

## AN ASSESSMENT OF CORPORATE SOCIAL RESPONSIBILITY OF COMPANIES BASED ON NATIONAL AND INTERNATIONAL INDICES

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**Abstract:** The global economy has put forward some new requirements for doing business and the business environment itself. The central element of the new corporate management system is its socially-oriented component, which is already a measure of performance and indicates the priority of the social component in different levels of global environment relationships. The social-ecological orientation of the modern international economy determines the priority of all sectors – from production to final consumption. This research aims to analyze the assessment of corporate social responsibility of companies based on national and international indices. Research methods: systematization; synthesis of information; modeling the essence of social responsibility. Results. The conducted research gave a brief character of the corporate social responsibility development and indicated the conceptual approaches in the assessment system of companies' corporate social responsibility. It was noted that the assessment of corporate social responsibility is aligned with the priorities of the economy phase. Nowadays market economy dominates. Therefore, the priority measure of the economic activity of firms is economic indicators of profitability. Consequently, the assessment of corporate social responsibility of companies is carried out mainly based on stock indices. The modeling of the system of corporate-social relations also determines the methodology for assessing the corporate social responsibility of companies. Nowadays, the modeling of corporate social responsibility is also focused on the business environment of companies, and their assessment already takes into account non-financial relations as well. That is why the assessment system is introduced because of non-financial indices. For countries where the stock market is underdeveloped and, large companies are not powerful in the international market, their assessment of corporate social responsibility is done through ratings determined by non-financial reports. It is proved that the assessment of corporate social responsibility considers only indirectly the basic human needs. Thus, the key factors directly determining the state of companies' social responsibility to people regardless of religion, race, and financial status are noted. By this priority, modern business is not socially responsible to people of the Earth. It is indicated that the assessment of corporate social responsibility can only be made because of quantitative indicators (reduction in the number of hungry people, the area of reforestation per person, receiving electricity at low rates, etc.). Such an assessment is possible only if full education is provided to all inhabitants of the planet and, first of all, to children in the study of nano- and pico-technologies. The results of the research can be used for the formation of national policies in the process of forming the criteria for assessing corporate social responsibility and developing strategic programs for the development of the socio-economic policy of the state or a regional interstate association. Such an approach points to further research directions of the institute of corporate social responsibility research.

**Keywords:** corporate social responsibility, standards of corporate social responsibility, models of corporate social responsibility, stock and non-stock indices, basic factors of social responsibility (knowledge and realized innovations), economics of social guarantee.

### 1 Introduction

Any modern field of knowledge, first of all, must form a measuring mechanism, since without a measuring system no practical activity is possible. Trends in orientation and increasing compliance with the requirements of social responsibility of businesses also make it necessary to pay attention to the assessment of their activities according to a certain scale or criterion. In addition, global trends in digitalization lead to an acceleration in the application of the system of automated measurement of a series of different data in a real-time stream.

Accordingly, a measurable assessment of the social responsibility of modern companies is not only an urgent problem of the enterprise itself but also of scientific interest. At the same time, scientific interest considers this problem much broader and more in-depth, taking into account numerous diverse indicators: both purely economic, financial and organizational, and political.

In general, a unified scientific approach in assessing corporate social responsibility has not yet been developed. This scientific problem has a spontaneous nature, resulting in the application of various methods (quantitative, qualitative, rating). The most widespread in the application are index assessments of corporate social responsibility. This methodology takes into account different directions and indicators and covers different areas of

application. The study of these indices is the basis of the scientific interest of our article.

The research aims: to analyze the assessment of companies' corporate social responsibility based on state and international indices.

### Research tasks:

1. To form an abstract model of criteria for assessing the corporate social responsibility of companies.
2. To analyze the current indicators of corporate social responsibility of companies and prioritize them according to the abstract model.

### 2 Literature Review

Scientific discussion and definition of social responsibility as a separate social institution was filed by H. Bowen in 1953 (Bowen H., 1953). In 1960-1970th, Davis K. (1960) expanded theoretical considerations of social responsibility, and most importantly, explained them in a professional and accessible to all members of society.

In the modern understanding, corporate social responsibility has various forms, exploring many authors (Raudeliūnienė, Tvaronavičienė, Dzemyda and Sepehri, 2014; Figurska, 2014; Baronienė and Žirgūtis, 2016; Jankalová and Jankal, 2017; Iqbal, MK and Bhutta, USA, 2020).

The literature provides various descriptions of the concept of corporate social responsibility and its implications for society (Riera, M., & Iborra, M., 2017; Selcuk, EA, & Kiyamaz, H., 2017; Li, J., Sun, X., & Li, G., 2018). However, until now, the definition of corporate social responsibility proposed by Carroll (Carroll A., 1991) is the most widely accepted and used in practical and academic research (Gerda Barauskaite & Dalia Streimikiene, 2020).

In addition, various methods of assessing corporate social responsibility are used (Gerner, M. 2019, Lechuga Sancho, MP, Larrán Jorge, M. and Herrera Madueño, J. 2020; Forcadell, FJ, & Aracil, E., 2017; Zentes, J., Morschett, D., & Schramm-Klein, H. (2017) However, there is no single approach to assessing corporate social responsibility.

### 3 Methods

The implementation of the research aims implies the use of the following methods:

- systematization, generalization of scientific publications on the study and assessment of corporate social responsibility;
- method of comparative analysis on a group of indicators of assessment of corporate social responsibility;
- modeling of the essence of social responsibility;
- system and logical analysis, method of information's synthesis.

### 4 Results

Scientific discussion and definition of social responsibility began in the 1970s in the United States and England due to the practice of enhancing the image of companies and business responsibility to community groups. At the end of the 20th century, this concept embraced the sphere of labor protection and ensured the social protection of employees of firms and corporations. In addition, developed countries have implemented strict labor standards at the legislative level. The attention of the added concept intensified due to the aggravation of environmental problems of the world, and then new requirements for production greening and environmental protection were put

forward. Society demands the minimization of environmental risks of corporate activities under the standards of sustainable economic growth. In the energy sector of the economy, development must be achieved without disturbing the energy balance and without compromising the security of access to electricity, environmental sustainability, economic sustainability, and economic growth.

The international legislative initiative has enshrined corporate social responsibility (CSR) in several agreements and standards: (European Union Social Policy Agreement, 1991), Rio Declaration on Environment and Development, United Nations, 1992; UN Global Compact, 2000, Millennium Development Goals, United Nations Millennium Declaration, 2000; International Standard Guidance on social responsibility, International Organization for Standardization, 2010, The Sustainable Development Goals, United Nations, 2015.

In the 21st century, the publication of annual CSR reports of well-known corporations began. For example, within 5 years, 81% of the world's 500 largest companies voluntarily published non-financial reports on economic, environmental, and social activities, compared to only 61% in 2011. In 2017, the EU Directive required mandatory disclosure of non-financial and other information of a different nature.

Consequently, assessment of social responsibility is a complex process that includes numerous indicators of different aspects. That is why indices are widely used in social responsibility assessment practice.

In general, these indices are divided into stock and non-stock ones. The most widespread among stock indices are DSI 400 (Domini Social Index 400), DJSI (Dow Jones Sustainability Index), FTSE4Good, etc., and for non-fund ones: Accountability Rating; Business in the Community's Corporate Responsibility Index; Social Index of Danish Ministry of Social Policy and others.

However, the methodology of such indicators is very specific. Therefore, let us indicate the main characteristics and features (Table 1).

Table 1 – The characteristics of social responsibility indices

Indexes	Specifics of application
Stock	Limited number of companies in which certain indicators are defined
	Wide range of indicators
	Consideration of strong and weak elements of companies
	Environmental and economic results of the company activities are taken into account
Non-stock	Assessment of the company's performance by different stakeholder groups
	Assessment of non-financial activities of the company at all stages of its development and implementation
	Environmental, economic performance of the company is not taken into account
	Often environmental and economic results of the company's activity are not taken into account
	Some indices do not consider the division of a company's activity into financial and non-financial components

Source: author's elaboration

In our research, we will start with the definition of corporate social responsibility. Thus, according to the World Bank research institute, social responsibility of business is, firstly, a set of policies and actions related to key stakeholders, values, and requirements that take into account the interests of people, communities, and the environment; secondly, it is the focus of the business on sustainable development. The European

Commission defines corporate social responsibility as a tool to influence society by ensuring sustainable development.

In these definitions, the priority of sustainable development and consideration of people's interests is noted. But this definition is more general and does not take into account specific human needs. Let us note the basic factors that allow a person to act and develop and improve.

1. Climatic needs – are determined by the climatic zone of human life.
2. Needs for shelter, food, and clothing. These needs change with the passage of man in his biological cycles. These are demographic needs.
3. The need for protection and security. These are overwhelmingly environmental security.
4. The need for communication. By nature, communication bears the seeds of learning. The need for communication acts as a need for learning.

Such is the minimum of needs, which allows a person to live and not to survive. However, the development of society makes it possible to change the priority of needs. For example, the availability of electric current and various equipment, climatic needs allow disregarding (it is possible to heat or cool the premises). Also, the housing needs, clothing are significantly negated by technology. But there is a growing need not just for resources, but in a certain way prepared for use and safe to use. Consequently, the factors of social responsibility will change (Figure 1).

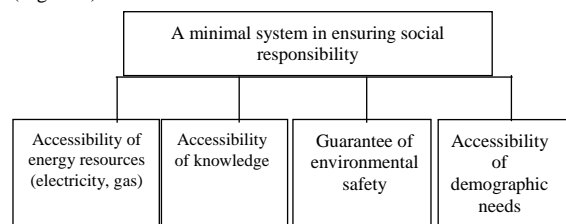


Figure 1 – The requirements for the system of minimum social guarantees for a person

Source: author's elaboration

The fulfillment of these needs under market conditions is determined only through the mechanism of supply and demand. In this mechanism, the only measure of guaranteeing social responsibility is the concentration of money with the consumer. This is why the system of corporate responsibility of business has been introduced. Unfortunately, it is not able to solve the urgent problems of humanity (malnutrition, fresh water, electricity). Social responsibility is a function of four factors excitement:

$$CSR = f(X, Y, Z, d), \rightarrow max \tag{1}$$

Graphically, the CSR function intersects the benefit availability function:

$$\begin{cases} CSR = f(X, Y, Z, d) \\ BA = f(R, T) \end{cases} \tag{2}$$

This system is solved only by the technology development.

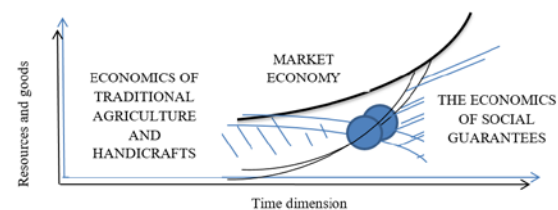


Figure 2 – Graphical link between social responsibility and the benefits accessibility

Source: author's elaboration

The understanding of the fundamental natural laws of the Universe brings humanity to a new stage of development and social responsibility. At the same time, technologies should not be controlled by a separate group, and the patenting system should become transparent and publicly available in the system of a real implementation.

Consequently, the measure of social responsibility of business becomes the indicator of innovative implementations. Therefore, scientific and technological developments should play a dominant position in the integral indicators.

The quantitative indicators of overcoming conditions unfit for human life (reducing the number of hungry and malnourished people, getting electric power and drinking water, etc.) have more practical value in the system of corporate social responsibility indicators. It is worth reminding that about 2 billion people on the planet do not have an opportunity to fully feed themselves, and this indicator is growing every year. The situation with drinking water and power supply is similar. Such a situation is strange, taking into account the fact that labor productivity in the world economy is constantly growing and the reduction of daily working time to 6-7 hours in developed countries is observed.

## 5 Discussion

Our research is focused on the assessment of the social responsibility of business. However, social responsibility in society is a fairly new phenomenon and is in its formative stage. Its assessment depends on the understanding of this phenomenon and its manifestation in the world economy. We somewhat disagree with Bowen H. (Davis K., 1967), who treated social responsibility as a separate social institution. It only becomes a social institution if there is the exploitation of the wage-worker, defined by the legislative field of the national and international economy. Corporate social responsibility is, therefore, a natural action to counteract this exploitation of labor (Mihus et al., 2021). Davies K. was the one who managed to explain this phenomenon in a professional and accessible way to all members of society, pointing out the benefits for all participants of this institution.

The explanation of the methodological approach to the assessment of corporate social responsibility is based on an understanding of the mechanism of corporate social responsibility, and the mechanism itself is revealed through an appropriate model. The modeling of corporate social responsibility was laid down by Carroll A. (1979) in the late 1970s. Fully agree with the researcher that the basis of corporate social responsibility is economic, legal, ethical, and discretionary compliance.

Changes in the international environment entail changes in the mechanism of corporate social responsibility. For this reason, Carroll A. is constantly adapting his basic model. Let us clarify that the essence of global corporate social responsibility remains unchanged: making a profit. Schwartz M. (2003) deduces this as a necessary condition and points out that this economic goal should not violate national and international law, be guided by standards (local and global), and take into account the expectations of local communities.

If we evaluate corporate social responsibility as the development of fundamental-application explanations of the business environment, two models are made CSR-1 (Frederick W., 1968) to CSR-2 (Frederick W., 1978). CSR-1 is the basis for understanding social responsibility, and CSR-2 is the concept of corporate social responsiveness and is a managerial tool and technique in shaping the organizational structure of a corporation and its behavior. These models, accordingly, have developed techniques for the integral assessment of corporate social responsibility through the stock and, respectively, non-fund indicators.

However, in these assessments, the person himself does not occupy a primary position. In our opinion, from a position of humanity and ethics in the estimation of corporate social

responsibility should stand a change of environment of life of the person to improve to provide the person with necessary benefits for its development.

## 6 Conclusion

To summarize, let us point out that corporate social responsibility is a phenomenon in most political measures of the representatives of the globalist elite. Accordingly, this elite sets the direction of most scholars' research. For ethical reasons, however, social responsibility is a natural process of human development. Therefore, this phenomenon becomes central to the social and economic process discussion in the global economy.

The impact of CSR needs to be measured. Therefore, assessing the impact of CSR requires taking into account a fairly large number of factors and economic indicators. Considering that the modern mechanism of economic activity is a market economy, this phenomenon has been used by large corporations to improve their stock ratings, which ultimately provides an additional increase in their stock quotes, and investors increased dividends. Consequently, CSR began to be evaluated through improvements in stock index methodology.

Further implementation of social standards and mandatory filing of non-financial reports by corporations introduced a mechanism for evaluating CSR through non-stock indices. This trend can be traced both internationally and nationally.

In conceptual terms, this CSR assessment is carried out solely to increase the importance of the responsibility of international and large national companies in the business environment and the commitment of consumers and their customers. Thus, the priority measure is the efforts made by companies to improve certain factors in their business activities and their impact on the environment (ecologization, elimination of discrimination, etc.).

Undoubtedly, such an approach is important because it allows and forces the management of corporations to focus not only on purely economic goals but to solve urgent problems of the environment and social inequality. However, a radical solution to the problems of social responsibility of business has not yet been traced. The reason for this is the substitution of the aims' priority. Nowadays, the aim of improving the living conditions of a single person on a global scale is not even voiced. Therefore, the social value system does not track the measurement of specific quantitative characteristics. However, integral indicators developed on an economic basis (stock indices) dominate reports and various rankings, because the economic component of the social assessment of the international environment remains a priority.

The transition to full social responsibility is possible, but under certain conditions, among which the factor of knowledge which in their realization leads to innovative development is obliged to dominate. And the knowledge should become completely accessible and not be fragmented by different factors.

The understanding of social responsibility can change fundamentally only through innovation, or more precisely, its rapid implementation. Modern innovative development is difficult from the position of implementation's organization because it requires significant efforts to harmonize legal requirements and organizational and production processes. Modern breakthrough innovative technologies are implemented over dozens of years and are focused on profit.

When it comes to knowledge, modern mass learning, especially in national countries with less powerful economies, is fixated exclusively on national priorities. Education should be oriented to the study of nano- and pico- (10-12) technologies.

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