

კორპორატიული სოციალური პასუხისმგებლობა: მითი თუ რეალობა

CORPORATE SOCIAL RESPONSIBILITY: MYTH OR REALITY

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ABSTRACT

*The research presents a comparative evaluation of modern CSR business-practices of companies: Nestlé and Roshen. In this study, we will compare the CSR of the two companies in the confectionery sector of the economy from the point of view of its practical implementation, that is, CSR is a myth or reality. As the objects of the research, a well-known transnational corporation Nestlé and a Ukrainian corporation Roshen were chosen. These companies have been chosen by the author due to multiple similarities (sector, business model, size, etc.) but for the key difference in origin, i.e. Nestle being an international corporation and Roshen being a regional leader in a CIS country. We compare modern business practices of CSRs of these companies for the evaluations diagnostic parameters: economic, ecological, social, ethical, information and managers.*

**Keywords:** corporate social responsibility (CSR), CSR business practices, CSR evaluation, diagnostic parameters of the company's CSR evaluation

ანოტაცია

კვლევაში წარმოდგენილია კორპორატიული სოციალური პასუხისმგებლობის შედარებითი შეფასება ბიზნეს პრაქტიკაში არსებული კომპანიების ესტლდ და ლოსჰენ - ის მაგალითზე. კვლევაში შედარებულია ეკონომიკის საკონდიტრო დარგის ორი კომპანიის კორპორატიული სოციალური პასუხისმგებლობის (კსპ-ს) შედარება მათი პრაქტიკული რეალიზაციის კუთხით, ანუ კსპ - მითია თუ რეალობა. კვლევის ობიექტებად შერჩეული იქნა ცნობილი ტრანსნაციონალური კორპორაცია „ნესტლე“ და უკრაინული კორპორაცია „როშენ“. ავტორის მიერ აღნიშნული კომპანიები შერჩეული იქნა მნიშვნელოვანი მსგავსებების გამო (სექტორი, ბიზნეს-მოდელი, ზომა და ა.შ.). და ასევე განსხვავების გამო წარმოშობაში - „ნესტლე“ წარმოადგენს საერთაშორისო კორპორაციას, ხოლო „როშენი“ სნგ-ს ქვეყნებში რეგიონული ლიდერია. შე-

დარებულია აღნიშნული კომპანიების თანამედროვე საქმიანი პრაქტიკა კორპორატიული სოციალური პასუხისმგებლობის კუთხით დიაგნოსტიკური პარამეტრების შეფასებისათვის: ეკონომიკური, ეკოლოგიური, სოციალური, ეთიკური, საინფორმაციო და სამმართველო.

**საკვანძო სიტყვები:** კორპორატიული სოციალური პასუხისმგებლობა(კსპ), კსპ-ს ბიზნეს პრაქტიკა, კსპ-ს შეფასება, კომპანიის კსპ-ს შეფასების დიაგნოსტიკური პარამეტრები.

INTRODUCTION

The definition of corporate social responsibility concept (CSR) remains one of the important tasks for many academic (i.e. research institutes of Columbia University) and business (i.e. ICCA, Egypt CSR forum, etc.) societies around the world and is closely followed by the CSR measurement.

A number of fundamental CSR researchers e.g. Caroll (1991, 1999) [2,3], Grayson & Hodges (2014) [9], Husted & Allen (2007) [11], Porter & Kramer (2006) [21] created a broad conceptual framework to solve this problem. In the business environment there are opponents of this concept (i.e. Friedman, 1970) [6]. He is not arguing that businesses should never engage in activities that increase the social welfare; in fact, he argues that free-market capitalism itself increases social welfare.

The world's first complete reference on CSR was compiled by the Institute for Corporate Cultural Affairs (the ICCA) according to Visser, Matten, Pohl & Tolhurst (2007) [30]. The entries have been written by leading experts, global thinkers and CSR practitioners.

The CSR concept according to Kibert, Thiele, Peterson & Monroe (2011) means that companies, in addition to complying with the laws, voluntarily assume additional obligations to society in the sphere of ecology, social justice and equality to ensure a dignified life on Earth for future generations.

In order for CSR to be accepted by a conscientious business person, it must be framed in such a way that it would cover the full range of business responsibilities. Therefore, after examining multiple points of view (including Caroll (1991,1999), Grayson & Hodges (2014) and others) on the CSR concept a common CSR may constitute six types of social responsibilities: economic, environmental, social, ethical, information and management.

Today, CSR tools are used by business companies to form their image, competitive advantages, and to increase their investment attractiveness. As never before, investors praise the reports of companies and the form of their submission.

The desire of investors to receive data in a transparent and understandable way expressed daily in interviews, investor relation presentations, and business news (i.e. Nestle investor relation presentations), together with the growth of social consciousness, served as an impetus to the beginning of the transformation of business reporting forms. Now it is not enough for the investors to see only financial indicators, they need to know how the company's activities affect the environment and the climate, whether it respects human rights, whether there are no loopholes for corrupt schemes, etc. Information is a necessity, but it appears to be extremely difficult to accurately estimate it. The response to the demands of stakeholders was the emergence of reports on sustainable development, those are, the non-financial reports (Global Reporting Initiative, 2017) [8].

**METHODOLOGY**

The results of the analysis and generalization of international experience in the assessment of corporate social responsibility of companies (i.e. Global Reporting Initiative,2017,Robeco SAM's Corporate Sustainability Assessment Methodology, 2014,MSCI ESG Impact Monitor, 2014) have allowed to substantiate and develop the diagnostic parameters on the basis of which the author's assessment of CSR of companies will be conducted [4,5,7,8,10,12].Its key goal is to assess the level of responsibility of companies based on diagnostic parameters in terms of six groups of evaluation criteria: economic, environmental, social, ethical, informational and managerial [Table1].

Although there are several scales of CSR assessment developed by international organizations, none of those incorporate all six groups of factors. Author's Development on the basis of GRI (2017), MSCI ESG Impact Monitor (2014) and Robeco SAM's (2014) methodologies [4,7,8,12,].

The maximum final score of the course (K) that the respondent company can receive is 100 points with the distribution of the groups of criteria: economic - 20, environmental - 20, social - 20, ethical - 10, information - 20, managerial - 10 points (in Table 2).

The distribution of scores within the group of evaluation criteria is carried out in accordance with their importance from the point of view of the author. It should be noted that depending on the assessment, the respondent company can be classified as "A", "B", "C", "D", "E" depending on the rating, and depending on the score obtained for each group of criteria, with low, medium / satisfactory, high or very high level of economic efficiency, environmental / social responsibility, corporate ethics, information openness, corporate governance (in Table 2).

In this study, we will compare the CSR of the two companies in the confectionery sector of the economy from the point of view of its practical implementation, that is, CSR is a myth or reality [13-20, 23-29]. As the objects of the research, a well-known transnational corporation Nestlé and a Ukrainian corporation Roshen were chosen. These companies have been chosen by the author due to multiple similarities (sector, business model, size, etc.) but for the key difference in origin, i.e. The assessed two companies are Nestle and Roshen, which operate in the confectionery industry and both of them do business internationally. Nestle is an international company which has a branch in Ukraine, while Roshen is a Ukrainian company which works both in Ukraine and internationally, but mostly in the CIS region. We intend to compare their corporate social responsibility efforts and investigate whether it's a myth or reality.

The respondent companies' choice has been made to Nestle and Roshen to emphasize the potential differences in approached to CSR practices in developed and developing countries. Thus, both companies are chosen to be mostly similar but for their geographical origins. These origins may have a substantial impact on CSR practices. For the study, the time period chosen for the assessment was chosen as 2016-2017. The decision regarding the latter of the above mentioned years is based on two main arguments. On the one hand, there is a need to use the most up-to-date data in the research process to argue the current state of CSR practices within the companies, but on the other hand there is a lack of data available that limits the latest date to 2017.

Table 1

The diagnostic parameters of the company's CSR evaluation

<i>Group of criteria</i>	<i>Evaluation Indicators</i>
<b>ECONOMIC</b>  Max number of points = 20	<b>Economic performance (profitability)</b> (max. 5 points)
	<i>Presence of local top management (max = 5 points)</i>
	Transparency of procurement practices (tenders) (Max = 5 points)
	<i>Collaboration with local suppliers</i> (Max = 5 points)
<b>ECOLOGICAL</b>  Max number of points = 20 points	The volumes of environmental investments (max = 4 points)
	<i>Use and cost savings</i> (max = 4 points)
	Quantitative emission, discharge, waste and recycling rates (max = 4 points)
	Conformity of products to international and national standards (max = 4 points)
	Environmental fines (max = 4 points)
<b>SOCIAL</b>  Max number of points = 20 points	<b>Employment Indicators and Staff Training:</b> 1) information on staff turnover (Max = 5 points)
	2) information on training of employees (max = 3 points)
	Human Rights: 1) the existence of cases of discrimination (max = 1 point)
	2) the presence of cases of use of children and forced labor (max = 1 point)
	<b>Occupational Health:</b> 1) the presence of traumatism (max = 5 points)
	2) the presence of deaths (Max = 1 point)
	<i>Volumes of social investment and charity (max = 4 points)</i>
<b>ETHICAL</b>  Max number of points = 10 points	Availability of codes of corporate ethics (max = 5 points)
	Assessment of business cooperation (max = 2 points)
	Information on cases of corruption (max = 1 point)
	<i>Anti-corruption measures</i> (max = 2 points)
<b>INFORMATION</b>  Max number of points = 20 points	Transparency and openness of information (Max = 5 points)
	Availability of social (non-financial) reporting (Max = 5 points)
	Availability of procedures for certifying reports (Max = 5 bytes)
	Level of reporting according to international standards (Max = 5 points)
<b>MANAGERS</b>  Max number of points = 10 points	<b>Corporate Governance Effectiveness:</b> 1) availability of CSR strategy (max = 5b)
	2) monitoring of CSR projects (max = 3b)
	3) the presence of women in top management (max = 2 points)

Source: Author's Development

Table 2  
Scale of CSR assessment of companies

<i>Score / Group of criteria</i>	<i>Class / number of points</i>	<i>Characteristics of the respondent company</i>
<i>1</i>	<i>2</i>	<i>3</i>
<i>Summary of Corporate Social Responsibility</i>	"A" - from 81 to 100 points	high level of CSR
	"B" - from 71 to 80 points	above average CSR level
	"C" - from 51 to 70 points	average CSR
	"D" - from 21 to 50 points	below the average CSR level
	"E" - up to 20 points	low level of CSR
<i>Economic</i>	from 0 to 5 points	low level of economic performance
	from 6 to 10 points	the average level of economic performance
	from 11 to 15 points	high level of economic performance
	from 16 to 20 points	above a high level of economic performance
<i>Ecological</i>	from 0 to 5 points	low level of environmental responsibility
	from 6 to 10 points	the average level of environmental responsibility
	from 11 to 15 points	high level of environmental responsibility
	from 16 to 20 points	above the high level of environmental responsibility
<i>Social</i>	from 0 to 5 points	low level of social responsibility
	from 6 to 10 points	the average level of social responsibility
	from 11 to 15 points	high level of social responsibility
	from 16 to 20 points	very high level of social responsibility
<i>Ethical</i>	from 0 to 3 points	low level of corporate ethics
	from 4 to 7 points	satisfactory level of corporate ethics
	from 8 to 10 points	high level of corporate ethics
<i>Information</i>	from 0 to 5 points	low level of information openness
	from 6 to 14 points	the average level of information openness
	from 15 to 20 points	high level of information openness
<i>Managerial</i>	from 0 to 3 points	low level of corporate governance
	from 4 to 7 points	satisfactory level of corporate governance
	from 8 to 10 points	high level of corporate governance

Source: Author's Development

**DATA**

The data set is based on information provided by the official websites of Nestle and Roshen, as well as data from their non-financial reports available publicly.

The respondent companies' choice has been made to Nestle and Roshen to emphasize the potential differences in approached to CSR practices in developed and developing countries. Thus, both companies are chosen to be mostly similar but for their geographical origins. These

origins may have a substantial impact on CSR practices.

For the study, the time period chosen for the assessment was chosen as 2016-2017. The decision regarding the latter of the above mentioned years is based on two main arguments. On the one hand, there is a need to use the most up-to-date data in the research process to argue the current state of CSR practices within the companies, but on the other hand there is a lack of data available that limits the latest date to 2017.

**EMPIRICAL RESULTS**

The author’s technique of integrated assessment of corporate social responsibility of companies and the scale are presented in Table 1. As a result of the assessment of companies’ CSRs for the specified parameters of the system of economic, environmental, social, ethical, information and management criteria, based on the analysis of financial and non-financial reporting of respondent companies posted on official sites, the final estimate of CSR (K) is calculated as the sum of assessments of the company’s activity for each of the specified groups of criteria [6-18].

The choice of indicators and the assessment of the boundaries of their values are carried out in accordance with the actual content of Nestlé’s non-financial reports, which are compiled in accordance with the Guidelines of the Global Reporting Initiative [8].

The most used in the world - the Global Reporting Initiative (GRI), about 80% of the world’s public non-financial reports are compiled with their use. They include such important concepts as materiality-that is, the definition of which transactions to consider essential and mandatory for disclosure in the report, and also take into account the interests of not only shareholders, but also all interested parties. In the 20 years since the 90s, the company has earned the status of an expert in this field, which has raised the value of its recommendations to a high standard.

The overall scores of the respondent companies are shown in the Table 3 above. Nestle lacks 6 points it lost in ecological (environmental fines) and social (traumatism cases) to get to the maximum score of 100. The Ukrainian company Roshen was able to get some points in every category (most of them being in economical one), but it clearly lacks a complex approach towards the CSR practices.

Concluding the empirical findings of the respondent companies comparison we can confirm the key role of corporate social responsibility of companies, the peculiarities of which differ for developed market and emerging market countries.

The comparative assessment of corporate social responsibility of Nestlé and Roshen allowed to clarify the range of variational differences and peculiarities of their implementation in the system of criteria: economic, environmental, social, ethical, informational and managerial.

**CONCLUSION**

Concluding the empirical findings of the respondent companies comparison we can confirm the key role of corporate social responsibility of companies, the peculiarities of which differ for developed market and emerging market countries.

To date, corporate social responsibility was defined as a strategic direction of company’s activities, aimed at achieving

Table3

**Comparative assessment of CSR of Nestle and Roshen, 2016**

Company	Score / Groups of criteria						
	Economic max number of points	Ecological max number of points	Social max number of points	Ethical max number of points	Information max number of points	Managers max number of points	Total max number of points
	20	20	20	10	20	10	100
Nestle	20	16	18	10	20	10	94
Roshen	15	8	4	2	3	2	34
Diff	-5	-8	-14	-8	-17	-8	-60

Source: Author's research

a financial result with the provision of economic, environmental, social, ethical, informational and managerial effects (Vissler, Matten, Pohl, and Tolhurst, 2007). The author’s tool for assessing corporate social responsibility is designed around the respondent companies’ responsibility indicators based on a set of diagnostic parameters: economic, environmental, social, ethical, informational and managerial, and fully reflects the CSR indicators provided by the Global Reporting Initiative.

The comparative assessment of corporate social responsibility of Nestlé and Roshen allowed to clarify the range of variational differences and peculiarities of their implementation in the system of criteria: economic, environmental, social, ethical, informational and managerial.

According to the results, Nestlé’s CSR has a high CSR rate of 94 points. In the context of all groups of evaluation criteria, Nestlé has a very high level of economic, environmental,



social, ethical, informational responsibility and corporate governance.

According to the CSR rating scale, the Ukrainian company Roshen has a below low level of final CSR score, namely 34 points. In addition, the group of economic evaluation is the only group in which Roshen has achieved a high score (15 points out of 20). In the group of environmental criteria for assessing CSR Roshen has an average level (8 out of 20), and in the social, ethical information and management groups - the lowest level. This means that in reality, the high economic performance of the company yields revenue mainly to its owners and the company's executives poorly consider their social responsibility. According to the Ukrainian company's non-financial reports, Roshen has demonstrated a lack of orientation towards developing a CSR strategy by simply not mentioning any clear steps towards its development. It is at the stage of passive compliance with national legislation and the implementation of some local charitable projects of a conjunctural nature, aimed at building its brand image. Therefore, we may argue for local companies to perceive the CSR initiatives as a marketing tool.

It might be the case that in emerging markets corporate social responsibility is on the stage of formation. The emergence and further development of CSR is conditioned by the

need for tools for sustainable development of society, and the aspiration for solving a number of economic, social and environmental problems. While the dynamic development of corporate social responsibility models in the developed countries of continental Europe (i.e. multiple initiatives: GRI, 2017, Robeco SAM's, 2014, MSCI ESG, 2014, etc.), takes place under the implementation of sustainable development initiatives aimed at providing a decent future for future generations.

Concluding the results of the study, it has been proven that CSR implementation in a Ukrainian based company Roshen are far less developed and, what is more important, far less addressed in the non-financial reporting. On the other hand, an international corporation Nestle has already addressed most of the CSR factors. Therefore, further research may use the results of this study to argue for lower level of CSR development in developing countries in comparison with the developed ones. Moreover, the initial analysis in this paper may contribute towards a broader discussion on the gradual integration of CSR principles into business strategies of companies taking into account the best international experience in this field and existing European standards.

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