

NEW MEANING OF CSR IN BUSINESS: SUPPORT FOR UKRAINE'S SOCIETAL RESILIENCE IN WARTIME

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The military shocks caused by the Russian-Ukrainian war became the hardest test for Ukrainian businesses and its social functions. In the first year of hostilities alone, losses of Ukrainian business-assets are estimated at \$11.3 billion, which significantly limited companies' opportunities for corporate social responsibility (CSR). The purpose of the article is to find out how the war changed the CSR model of Ukrainian businesses in the institutional and social dimension. The methodology of system analysis, sociology and institutionalism was used for the study. Primary limitations of our research are related to the objective impossibility in war conditions of obtaining actual statistical and corporate reporting data. Certain difficulties arise in finding publicly available information about relocated enterprises and companies. The key findings of our study lie in the substantiation of the connection between socially-oriented transformations in the Ukrainian CSR model under military shocks and the positive effect of these transformations on strengthening the Ukraine's economic and societal resilience in wartime. It is advisable to take this into account in the case of developing government policy and state anti-crisis management.

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1 Introduction

In the pre-war period, the regulatory framework for the incorporation of CSR into Ukrainian business was quite actively formed. Thus, in 2003, the Principles of Corporate Governance were officially approved in Ukraine, and since 2009, the National Standard has been in force, as official translation of ISO 26000 “Guidelines for Social Responsibility”. In 2015, the “Honor Code for a Respectable Ukrainian Producers” was published (Petrenko, 2015). In 2017, Ukraine joined the OECD Declaration on International Investment and Multinational Enterprises, and the Guiding Principles for Responsible Business Conduct are an integral part of this document. However, large-scale practical implementation of CSR was not achieved, and to improve the situation, in 2020 the Cabinet of Ministers of Ukraine approved the “Concept for the state policy implementation in the field of support the development of socially responsible business in Ukraine for the period until 2030” (Order No. 66-r dated January 24, 2020).

The Russian full-scale invasion of Ukraine on February 24, 2022 became a hardest test for the sustainability, priorities and CSR of Ukrainian businesses. International estimates put the loss of business assets at \$11.3 bln in the first year of hostilities, and at least 426 large and medium-sized public and private enterprises in Ukraine were damaged or destroyed, as were tens of thousands of small private businesses. Regionally, Donetsk region suffered the most, accounting for almost half of the total direct damage to businesses; there were also significant losses in Kharkiv, Luhansk and Kyiv regions (UNDP, October 2023, p. 18). The damage and losses suffered between February, 24, 2022 and December 31, 2023, by Ukrainian commerce and industry facilities are estimated at US\$188.8 bln, agriculture – at US\$80.1 bln, energy sector – respectively, at US\$64.6 bln (World Bank, February 2024, p. 113, 129, 141).

However, in this shock situation, the usual CSR model was not only not rejected by Ukrainian business, but also received a new interpretation in the context of military turbulence (Lazorenko, 2023; CSR Ukraine, 2023, April 13). The purpose of the article is to find out how the military shocks changed the CSR model of Ukrainian businesses, and to substantiate what institutional and societal consequences caused these transformations. This study's hypothesis is that on the great solidarity wake of Ukrainian society under the Russian Federation full-scale military invasion, Ukraine's business war-contextually strengthened its social responsibility and thereby

supported the economic and societal resilience of its country. These types of resilience accordingly characterize the ability of the national economy and society to prepare for shocks, resist them, adapt and quickly recover from them, maintaining a long-term perspective.

2 Literature review

The key stages of theoretical thinking and expanding the thematic framework of the “corporate social responsibility” phenomenon are discussed by Kolot (2013). This author emphasizes that, in its essence, corporate social responsibility is a certain type of social obligations (mostly voluntary) implemented in corporate management to employees, partners, the state, civil society institutions, and society as a whole (p. 6). Barauskaite & Streimikiene (2020) characterized the basic concepts and methods of evaluating companies' CSR indicators. Petrenko (2015) reviewed the chronology of the international standardization system' development in the corporate responsibility field, as well as the implementation in Ukraine of the standard IC CSR–08260008000 “Social responsibility. Requirement”. Zlatanović et al. (2023) proposed a holistic approach to the typical CSR-performance relations.

Taliouris (2018) identified the foundations and specifics of modern European policies for corporate social responsibility in the context of achieving the Sustainable Development Goals.

Contemporary EU business practices in the CSR sphere are analyzed by Heremans & Verhavert (2022, August 22). The authors also assess the potential impact of the European Green Deal initiative, which is expected to significantly shape the economic activity dynamics over the coming decades, and introduces a number of new rules for CSR, including corporate governance and operations, and also the contractualization of social and environmental obligations. Vargas (2013) researched the corporate social responsibility in contexts of conflict and insecurity, and proposed a normative, analytical and instrumental framework for identifying various challenges to corporate social responsibility. The role and strategies of national governments in overcoming these challenges for CSR are justified by Wirba (2023).

Yevtushenko (2013) described the main stages of the institutionalization of social responsibility in Ukraine, right up to the outbreak of the armed conflict in Donbass. Amosha et al. (2017) recognized opportunities and barriers for fulfilling social obligations of Ukrainian industrial enterprises under the ongoing military conflict in Donbass since 2014. Experts from UNDP in Ukraine (October 2023) presented research on Ukrainian businesses' CSR in the first year of the war, conducted in the implementation context of the OECD Due Diligence Guidance for Responsible Business Conduct, namely Enhanced Human Rights Due Diligence in Conflict Affected and High-Risk Areas. Ukrainian enterprises that are most socially responsible in wartime and provide various assistance for society, the state, individual citizens and the Ukraine's armed forces were identified by Lazorenko (2023).

Issues of resilience at the level of the economy, different social groups and society as a whole, which are under deep military conflicts, are studied in detail by Eisenberg et al. (2014), as well as, but for peacetime conditions – in Haavik's (2020) study.

3 Methodology

In the research, we apply the methodologies of system analysis, institutionalism, sociology, and partially use official wartime statistics. Primary restrictions in this case are associated with the objective impossibility, under war conditions, of obtaining factual and complete statistical and corporate reporting data, and mainly data from sociological surveys and only in unoccupied territories. Certain difficulties arise in finding publicly available information about relocated enterprises and companies, since some of them partially changed their production profile, taking into account wartime needs.

Official data from the State Statistics Service of Ukraine (<https://www.ukrstat.gov.ua/>) for 2014–21 do not include the temporarily occupied territories of Crimea and part of the temporarily occupied territories in the Donetsk and Luhansk regions; data for 2022 does not include temporarily occupied territories and part of the territories where hostilities are ongoing. The statistical information for 2021–22 has been compiled on the basis of reports actually submitted by enterprises and additional estimates of indicators.

Important sources of our study are monthly surveys of enterprises of Ukraine conducted by the National Bank of Ukraine (<https://bank.gov.ua/ua/statistic/nbusurvey>), as well as other sociological research results provided by international and national structures. Institutional assessments of the national business environment are presented in the article based on data from the Transparency International Ukraine, UNDP in Ukraine, as well as relevant data from the European Commission and the European Council regarding Ukrainian institutional reforms and implementation of the EU–Ukraine Association Agreement.

4 Results

Since the beginning of the war, Ukrainian business has continued to suffer the devastating impact of military shocks, including significant damages and losses. Data on this for the first year of the war (February 2022 – February 2023), as well as for 2022 as a whole, are given above in the article. According to the results of sociological surveys, for Ukrainian companies (mainly micro, small and medium-sized businesses), the past year 2023 was better than the previous one, but also very difficult: only 62% of surveyed businesses worked at full capacity; 41% of firms worked only within their region; 43% of businesses increased expenses by 20–50%; revenues decreased in 46% of firms, and profit – in 48%; and 30% of companies reduced their staff (Ukrainian Sociological Portal, 2024, January 19). During the martial law in Ukraine, the number of active enterprises of all forms of ownership, non-profit organizations, institutions operating primarily in the real sector, decreased significantly – as of November 1, 2023, by more than 55 thousand units, compared to the same date in pre-war 2021 (Table).

Under the ongoing war, the plans of Ukrainian businesses for the current year are not very optimistic. Sociological polls in January 2024 showed a deterioration in business activity estimates of enterprises in almost all sectors of the national economy, their leaders expect an acceleration in the growth rate of purchase prices, a further decrease in new orders for their own products, as well as a reduction in employees, most significantly in construction (32% of firms), industry (15%) and the services sector (15%) (National Bank of Ukraine, January 2024).

Table 1: Number of active enterprises of all forms of ownership, non-profit organizations, institutions in Ukraine as of November 1, 2021 – November 1, 2023

According to Ukrainian Classification of organisational and legal forms	Total number of active enterprises, non-profit organizations and institutions, units as of			Difference between 2023 and 2021 indicators
	November 1, 2021	November 1, 2022	November 1, 2023	
Total in Ukraine, <i>including:</i>	698771	659755	643602	-55169
Farming	30242	28544	25383	-4859
Private enterprise	50028	41306	36241	-13787
State Enterprise	1558	1312	1128	-430
Municipal enterprise	8679	7848	7662	-1017
Joint-stock company	4785	4408	4203	-582
Limited liability company	261894	232777	223744	-38150
Non-profit organisation, including Volunteer's	89183	92104	94603	+5420

Source: Authors' research based on SSSU (2024).

An institutional and societal feature of the martial law in Ukraine was that, under the extremely negative influence of military shocks, the overwhelming number of businesses operating in the country (on the Ukrainian Government controlled territories and where hostilities are not taking place) did not abandon social responsibility, but retained it and introduced new aspects. In particular, Ukrainian businesses used: relocation of enterprises and personnel (according to the Ukrainian Ministry of Economy, during the first year of the war, 800 enterprises were relocated to safer country's regions under the Government Business Relocation Program, that provides free assistance for relocants from National Railway and Postal operators); non-standard employment to preserve jobs; retraining of personnel for wartime needs; employed of internally displaced Ukrainians and war veterans; financed the creation/equipment of "Energy Hubs" for people (rooms with electric generator and Wi-Fi in case of blackouts due to military destruction of energy infrastructure); construction or repair of air-raid shelters in schools and residential buildings; purchase of technical equipment and digital devices for distance learning for schools, colleges and universities; provided humanitarian and/or financial support to Ukraine's armed forces and civilians, etc.

In addition, as stated in the UNDP report, during the martial law, Ukrainian companies intuitively applied tools corresponding to the Heightened Human Rights Due Diligence, although most companies did not know about it before the war. Among such tools, it is possible to single out: preparation of Business Continuity Plans with an emphasis on the safety of employees and customers; provision of instructions for employees regarding various situations at workplaces (for example, the action algorithm when announcing an air alarm) and possible support in these situations; implementation of Employee Assistance Programme for medical and mental health support for employees and their families; provision of financial assistance in case of the enterprise/business and personnel relocation, etc. For example, Oshadbank, which provides the largest share of social payments for Ukrainian citizens, primarily pensioners, has had a Business Continuity Plan since 2014, which has been 90% implemented since February 24, 2022 (UNDP, October 2023, p. 43, 49).

But objectively, under martial law some Ukrainian businesses failed to fulfil their social obligations and also violated the labor rights of their employees. Among the common human rights abuses are health and safety in the workplace, illegal dismissal, unpaid leave, decrease or increase in workload with or without remuneration (in critical sectors), and non-payment of salary, salary in “envelope”, or delays in payment (UNDP, October 2023, p. 35). The decisive reason for these violations was the shocking deterioration of Ukrainian companies' finances.

Based on the Ukraine case, experts developed a five-component Ukrainian CSR model during wartime, that includes the following elements (CSR Ukraine, 2023, April 13):

- (i) business continuity,
- (ii) human safety,
- (iii) army assistance,
- (iv) partnerships and
- (v) local communities.

We propose to include an institutional component in this model, which allows the formation of a societal context and corresponds with the definition of CSR as “the responsibility of enterprises for their impacts on society” contained in the EU

strategy 2011–14 for Corporate Social Responsibility. Application of such an approach in a full-scale war context will allow us to link together the CSR actions of Ukrainian business with the economic and societal resilience of the country. During wartime, economic and societal resilience is vital for Ukraine and maintaining its subjectivity.

The particular importance of the institutional component of the Ukrainian CSR model is confirmed by arguments regarding increasing the social sustainability of Ukraine in wartime. By this institutional component we understand the socially-oriented strengthening of the institutional capacity of domestic large and medium-sized businesses, whose interests are represented by the Ukrainian League of Industrialists and Entrepreneurs (ULIE, <https://uspp.ua/en/>) and Association of Organizations of Employers of Ukraine (AOEU, <https://ooru.org.ua/en/>). Given the Ukrainian martial law practices, we consider that the above institutional capacity strengthening occurs in two ways.

First, through socially-oriented measures implemented directly by business structures themselves. For example, already at the beginning of the Russian invasion, ULIE and AOEU created a permanent Anti-Crisis Headquarters for business assistance, the work of which involves the heads of specialized parliamentary committees, government ministries, banks, more than 100 leading business associations, large and medium-sized companies. The Headquarters' activities significantly strengthened the social dialogue institution, defending not only the interests of domestic business under wartimes, but also its opportunities for social responsibility. In particular, by lobbying the draft law "On State Industrial Policy", the effective implementation of which can ensure the creation of 600 ths new jobs in the post-war period (Burlay, February 2024); legal support in the Supreme Court of Ukraine against economically unacceptable wartime attempts to abolish the Economic Code and the Labor Code of Ukraine; supporting the demands of all-Ukrainian trade union to the Government not to introduce regressive labor legislation, etc (Grytsenko et al., 2023, p. 22–23).

In fact, for almost two years during the war, the business Anti-Crisis Headquarters performed the institutional functions of the Council for Entrepreneurship Support in the Conditions of Martial Law, which was created by the Decree of the President of Ukraine dated January 26, 2024 No. 30/2024, among the Council functions is the

support of social responsibility opportunities for domestic businesses in war- and postwar times.

Second, through socially-oriented institutional interaction with other institutional actors. For example, ULIE contributes to solving the problem of unemployment in Ukraine, its level, according to expert estimates, reached 20.9% in February 2024. Simultaneously, Ukrainian enterprises have a deficit of qualified and unqualified employees. This is connected with the migration of many specialists abroad as refugees from the war; mobilization tasks for the Ukrainian Defense, as well as the high need for a program for reskilling and retraining of employees. During the war, the ULIE and the Anti-Crisis Headquarters will closely cooperate with the State Labor Service of Ukraine and the National Qualifications Agency on the implementation of such programs (ULIE, March 20, 2024).

5 Conclusion

To summarize all mentioned above, the following conclusions can be reached:

- under the military shocks, the socio-practical and institutional steps taken by Ukrainian business provided a new reading of the CSR model and demonstrated a serious positive CSR impact on economic and societal resilience of Ukraine;
- given the Ukraine's martial law practices, it is advisable to add an institutional component to the five-component model of Ukrainian CSR during the war, developed by the "CSR Development" Center;
- this institutional component represents the strengthening of the institutional capacity of Ukrainian business, which can occur in two ways: (1) through socially-oriented measures implemented directly by business structures themselves, and (2) through socially-oriented institutional interaction with other institutional actors;
- the identified CSR impact on economic and societal resilience (based on the Ukrainian case) is important to consider in government policy-making and anti-crisis governance;
- further research may be devoted to possible transformations of the CSR model during the post-war reconstructive recovery of Ukraine.

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