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**Article**

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## **SOCIAL RESPONSIBILITY OF BUSINESS AS SUSTAINABLE DEVELOPMENT APPROACH IN MANAGEMENT**

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***Abstract.** The feature of the effective functioning of social relations and the condition of sustainable dynamics of the country's development is socially responsible behaviour of business. In times of crisis, socio-economic processes become unstable, social risks increase and deepen. It is important to balance of social processes by reconciling the interests of economic entities and society, social proportions and certain priorities. In this aspect, the problem of social responsibility of business through the creation of a favourable business environment is of particular importance. As a result, it is important to study the process of corporate social responsibility as sustainable development approach in management. The objective of article is methodological research the concept of social responsibility of business, the key elements of its development, the obstacles to its implementation and systematic improvements of its management. It is proved that responsible business supports high rates of economic growth, ensuring career growth for all employees, as a growing business constantly needs to attract new employees. It is justified that the policy of social responsibility of business must be implemented at the level of strategic management in the activities of the marketing, production and sales departments, as well as in the understanding of the strategy and the readiness to implement it in the workplace. It is suggested that in order to increase the social responsibility of business, it is necessary to ensure the reliability of indicators of financial and non-financial (social) reporting and assessment of the effectiveness of socio-economic costs.*

***Keywords:** Business ethics, corporate culture, social responsibility of business, sustainable management*

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### **INTRODUCTION**

Structural shifts in the economy create challenges for society. Today, the issues of rational nature use (greening) of industrial productions, reduction of the material intensity of products and stabilization of resource provision of productions are still unresolved. As a result, there is a reduction in the number of enterprises, the environmental condition of industries is deteriorating, which is accompanied by a significant level of environmental pollution, negatively affecting the deterioration of the nation's health. At the business level, the health care crisis has enabled the adoption of corporate social responsibility practices, prompting the adaptation of business strategy, thus contributing to the mitigation of social and environmental problems.

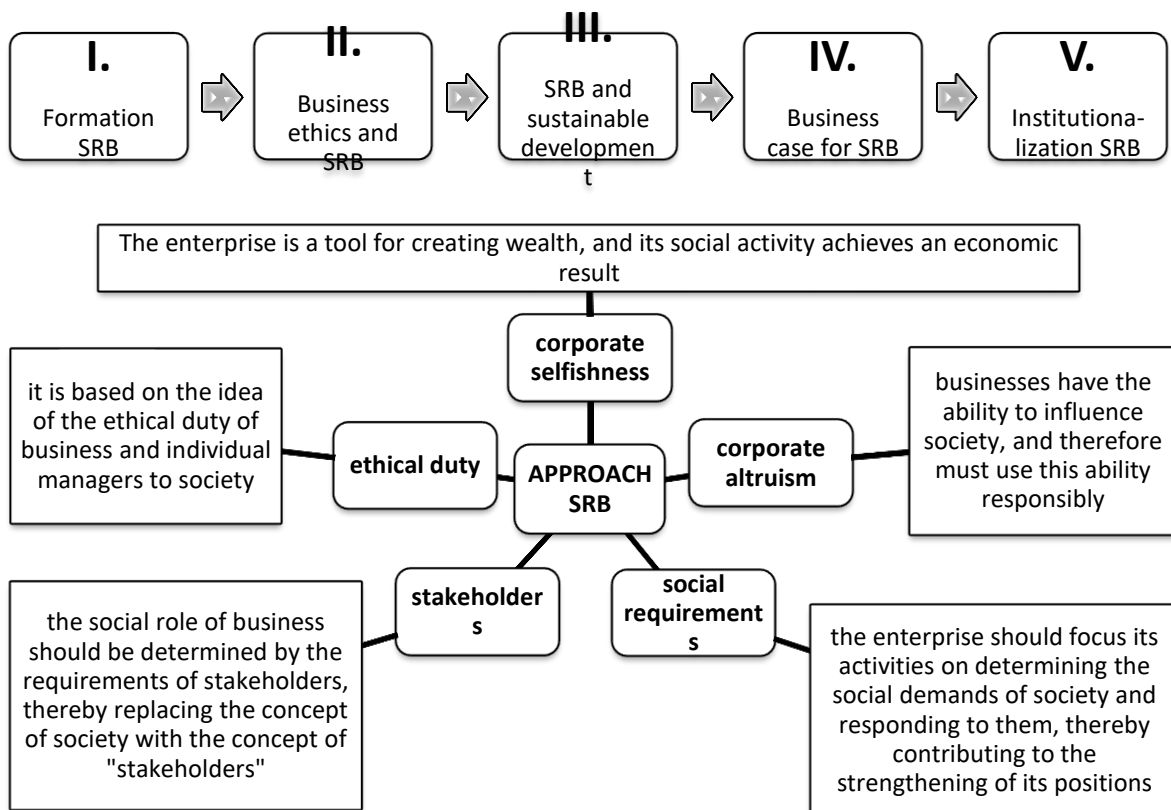
## I. Methodology

### Concept of social responsibility of business

The concept of social responsibility of business (SRB) appeared at the end of the twentieth century and is at the stage of approval. That is why there is no single approach to its definition, but its essence remains unchanged – business must be socially oriented in relation to its own employees, the state, society, the environment and consumers. In many developed concepts, social responsibility is replaced by other definitions, in particular, such as: “corporate social activity”, “business ethics” (Kroese, 2022).

Social responsibility of business has become part of the management system, has acquired special importance and includes several stages of development (see Fig. 1). The first stage of the formation of SRB (1920-1950) – the main ideologist – H. Bowen (1953, research “Social Responsibility of a Businessman”). According to the author, the social responsibility of a businessman consists in “implementing policies, making decisions or choosing a line of behaviour that would be desirable from the standpoint of society's goals and values”. The same time, P. Drucker (1986, research “Management Practice”) considers public responsibility as one of the eight key factors for achieving business goals. At the second stage of SRB (1970), the word combination of SR and business ethics was introduced, and special attention was focused on volunteering. According to M. Friedman (1970), “social responsibility of business means using one's own resources and involving them in activities aimed at increasing profits, in conditions of open and free competition”. According to A. Carroll (1999), the social responsibility of business is compliance with the economic, legal, ethical and philanthropic expectations presented by the society to the organization in this period.

Figure 1. Stages and approaches of social responsibility of business [Authors].



## *SOCIAL RESPONSIBILITY OF BUSINESS AS SUSTAINABLE DEVELOPMENT APPROACH IN MANAGEMENT*

The third stage of social responsibility of business was characterized by strengthening its connection with sustainable development (1980). During this period, M. Friedman's stakeholder theory was developed, the organizational structure of business social responsibility management began to be discussed, and the concept of sustainable development (development that meets the needs of the present without limiting the ability of future generations to meet their own needs) appeared. The fourth stage (1990) formed the business case for SRB. At this stage, three motivational reasons for the development of the concept were formed: environmental protection, ecological diversity and stakeholders (Latapi Agudelo et al., 2019). The concept of a triangular balance between economic, social and environmental goals of development appeared. The fifth stage saw the institutionalization of business social responsibility at the national level and the emergence of international standards. In the 21st century a new impetus for SRB development was achieved through the adoption of the ISO 26000 standard, national strategies, state programs on social responsibility and UN directives. As a result, the definition was formed: "social responsibility – company's responsibility for the impact of its decisions and actions on society and the environment through transparent and ethical behaviour that contributes to the well-being of society; takes into account the expectations of interested parties; complies with the legislation" (Zvarych et al., 2022).

Having studied the existing theories, it is possible to distinguish the following types of approaches to the concept of corporate social responsibility of business (Fig. 1). From the point of view of corporate egoism, corporations are instruments of wealth creation, and all social activity is aimed at achieving economic results. In this way, organizations fulfil their economic functions by producing goods and providing services needed by society, while creating jobs and maximizing profits for shareholders. Proponents of this concept emphasize that only in the long-term profit maximization internally determines the real responsibility of the company, since this approach combines the interests of shareholders and other stakeholders (Wickert, 2021). The approach from the point of view of corporate altruism defines the entrepreneurial ability to influence society, and, accordingly, the responsibility to use this ability. The most famous is the concept of "corporate citizenship", which considers the role of business in the sense of social investments and obligations to local communities (Lindeque et al., 2022).

From the point of view of social requirements, the company should focus its activities on identifying the social requirements of society and responding to them. That is, there was a change from "what is good for society" to "what society requires from business". The stakeholder approach assumes that, regardless of the type of business or organization, there is a group of people (stakeholders) who influence the company or are influenced by the company, i.e. delegate certain responsibilities. These groups are called "stakeholders" and they include: employees, buyers, shareholders, suppliers, communities, countries and society in general (Seely, 2022). The ethical approach is based on the idea of moral responsibility of business managers and individuals to society. According to Bukreieva (2022), every business has an economic, environmental and social responsibility to society, ensuring its viability. So, the social responsibility of business is a system of consistent economic, environmental and social measures of the company, implemented on the basis of constant interaction with stakeholders and aimed at reducing non-financial risks, long-term image improvement and ensuring the profitability and sustainable development of the enterprise (Clendaniel, 2022).

## **II. Results**

### ***II.1. Key elements of entrepreneurship development***

Analysing business activities, it is worth noting that socially responsible companies attach special importance to the training of their professionals, devoting approximately 10% of their own resources to this. Companies also lobby for the teaching of specialized subjects in higher education institutions, both for master's and postgraduate studies, as well as in business schools, provide sponsorship and award the best projects of the final year at universities. Sustainable development involves reducing inequality, and corporate social responsibility includes an anti-discrimination policy aimed at avoiding any discrimination or inequality based on race, gender, sexual identity, sexual orientation, age, religion or belief, disability, marital status, pregnancy or maternity. The company's anti-discrimination policy includes: cooperation agreements aimed at promoting social and labour inclusion of people with disabilities in the normal working environment; participation in the training program on labour inclusion of young people with certain disabilities; charity sports events for social integration of people with disabilities (Bukreieva & Denysenko, 2022).

The key elements of entrepreneurship development are innovation and industry specialization: investment in business capacity, research and development; financing of analytical research and creation of databases; digital transformation and development of artificial intelligence; exchange of knowledge, participation in specialized forums; participation in industry associations. In addition, socially responsible companies have a corporate culture that assumes equal opportunities and gender equality, without any discrimination, as a basic principle. That is why companies are constantly taking measures aimed at equality between women and men in such key areas as access to work, job stability, pay, regardless of the legal system in the country. Responsible business supports high rates of economic growth, ensuring career growth for all employees, as a growing business constantly needs to attract new employees (young graduates) (Boiko, 2022).

The main points of such obligations include: creation of quality employment; cooperation agreements with schools that give high school students the opportunity to get their first experience working in a business environment; cooperation with universities and business associations – seminars and courses on entrepreneurship; participation in programs that promote innovation and entrepreneurship, fosters critical thinking, problem solving, teaching children and youth certain skills; support for microfinancing, facilitating access to credit and financing for the most disadvantaged groups in society; sponsorship of family entrepreneurship and family business programs (Tuxbury, 2022).

### ***II.2. Obstacles to implementation of social responsibility of business***

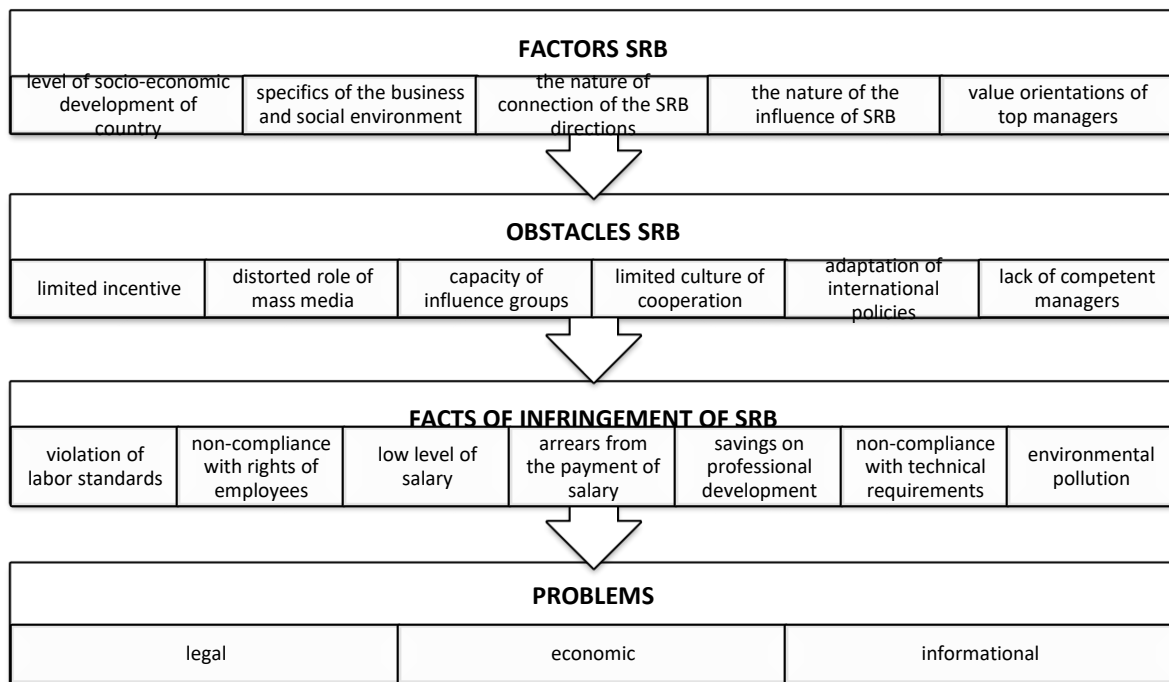
Many factors influence the possibility and scale of corporate policy regarding the social responsibility of business, namely (Fig. 2): the level of socio-economic development of the country; the quality of the institutional environment; specifics of the business and social business environment (international business integration, company size, law and order, level of income, consumer protection, level of competition; pandemic; war); differentiation of areas of social responsibility of business; the nature of the impact of social responsibility on financial and economic results in the short- and long-term periods; value orientations of company owners and top managers (Greenaway, 2022). The problems and obstacles of social responsibility of

*SOCIAL RESPONSIBILITY OF BUSINESS AS SUSTAINABLE DEVELOPMENT APPROACH  
IN MANAGEMENT*

business include its limited promotion and practical application, in particular (Fig. 2): employers violate international norms of human and labour rights; non-compliance with social-legal and labour rights; low wages; salary arrears; insignificant investments in labour protection, health of employees and professional development (Stern, 2022).

In addition, it is worth noting the lack of a sufficient number of interested and competent managers, because the policy of social responsibility of business must be implemented at the level of strategic management in the activities of the marketing, production and sales departments, as well as in the understanding of the strategy and the readiness to implement it in the workplace. In addition, there are problems such as low product quality, failure to meet technical production requirements, environmental pollution and unfair competition. Also, lack of financial resources, inconsistency of criteria for assessing corporate social responsibility; low level of corporate culture; legal nihilism; and lobbying interests (Kurland et al., 2022).

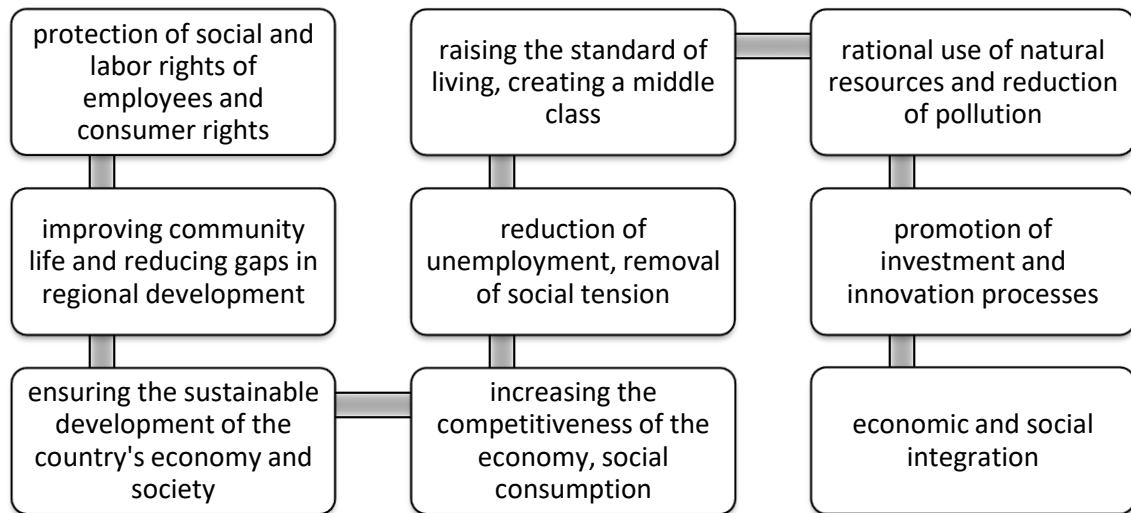
Figure 2. The problems and obstacles to implementation of social responsibility of business [Authors].



***II.3. Systematic improvement the social responsibility management***

Regarding the macroeconomic environment in which companies operate during the crisis, it is worth noting that more sustainable growth in markets requires complex and interconnected actions at the national and regulatory levels. To adjust the growth rates, it is necessary to improve corporate governance. The structure of economy can be segmented to accelerate growth by improving corporate governance using a two-step algorithm. Prospects for the development of social responsibility projects in developing markets require a national mechanism to promote the systematic improvement of social responsibility of business entities (Fig. 3).

Figure 3. Mechanism of systematic improvement the social responsibility of business entities [Authors].



Also, the social responsibility of business is closely interconnected with social consumption. Socially responsible consumers consider the social consequences of their consumption and use their purchasing power to incorporate social change into the company (Gilles, 2021). In this sense, it is a conscious choice of consumption based on moral and personal beliefs. It is conceptualizing the consumer as the responsible person who, based on the purchase of a certain product or service, minimizes or eliminates harm to society, thus maximizing positive impact in the long term (Zvarych et al., 2022). Ethical consumer behaviour, on the other hand, refers to their choice of one company and one or another product based on political, religious, environmental or social motives, as well as considering labour issues when shopping. In this case, in order to increase the SRB, it is necessary to: create a system for obtaining reliable and timely information about the social, economic and public impact of companies; ensuring the reliability of indicators of financial and non-financial (social) reporting and assessment of the effectiveness of socio-economic costs; financial support of the social package through the social security plan of the organization's employees (an integral part of the event organization plan) (Zvarych et al., 2022).

## CONCLUSIONS

Global crises have encouraged companies to increasingly include social and environmental aspects in their business activities. This was largely driven by government regulations and is a potential source of competitive advantage for companies. In addition to government pressure, coercion has been another catalyst for the adoption of corporate social responsibility practices. Actions focused on environmental outcomes have become central to sustainable development, as the adoption of such practices drives corporate development as well as investment. The debate between interest groups and shareholders has intensified in recent years as regulatory and enforcement pressures on companies have led to the inclusion of sustainable indicators such as ESG (environmental, social and governance indicators), which include aspects of related to climate change, pollution, working conditions. The components that make up social responsibility have been disrupted by the pandemic, which has greatly affected the global economy due to the policies put in place to stop the spread of the virus.

*SOCIAL RESPONSIBILITY OF BUSINESS AS SUSTAINABLE DEVELOPMENT APPROACH  
IN MANAGEMENT*

Environmental performance during the pandemic and war in Ukraine prompts a decline in proactive environmental action, as these issues are central to the world (Zvorych et al., 2022). Responsible business supports high rates of economic growth, ensuring career growth for all employees, as a growing business constantly needs to attract new employees: creation of quality employment; cooperation with universities and business associations; support for microfinancing; sponsorship of family entrepreneurship. The obstacles of social responsibility of business include: violation by employers the international norms of human and labour rights; non-compliance with social-legal and labour rights; low wages; salary arrears; insignificant investments in labour protection, health of employees and professional development. The prospects for the development of social responsibility projects require a national mechanism to promote the systematic improvement of social responsibility of business entities. Also, socially responsible consumers consider the social consequences of their consumption and use their purchasing power to incorporate social change into the company. Future research in this direction should be directed to the problems of sustainable business development in the conditions of war, as well as to the areas of manifestation of the implementation of social responsibility of business in the post-war period.

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