

ADVANCED MODELS OF SOCIAL RESPONSIBILITY IN THE SYSTEM OF INTERNATIONAL ENTREPRENEURIAL ACTIVITY

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ABSTRACT

The article highlights the advanced models of corporate social responsibility in the system of international entrepreneurial activity through the perspective of their structure and peculiarities of use within the framework of world business. We have determined theoretical approaches regarding the hierarchy of the corporate social responsibility constituents of entrepreneurial structures, which, in contrast to existing ones, include the consideration of the subject, from the position of which the system of manifestation of socially responsible activity is viewed; the entrepreneurs and the and society, in general, are regarded as subjects. The components of corporate social responsibility in the area of world business was identified as a totality of ecological, social, labor, and economic responsibility, which ensures a complex approach to building and application of corporate principles in business and consider the interest of various related parties. We formed a subsystem on managing a responsible operation in the framework of international entrepreneurship, based on the application of a systematic approach to planning, development, application, and evaluation of the results of such an activity, which includes its integration in a generalized functioning system. We gave grounds for the complex of directions, the application of which makes it possible to increase the level of corporate social responsibility of the entrepreneur and provides the formation of the system of inverse relationship with the related parties through the use of targeted and universal information distribution tools.

The developed mechanism of corporate social responsibility formation can be used in the in practice of managing socio-economic development in the area of international entrepreneurship at a global level for the purpose to improve the socially-determined approach in the development of the world society, evaluation, and positioning of the entrepreneurial structures, and doing a socially responsible international business.

Keywords: International Entrepreneurial Activity, Entrepreneurial Structure, The Model of Social Responsibility, Corporate Social Responsibility, World Business.

JEL Classifications: L26, L53, M16.

INTRODUCTION

The participation of business organizations in the socio-economic development of society is a mandatory condition of doing business amid a global economy. Such comment results from the fact that the ways of strict human resource exploitation do not bring meaningful financial results. At the same, the further intellectualization of society requires an

adequate social level of workers, depending on the efficiency of their work. Furthermore, the need to consider social aspects in the international entrepreneurial activity takes on greater significance. Nevertheless, these aspects of business activity still have not found their reflection and implementation in many countries, which cannot boast a well-developed business environment. This is especially true of the problems of developing a theoretical basis and methodological explanation for the provision of the enforcement of the rights of the hired worker in the context of social responsibility of international entrepreneurial business structures based on modern models of these processes.

THE ANALYSIS OF RECENT RESEARCH AND PUBLICATIONS

The scientific papers of such prominent scientists (Aguinis & Glavas, 2012; Graafland & Smid, 2012; Moon, 2014) are among the most significant researches aiming to solve this problem at a theoretic level in terms of their contributions in the theory and practice of applying corporate relations practices. Theoretical & methodological aspects of the formation and development of social responsibility of international business were built in the research papers (Habisch & Schmidpeter, 2016; Lloret, 2016; Schwartz, 2011; Solomon & Schell, 2009; Drobyazko et al., 2019; Drobyazko et al., 2020). Despite the diversity of opinions, all authors agree with the need for further study of the peculiarities of social responsibility amid the system of international business activity. The work objective is to give ground for the models of social responsibility management in business and hold their benchmarking assessment.

METHODOLOGY

In the methodological structure of the scientific paper, we will keep to the following provisions and theoretical and methodological constructions: 1) evolutionary approach to understanding the corporal social responsibility, in the form of historical evolution (from understanding the organization as a closed economic system up to recognition of its public communications), and changes in understanding the heterogeneity of social needs (from recognition of the general nature of public needs up to their personalization, depending on the existing social groups). 2) international initiatives, which include well-managed requirements, regarding the peculiarities of social responsibility in the system of international entrepreneurship activities and its certification, covering the processes of initial evaluation, application, and further monitoring of compliance with conditions of responsibility of business; 3) Discretion (philanthropic) responsibility of international business includes that an entrepreneur will voluntary response to the expectations of the society and direct his activity on support and development of social programs, performing the role of “*A corporative subject.*”

RESULTS AND DISCUSSIONS

“*Responsibility*” is one of the scientific categories, which is an object of study for many sciences. The importance of its study is related to the meaning of this category for international enterprise. The forms of responsibility make it possible to determine its multidimensionality in the economic subjects’ activity. The move of human activity towards commercialization, formation of new complex entrepreneurial structures (corporations), and the development of a system of management, which is obligatory in the activity of other entrepreneurial structures, makes it possible to look into the matter of models of corporate social responsibility (Pache & Santos, 2013). At the same time, the main feature for us is the

review of corporate management through the lens of social responsibility. That is why we provide a detailed analysis of the leading models of corporate social responsibility below.

These days, one distinguishes the following models of corporate social responsibility within the system of international business activities:

1. The American model is characterized predominantly by its approach, including the distribution of a part of the profit of a business organization for the investment of its socially useful initiatives. The model focuses, first of all, on “*Public*” shareholders. Thus, the owner of only 2-5% of shares can be also regarded as a big shareholder. It is characterized by a single-level structure of governing bodies, according to which, the board of management consists of executive and independent directors (Crilly et al., 2016). While analyzing the points of weakness of such a model of corporate management, one should mention about the availability of a conflict of interests of investors, aiming to get high profits, and the administration of a business organization, which focuses on short-term objectives and, at the same time, aims to draw the interest of investors.

Under present-day conditions, the American model of socially responsible behavior is the most used one. We think, such a choice is explained by the following features: it is easy to bring into action and the results of its application are often illustrative for the public. Another important fact is that for an investor, the participation of a business organization in charity works characterizes it as socially sustainable, and, hence, more attractive for external investments; in the case of its correct implementation, this model has the most positive response from people, public organizations, and personnel as it provides these groups with a possibility to interpret the company as the one, which cares of public needs (Makedon et al. 2019).

Among the main messages the company, using an American model might carry to the target groups and use in building external communications are the ecological safety of the business organization activity; stability and reliability (Lacoste, 2016). Thus, while choosing an American model of corporate social responsibility, the entrepreneurs should provide the involvement of local authorities, public organizations, and the population in the process of choosing the objects of socio-oriented investments and track their results.

2. European (German) model of corporate social responsibility considers that the socio-responsible activity of a business organization has a relation to the achievement of its business objectives and is the part of a strategy on building the investment attractiveness of a business entity.

Almost all initiatives, which are financed by the company in the framework of such a model, should have a direct relation to the increase in profit. The law, obliging pension funds to inform the public whether they invest the pension contributions in the activities of socially responsible companies, has become the main impulse for the development of social responsibility in Europe. In general, the socially responsible investments (SRI) sector is constantly growing throughout the world. These days, the amount of assets of the European SRI-funds alone reaches about €20 billion.

At present, the European model of corporate social responsibility is adapted by the largest industrial companies, which have achieved a certain degree of business stability. The European model refers to the economic justification of social initiatives, and their integration in the corporate strategy of business organization development. The relevance and efficiency of the European model today is confirmed by the results of the study held by the Association of Managers (a national non-profit non-governmental public organization, the activity of which is aimed at the comprehensive development of the business community) in 2019, according to which, the companies, aspiring to be socially responsible, are expected to do socially responsible business in general, not just charity activity.

3. Asian (Japanese) model of corporate social responsibility considers social closeness at the level of the business organization, and business closeness at the level of the industrial group. The main features of the Japanese model include the association of business into groups, which includes a high concentration of ownership in the hands of medium and large investors with their cross-ownership of the participating companies of the group. The main source of financing for the group is its private bank, concentrating savings in the form of deposits and reduces the influence of the stock market. The management system focuses on the social unity of all participants, and takes place upon the principle of “*Equal among equals.*” In general, social responsibilities take an important place. Moreover, they are a specific final result of the activity of the association. The Asian model is characterized by an active part of the state, which was taking part in the strategic planning of business for a long time. Business management, in the light of Japanese opinion, cannot be limited only by its organizational development and getting profit. It should base on the right perception of life, society, and environment, an awareness of its responsibility in the face of society, and the desire to bring civilization to progress (Mousiolisa & Bourletidis, 2015).

The given model treats the company as a “*Production family.*” An employee is a member of such a family, hence, his responsibility and rights go far beyond basic functional duties. The corporation, in its turn, ensures support to him during his life, helps to buy accommodation, allocates funds for the birth of children and their education, pays generous severance costs, and corporate pensions. The peculiarities of understanding social responsibility find their reflection in specific institutions of “*Lifelong hire,*” “*The seniority principle*” during the remuneration of labor, and job promotion. These mechanisms are not fixed by law but are a social imperative that is realized in the majority of large companies. Let us give a comprehensive analysis of models of corporate social responsibility management in Table 1.

Model	Positive features	Negative features
American model	<ul style="list-style-type: none"> - A high degree of the management systems' flexibility; - Focus on the increase in the value of the entrepreneurial organization, its profitability in the short-term period; - Innovativeness and sufficient grade of risk of projects; - Finds the most positive response among stakeholders; - Protection of rights of small stakeholders. 	<ul style="list-style-type: none"> - Availability of a conflict of interests of investors, aiming to get high profits, and the administration of a business organization, which focuses on short-term objectives, and, at the same time, aims to draw the interest of investors; - Strong organizational and informational influence on the board of directors by senior executive management; - Insufficient frequency and regularity of meetings of the board of directors, which do not cover the most crucial questions.
European (German) model	<ul style="list-style-type: none"> - Small risks of bankruptcy and destructive “conflicts of interests”; - Stability of both internal and external factors for a business organization; - The engagement of partners to cooperative financing of social projects of a business organization; - A two-level management structure, including the executive and supervisory boards; - A strategy of a long-term business control; 	<ul style="list-style-type: none"> - Ineffective implementation of investment projects; - The rules of information disclosure are less strict when compared to the American model; - The interests of different stakeholders do not often coincide, and they can have various opinions about a particular corporate policy.

Asian (Japanese) model	<ul style="list-style-type: none"> – Orientation on a long-term development; – Effective control over the managers of the business organization; – Stability of internal and external factors for the business organization; – Stable partnering relationships in the group of stakeholders. 	<ul style="list-style-type: none"> – Its companies have lower rates of growth and profitability when compared to the American ones; – Insufficient transparency of information about the activity; – A poor system of rights protection of small stakeholders; – Insufficient attention is paid to the questions of profit maintenance.
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It is worth mentioning that each of the viewed models does not exist in the “*Clear*” form but their features can repeat and intersect.

We held a study of existing scholarly views (Carroll & Shabana, 2010; Yu & Choi 2014) regarding possible directions of corporate social responsibility implementation, which can be potentially used in the area of international entrepreneurship and cover the spheres of ecologic, social, labor, and economic responsibility. Table 2 reflects the results of the held study.

Table 2 DIRECTIONS FOR IMPLEMENTING CORPORATE SOCIAL RESPONSIBILITY OF INTERNATIONAL BUSINESS ORGANIZATIONS	
Name	General description of directions
Ecological responsibility	<ul style="list-style-type: none"> – The application of an environmental management system, integrated into all stages of activity, which will make it possible to identify the environmental threats, and determine the environmental requirements; – The system of ecological management should comprise two phases – stabilization of an ecological situation and its improvement. The stabilization of the ecological situation should act as the basic phase of ecological responsibility of the entrepreneur;
Social responsibility	<ul style="list-style-type: none"> – Collaboration with the local community and local authorities aimed at job creation, support for educational initiatives, development of the scientific activity, maintenance of social infrastructure, support for socially vulnerable groups of society; – The provision of the production of high-quality products, and the introduction of a quality assessment system. Control of the products’ quality must be carried out at all stages of production; – Compliance with the principles of integrity and completeness in the payment of taxes and other obligatory payments; – Formation of a positive image in the face of investors and creditors;
Labor responsibility	<ul style="list-style-type: none"> – A pay and motivation system, which can include the establishment of their private pension funds, payment of the indemnities, incentive rewards, and other types of payments of a social character, the application of financial support for employees and their families, and additional social security insurance; – Enhancement of proficiency and qualification of employees; – Health at work; – Promotion of safety via monitoring of potentially dangerous equipment and cultivation of safe behavior among workers within the operating department;
Economic responsibility	<ul style="list-style-type: none"> – The arrangement of conditions for the provision of financial stability and economic development of business, the promotion of its profitability, and a high return on business ratio;

It is worth mentioning that the focus areas given above are a generalization of possible manifestations of corporate social responsibility of business structures, showing the complexity and versatility of such activities. The determination of specific directions and tools of corporate social responsibility should be done by the entrepreneur to ensure the balance between his interests and the needs of the related parties, and achieve the best results from the introduction of the idea of corporate social responsibility (Flammer, 2013). Figure 1

reflects the place of the information flow management system and the constituents of the corporate social responsibility of international business organizations.

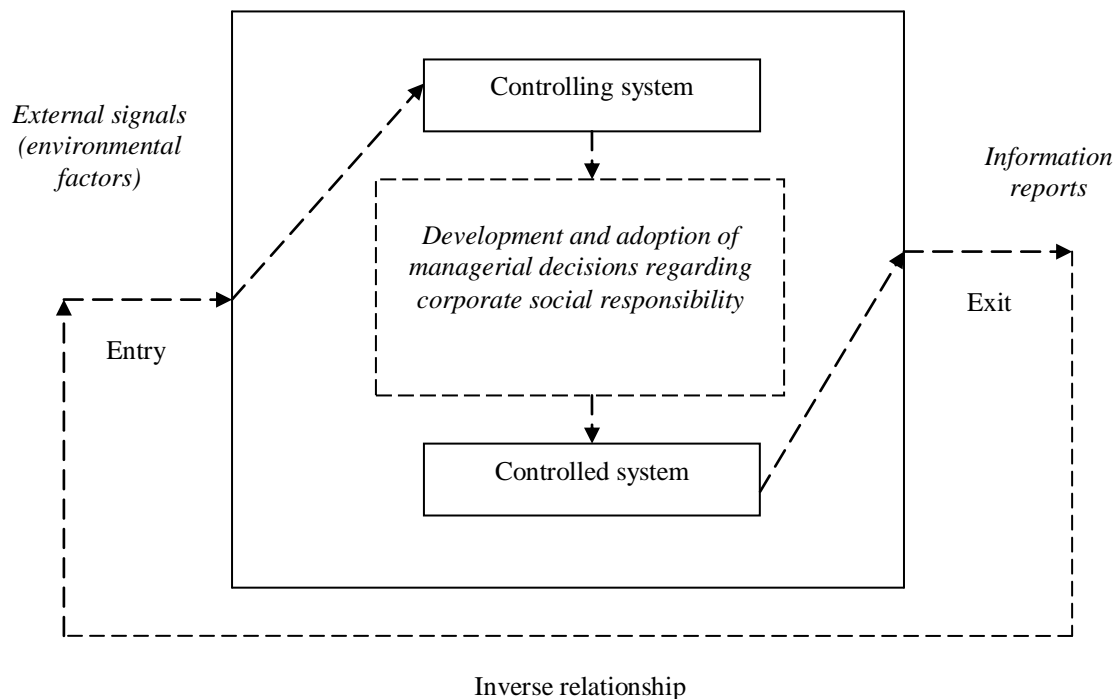


FIGURE 1
THE INTERCONNECTION OF CORPORATE SOCIAL RESPONSIBILITY OF AN INTERNATIONAL BUSINESS ORGANIZATION WITH THE EXTERNAL BUSINESS ENVIRONMENT

The foundation of social responsibility of international business should base on the following principles:

- 1) the differentiation of types of business activity according to the requirements of current legislation (one keeps to them, while another one – goes beyond them);
- 2) the second type of activity is characterized by its voluntary nature;
- 3) the consideration of interests of related parties;
- 4) such activity is has a complex and diversifies nature.

Based on those features, we will regard a corporate social responsibility of international business as a voluntary activity, which goes beyond the requirements to work, determined by the legislation, and covers the ecologic, social, labor, and economic spheres of responsibility in the face of internal and external environment, society in general, and stakeholders.

RECOMMENDATIONS

Further studies and recommendations can form in the direction of application of a systematic approach to the development of the mechanism of building a corporate social responsibility, determination of its main components, study of their characteristics, and principles of their interaction. Thus, the next logical step of the mechanism introduction is the consideration of this process under the lens of the process approach to international business organizations. Such acceptance of the formation mechanism of the corporate social responsibility makes it possible to overcome three main problems – the problem of fragmentariness of corporate social responsibility in the activity of an entrepreneur, the problem related to the cost of application of specific measures in the area of corporate social responsibility, and the problem of control of the received results.

CONCLUSIONS

To conclude, one can note that there is no ideal model of corporate social responsibility in the entire world. Each of them has its specific good and negative properties. Nevertheless, we can mention that almost all the above-mentioned mechanisms of reaching the main objective of corporate directedness of the American, European, and Asian models can be inherent to society, having a developed market structure and steady legislative framework.

The evaluation of international tendencies and existing methodologies of the level definition of corporate social responsibility of the international enterprise showed that they are hard to apply in the full volume to evaluate the level of corporate social responsibility, nevertheless, it provides a possibility to determine the main components, principles, and methods, which can be used in the social responsibility evaluation process. The offered approaches make it possible to consider the peculiarities of the application of the developed methodological approaches not only for specific business organizations, but also develop a generalized system of promotion, and introduction of principles of social responsibility at a global level, and the application of the practice of determining corporate social responsibility rating of international forms of entrepreneurial activity.

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