність. Вказано на необхідність державного регулювання соціальної відповідальності бізнесу, визначено проблеми й шляхи їх вирішення. Запропоновано поряд із добровільним запровадженням міжнародних стандартів ISO розробити вітчизняні стандарти соціальної відповідальності, які б враховували особливості підприємництва в Україні та були спрямовані на забезпечення рівних умов ведення бізнесу. Наголошено на доцільності прийняття Національної стратегії соціальної відповідальності бізнесу в Україні, яка має чітко зафіксувати позицію держави у цій сфері, що допоможе поліпшити імідж країни, дотримуватися концепції сталого розвитку, відповідально ставитися до проблем суспільства і навколишнього середовища.*

**Ключові слова:** соціальна відповідальність бізнесу, сталий розвиток, аграрні підприємства, державне регулювання.

### **Syrotyuk H. Social responsibility of business as a direction to improve social development of agrarian enterprises**

*The article describes essence, content and structure of social responsibility of agrarian enterprises business. It is proved that social focus of enterprises is the main instrument to obtain social reputation and market success, and it is a powerful tool to supply a sufficient level of economic security for enterprises, as well as a prospective way of sustainable development. It is stressed that introduction of socially responsible approach in agrarian sector should be reasonably concerned with the interests of local communities, level of employees' income, peculiarities of the national legislature and financial opportunities of producers, which position themselves as socially focused enterprises. The research defines four levels of estimation of social responsibility conditions: social irresponsibility; low social responsibility; insufficient social responsibility; high social responsibility. The work proves necessity in the state regulation of business social responsibility, defines problems and ways of their solution. The author proposes, along with introduction of the international standards ISO, to develop national standards of social responsibility, which consider peculiarities of business in Ukraine and are focused on supply of equal conditions for business operation. The research stresses reasonability to approve a National strategy of social responsibility of business in Ukraine, which should clearly fix position of the state in the sphere, supporting improvement of the country's image, keeping to the concept of sustainable development, adequate treating of the problems of society and environment.*

**Key words:** social responsibility of business, sustainable development, agrarian enterprises, state regulation.

### **Сиротюк Г. Социальная ответственность бизнеса как направление повышения социального развития аграрных предприятий**

*Рассмотрены вопросы сущности, состава и структуры социальной ответственности бизнеса аграрных предприятий. Определено, что социальная направленность предприятия является главным орудием достижения общественной репутации и рыночного успеха, мощным инструментом в обеспечении*

достаточного для предприятия уровня экономической защищенности и перспективой на пути к устойчивому развитию. Обосновано, что внедрение социально ответственного подхода в аграрном секторе целесообразно проводить с учетом интересов местных общин, уровня доходов работников, особенностей отечественного законодательства и финансовых возможностей производителей, которые хотят позиционировать себя как социально ориентированные предприятия. Определены четыре уровня оценки состояния социальной ответственности: социальная безответственность; низкая социальная ответственность; незначительная социальная ответственность; высокая социальная ответственность. Указано на необходимость государственного регулирования социальной ответственности бизнеса, определены проблемы и пути их решения. Предложено наряду с добровольным введением международных стандартов ISO разработать отечественные стандарты социальной ответственности, которые бы учитывали особенности предпринимательства в Украине и были направлены на обеспечение равных условий ведения бизнеса. Отмечена целесообразность принятия Национальной стратегии социальной ответственности бизнеса в Украине, которая поможет четко зафиксировать позицию государства в этой сфере, что позволит улучшить имидж страны, соблюдать концепции устойчивого развития, ответственно относиться к проблемам общества и окружающей среды.

**Ключевые слова:** социальная ответственность бизнеса, устойчивое развитие, аграрные предприятия, государственное регулирование.

**Problem setting.** Approval of the concept of sustainable development has caused changes in strategic targets of agrarian enterprises. Essence of the concept of sustainable development is revealed in a balance between satisfaction of needs of the present and future generations for economic prosperity, favorable environment and social well-being. Sustainable development expects formation and support of a high level of peasants' life, improvement of healthcare, ecology, educational level, etc. Social responsibility takes an important position in support of sustainable development.

Importance of the problem of social responsibility of business, particularly agrarian one, is forced by a set of factors, i.e. European integration processes; investment attractiveness; promotion of Ukrainian producers at foreign markets, etc.

The concept of social responsibility of agrarian enterprises operation supplies improvement of business processes, modernization of technologies, raise of motivation and productivity of employees' work, improvement of the results of economic activity of enterprises, raise of management efficiency and minimization of risks.

In agrarian sphere, socially responsible approach should be concerned with the interests of local communities, level of employees' income, peculiarities of the national legislature and physical capabilities of producers, who wish to position themselves as socially focused ones.

However, in spite of the importance of social responsibility of business for its sustainable social-economic development, most of agrarian enterprises do not consider social responsibility as one of their strategic directions of development, but take it as accidental actions, making

insufficient effect on the level of personnel income and quality of population's life. It proves existence of problems concerning development of socially concerned business among the domestic enterprises and argues timeliness of the present research.

**Analysis of the recent researches and publications.** Analysis of scientific works confirms that implementation of the mechanism of social responsibility is connected with economic fundamental of its supply. In particular, Zaikina H. M. (2014) studies a social vector of business system in agro-industrial production in terms of economic efficiency of enterprises' operation and modernization of development of modern social-economic structures management. The researcher Buian (2013) notes that social responsibility of agrarian enterprises is revealed in three directions: production-economic, social and ecological policy and activity.

Problems of institutional supply for socialization of the national agriculture and international experience of social responsibility development are described in the works of Borodina (2012), Hryshova and Nepochatenko (2012). Makarenko (2015, p. 4) stresses that social responsibility of agrarian enterprises is a process of implementation of voluntary undertakings with satisfaction of social needs of both enterprise's employees, its partners and other social participators generally.

Social responsibility, as an instrument to manage competitive capacity and increase innovative-investment attractiveness of enterprises, is studied in the works of Danko and Zainalova (2016), Hnatieva (2012), Koniukhov (2016). Koniukhov (2016) argues that social responsibility of agribusiness entities is an economic category. Its im-

plementation helps to prevent social upheavals in agrarian sphere and get additional income by improving of competitive capacity at domestic and foreign markets, increasing of quality of agrarian products, formation of a product mark and image of domestic producers, more efficient employment of labor potential resource of agrarian business entities.

Tkachuk (2014, p. 94) says that implementation of diversification processes at agrarian enterprises supplies the following results for the society, in particular, improvement of living standards and social security of population; opportunity to invest into social sphere; obtaining of support of citizens' initiatives to implement social projects.

Generalizing ideas of the scientists, it is reasonable to note that, in spite of a considerable amount of scientific works on the mentioned topic, the issues of formation and state regulation of social responsibility of the business of agrarian enterprises need further investigation under the conditions of a complicated social-economic environment of the country.

**Tasks setting.** The aim of the research is to argue theoretical-methodic fundamentals with determination of the conditions of development and state regulation of social responsibility of agrarian enterprises business.

**Methodology of the research and materials.** The theory of social market economy and concept of sustainable development make the methodological base of the research. In the progress of the research, the author applied general scientific and special economic methods, i. e. dialectic method, methods of analysis and synthesis (to study the essence of social responsibility of the business and peculiarities of its regulation), method of system analysis (to study principles and mechanisms of social responsibility of agrarian business); statistical and graphic methods (to process and generalize information); method of expert estimates (to estimate efficiency of the mechanisms of social responsibility of agrarian business entities).

**Main material.** Social responsibility of agrarian enterprises business is revealed in solution of socially important problems both of the business, and the territory, where it is located. The enterprises are considered socially responsible ones if they have a reliable business reputation, spend costs for personnel development, healthcare of employees and safe labor conditions, apply re-

source-saving technologies and are concerned with environmental protection.

The world practice of business activity proves that the enterprises, who are voluntarily positioned as socially responsible business structures, paying the greatest attention not to financial efficiency, but to social effect of their business activity, have prospects of the future development. Social focus is the principal instrument to get good social reputation and market success, and a powerful tool to support a sufficient level of economic security for enterprises.

According to the International standard ISO 26000 «Guidance on social responsibility» (2014), socially responsible activity of agrarian business entities is only possible under the conditions of three kinds of coordination and relations:

- between an organization and society concerning their expectations and mutual impact of personal decisions and actions (responsible behavior);
- between an organization and its interested sides concerning ethically responsible potential or real impact on individuals and organizations;
- between the interested sides and society concerning coordination, agreement of the interests of the interested sides, which are influenced by the organization, and expectations of the society, because, in spite of the fact that the interested sides make part of the society, they can have interests, which do not agree to the society's expectations.

Social responsibility of agrarian enterprises has multi-level character, and it can be considered at three levels, which are revealed in two forms: internal (particular for the very enterprise) and external (deals with the environment) (see fig.). Social responsibility of business should be considered not as expenses, but as capital investment, because enterprises gain benefits by improving of their image and business reputation; efficient management of resources; increase of employees' motivation; creation and application of new opportunities for business.

The result from implementation of social responsibility of agrarian enterprises is in close connection with economic processes, starting from production to sale of products. Thus, making analysis of the conditions of social responsibility, it is important to consider a comparative dynamics of the rates of growth of social and economic indicators of agricultural enterprises.

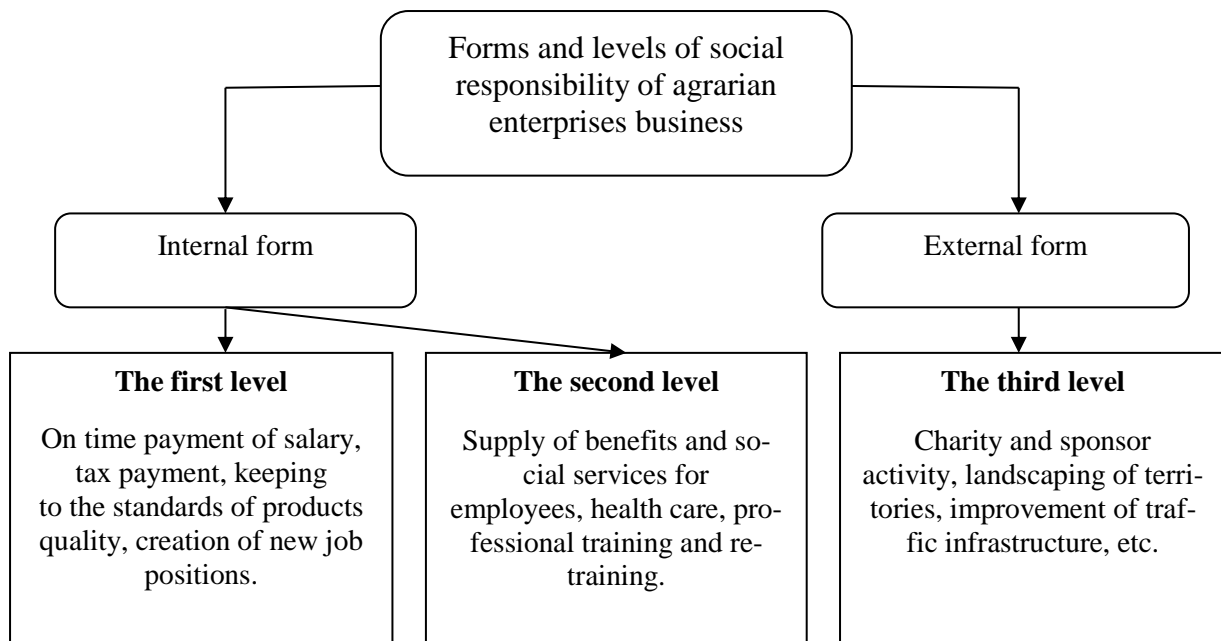


Fig. Structure of social responsibility of agrarian enterprises business.

The researcher Yarova (2014, p. 39) proposes to estimate the level of social responsibility of agricultural enterprises according to a complex (integral) indicator, which is determined as a product of three coefficients (ISV):

$$ISV = FVE * PSV * EEP ,$$

where *FVE* – are criteria of financial-productive efficiency;

*PSV* – are criteria of changes of social responsibility potential;

*EEP* – are criteria of ecological-economic potential.

Conditions of social responsibility of business can be estimated according to four levels:

- 1) social irresponsibility, no impact of business;
- 2) low social responsibility, weak impact of business;
- 3) insufficient social responsibility, moderate impact;
- 4) high social responsibility, strong impact of business.

Nowadays, agroholdings play the most important role in the world of implementation of ideas and principles of social responsibility of business in agrarian sphere. In Ukraine, social responsibility of business is developing, but only by large

enterprises, agroholdings and companies with foreign investment. However, subjects of small and medium business are not much interested in its development, and it can be explained by absence of legal stimulating standards.

Scientists make various estimation of the social role of agroholdings. Thus, Ostashko (2010, p. 122) says that formation of agroholdings has negative social, ecological and economic consequences in the future, because their export focus, aimed at obtaining of fast income, has caused deterioration of crop rotations, and thus, degradation of agricultural lands, reduction of forage crops, breakdown of animal breeding, shortage of employment on rural area.

Cherevko and Kolodii (2012, p. 4–5) stress that agroholdings, having a high level of operation mechanization and modern technologies, supply higher level of labor productivity, and thus, growth of employees' income in the structures. However, agroholdings are dangerous because of possible increase of unemployment level in a village, because performance of a huge volume of work requires less labor force, causing its release from the field of agriculture and agrarian business generally.

Modern practice of agroholdings operation proves that they make particular stress on eco-

conomic component of sustainable development, i.e. increase of production profitability, larger export of products, but social constituent is not substantially concerned. They also break ecological component by deterioration of crop rotations, application of only mineral fertilizers, liming of soils, causing worsening of soil fertility.

To supply a quality mechanism for implementation of measures concerning social responsibility of agroholdings, it is necessary to develop strategies of social partnership with the territories of presence or develop projects of social agreements with local authorities.

Nowadays, in Ukraine, one can distinguish some companies of agrarian business, participating in solution of social problems, in particular, the company «Mriia Ahrokhodyn», the holding «Ahro-Soiuz», the agro-industrial holding «Astarta-Kyiv», PSC «TAKO», the company «Nibulon», the company «Monsanto Ukrainina», the corporation «Svaroh West Group», the agrarian company «Syngenta», the agricultural holding «HarvEast», Ukrzernoprom, the company «AgroGeneration». The companies participate in solution of social problems in the location, where their productive capacities and lands are located.

For instance, the company «Astarta-Kyiv» is one of the first company, who has initiated introduction of the program of social responsibility. In 2008, it officially joined the Global Agreement of the UNO and systemized their social intention. Focus of social programs of the companies is supported by educational and medical establishments, improvement of rural infrastructure, development of culture and sport. An annual budget of social-ecological programs of the company exceeds 100 million UAH.

In 2016, the company «AgroGeneration» obtained the Badge of Social Responsibility. It supports orphanages, hospitals, schools, rest houses for war veterans, children's football teams. In the last year, «AgroGeneration» made a kind donation of 7 400 thousand UAH.

In November 2016, the Center «Rozvytok KSV» and five the largest agrarian companies of Ukraine («Astarta-Kyiv», «Monsanto Ukrainina», «Svaroh West Group», «Syngenta» and «HarvEast») signed the memorandum about cooperation to implement the educational

project «Tvoie maibutnie v Ahro» («Your future in Agro»). The aim of the project is to integrate efforts of business, schools and Universities concerning improvement of knowledge of young people about specialties in agrarian sphere, supporting their informed choice of profession.

The author of the article considers that social responsibility of business should be an organic addition to economic operations of enterprises, because only under such conditions, the enterprises perform efficient economic activity and can develop. It also supplies harmonious activity of the enterprise in the environment and helps to get social approval and support.

Comparing to other branches, operation of agriculture is closely connected with population and environment. Thus, agrarian enterprises should develop their business strategy with consideration of social needs. They should not just make financing of the projects, but generate and initiate ideas concerning sustainable development of a person and nature.

Social activity in the business of agrarian enterprises considerably depends on the acting state regulation. Stimuli (tax privileges, reimbursement for environmental focus of agrarian production, raise of quality and security of agrarian products, etc.) are one of the most important instruments of it. Efficiency of the stimuli depends on transparency and efficiency of the mechanism of introduction and they should be obligatory approved in the legislature. However, penetration of the state into the sphere of social responsibility should have recommending, frame character. The author of the article agrees to Yevchuk (2011) that the state should create such environment for agrarian formations, in which they are interested to increase the level of social-economic environment of rural territory.

Main problems, preventing regulation of social responsibility by the state, are: voluntary introduction of the practice of social responsibility by enterprises and their keeping to certain standards; globalization, which can help enterprises to avoid unwished measures of state regulation, starting dangerous productions.

The author of the article considers that voluntary introduction of international standards ISO should be done along with development of obligatory national standards of social respon-

sibility, which are to consider peculiarities of business in Ukraine and should be focused on support of equal conditions of business performance.

Social responsibility of agrarian business is a continuous process and thus, it is necessary to approve an appropriate strategy and program of actions. In the context, it is the most reasonable to approve a National strategy of social responsibility of business in Ukraine, which should clearly fix position of the state in the sphere. Approval of the Strategy will improve image of the state inside the country and abroad, argue its intention to move in the direction of modern European and world tendencies, to keep to the concept of sustainable development, to demonstrate adequate attitude to the problems of society and environment.

Considering the fact, social responsibility of agrarian business is an objective mechanism of transformation of the whole system of economic relations and agrarian economy. It is directly connected with the modern tendencies of development and growing requirements to the process and results of production and it is an instrument of management of present business entities, strategically focused on strengthening of their mar-

ket positions and raise of operation efficiency in the future.

**Conclusions and prospects of the future scientific search.** According to the results of the carried research, the author makes the following conclusions:

1. Under current conditions, agrarian enterprises cannot be successful in business, if they are not seriously concerned with social responsibility, which is developed both under the impact of the very enterprises and in public society, capable to acts as a real partner of business in solution of social issues;

2. Estimation of social responsibility conditions can be made according to the following levels: social irresponsibility; low social responsibility; insufficient social responsibility; high social responsibility;

3. Implementation of social responsibility of the business of agrarian enterprises depends on the acting state regulation. Thus, at the legislative level, it is necessary to approve an appropriate national strategy and program of actions.

The future research expects a deeper investigation of the existing methods to estimate efficiency of socially responsible activity of agrarian enterprises.

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