

## FORMATION OF THE MANAGEMENT MECHANISM OF THE CORPORATE SOCIAL RESPONSIBILITY OF THE ENTERPRISE

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### Abstract

The necessity and relevance of the formation of the corporate social responsibility (CSR) management mechanism of the enterprise is caused by the loss of stability of economic development due to the pandemic, the deepening of the asymmetry of socio-economic development between territories, the aggravation of competitive relations in the market, the weakening of socio-cultural and moral and ethical principles in the business sector activities, the aggravation of environmental problems, etc. The purpose of the research is to justify the principles of the formation of the management mechanism of the CSR of the enterprise in the conditions of sustainable development. It is proved that the formation of the management mechanism of the CSR requires the observance of certain specific principles supplemented by their functionalities. The functions (planning, organization, motivation, regulation and control) and methods (administrative, social, psychological) of the CSR management mechanism of the enterprise are singled out. The groups of indicators for evaluating the effectiveness of the implementation of the CSR management mechanism of the enterprise in relation to employees, environmental protection and the market are substantiated. A management mechanism of the CSR of the enterprise has been developed.

**Keywords:** corporate social responsibility, management mechanism, sustainable development, corporate management, enterprise.

**JEL Code:** M14.

### Introduction

Corporate social responsibility (CSR) is a challenge of social development and the response of enterprises to it through comparative management of a certain type in accordance with social obligations to employees, stakeholders, partners, local communities, civil society institutions and society as a whole. Today, CSR acts as a means of protection against social risks and one of the prerequisites for gaining competitive advantages in the market.

The necessity and relevance of the formation of a CSR management mechanism for

economic entities is determined by the following circumstances:

- loss of stability of economic development as a result of the pandemic, aggravation of military conflicts and escalation of relations in society, which requires the formation of a new paradigm for the use of stability factors of economic development;

- deepening of the asymmetry of socio-economic development between territories, regions, countries, as a result of which threats to socio-economic security are increasing;

- the aggravation of competitive relations on the market, which prompts the search for new tools to ensure competitiveness for economic entities, taking into account the trends of social development;

- the weakening of socio-cultural and moral and ethical principles in the activity of the entrepreneurial sector, manifested in the desocialization of relations in the labor sphere, manifestations of the formation of a society of individuals against the principles of human-centeredness;

- aggravation of environmental problems, which require a joint decision regarding the use of exhaustible natural resources, processing and sorting of waste, implementation of measures to prevent environmental pollution.

The outlined and other reasons require further scientific research in the direction of the formation of the CSR management mechanism of the economic entities. Current conditions require increasing the activity and importance of the role of organizations in achieving the goals of sustainable development and ensuring social and economic stability. This is due to the fact that a modern enterprise is not just a system, but also an economic value that is part of a complex, interconnected and interdependent set of institutions of social development. Therefore, there is an interest in directing the efforts of enterprises to ensure sustainable development, which can be ensured through the implementation of CSR principles.

The purpose of the article is to substantiate the principles of the formation of the CSR management mechanism of the enterprise in the conditions of sustainable development. To achieve this goal, the authors solved the following tasks:

- the relevance of this study regarding the formation of the CSR management mechanism of the enterprise in terms of the direction of social progress in the direction of sustainable development is substantiated;

- study of the problems of forming the CSR management mechanism of the enterprise in the published works of scientists to find out the insufficiently developed parts of this problem;

- highlighting the specific principles of openness, systematicity, significance and

partnership of the CSR management mechanism of the enterprise and their functions;

- determination of the goals of forming the CSR management mechanism of the enterprise;

- grouping of subjects to whom the enterprise has social responsibility;

- definition of the functions and methods of the CSR management mechanism of the enterprise;

- substantiation of groups of indicators for evaluating the effectiveness of the implementation of the enterprise's CSR management mechanism.

### **Literature review**

Formation of the CSR management mechanism of the enterprise is an important task that requires a comprehensive approach and consideration of various factors. Publications Ivanova N. et al. (2022), Vovk O. et al. (2021), Nikiforov P. et al. (2022) are devoted to various aspects of the functioning of enterprises, the formation of strategies for their development, and private-public partnership. Among the scientists who studied the subject of CSR of the enterprise, the following should be considered.

The authors' research (Ahmad Maqsood et al., 2023) is based on the analysis of the mechanism by which intellectual capital and CSR affect the stable competitiveness of small and medium-sized enterprises. The article by scientists (Guo Ying et al., 2023) analyzed the trends and development of reporting on CSR in countries with developing economies. The authors (Le M.-H. et al., 2023) consider how CSR affects innovation efficiency and business efficiency. Within the scope of article (Zhu Wenzhong et al., 2023), the authors study the relationship between CSR and corporate financial indicators of Internet companies.

According to scientists (Stevens-King Nerissa et al., 2023), CSR is a multifaceted concept. The authors investigated the driving forces and barriers to the involvement of CSR in the context of small, medium and micro enterprises. The purpose of the article (Chen Huihui et al., 2023) is to study the influence of managerial abilities in relation to CSR on the risk of enterprise default. As a result, a negative correlation is observed. Article

(Pérez-Cornejo C. et al., 2023) analyzes the relationship between corporate reputation and the role played by the effectiveness of CSR. The results also confirm that the positive effect on corporate reputation through the mediating effect of the effectiveness of corporate social responsibility. In the scientific work (Jalil Muhammad Farhan et al., 2023), the impact of CSR on the positive psychological capital of employees in stressful situations is investigated, which remains unstudied in the literature for small and medium-sized enterprises. Scientists (Abidi Zineb et al., 2023) investigated the impact of CSR on the financial efficiency of enterprises. The results demonstrate that French companies benefit more from their prosocial behavior when they choose the combination of CSR components that best matches their characteristics.

Taking into account the analysis of the existing scientific works on the mentioned topic, the relevance of the study dedicated to the formation of the CSR management mechanism of the enterprise does not cause any doubts and requires further research.

### **Methodical approach**

The methodological basis of the CSR management mechanism of the enterprise is the fundamental provisions of the theories of socially oriented economy, the concept of sustainable development and corporate governance. CSR is a multifaceted complex economic phenomenon that manifests itself through adherence to the principles of the concept of sustainable development, the process of social investment, capital investment in the development of human potential, and the development of social dialogue between many CSR participants. The formation of the enterprise's CSR management mechanism is influenced by multifactorial phenomena and processes, including state influence through the establishment of legal norms, the formation of relevant institutions, and the development of infrastructure. The state acts as an institution, a partner, an

international participant and a subject of a CSR participant.

### **Results**

The formation of the CSR management mechanism of the enterprise requires compliance with certain specific principles, which include the principles of openness, systematicity, significance, and partnership. These principles are the fundamental specific principles of the enterprise's CSR management mechanism, but these principles have their own functions. The principle of openness of the enterprise's CSR management mechanism includes such functions as:

- transparency, which implies clarity and comprehensibility of approaches to the implementation of CSR projects for all parties involved in the CSR management mechanism of the enterprise;

- accessibility, implies the availability of information about the company's CSR goals and objectives for all its participants and society as a whole;

- reliability, publication of information on CSR projects of the enterprise must contain reliable data on the achieved level of CSR;

- accountability, which involves the constant publication of the results of the functioning of the enterprise's CSR mechanism.

The systematic principle of the enterprise's CSR management mechanism includes such functions as:

- orientation, which involves the formation of a system of tasks to achieve the set goals of the enterprise's CSR management mechanism;

- prioritization, which involves highlighting in the system the goals and tasks of achieving CSR that are most significant for the enterprise and social development;

- comprehensiveness, which implies unity in time regarding the enterprise's responsibility to society for actions that, in accordance with the implementation of the CSR management mechanism, enterprises should not be single demonstrative acts, but become an all-encompassing systemic philosophy of the enterprise's activity;

- spatial unity, which requires CSR goals to cover all business processes and management decisions at the enterprise without exception.

The specific principle of the significance of the enterprise's CSR management mechanism involves the addition of such functions as:

- timeliness, which requires timeliness of the implementation of relevant measures due to the implementation of the CSR management mechanism of the enterprise;

- scale, which implies the scale of the set goals not only in relation to the enterprise itself, but also to society as a whole;

- effectiveness, which involves not only the declaration of CSR principles, but also their implementation in accordance with the effectiveness of CSR expenditures and the resulting effect for the social, economic, and environmental development of the enterprise and society as a whole;

- altruism, the costs of CSR implementation do not always have current effectiveness and require the enterprise to give up a share of the profit for the sake of public good and achieving the goals of sustainable development.

The partnership principle of the CSR management mechanism of the enterprise is revealed thanks to the following functions:

- synergy, which involves obtaining a synergistic effect from partnership interaction between business, government and society based on the partnership principles of the enterprise's CSR management mechanism;

- mandatory, which involves a transition from the practice of individual initiatives to a permanent mandatory practice to ensure the effectiveness of the enterprise's CSR management mechanism;

- triadism, which involves the introduction of new approaches to management, introduction of business, production of goods and services in accordance with the implementation of the goals of sustainable development in the economic, social and environmental plane;

- integrity, implies the unquestionable open activity of the enterprise in relation to all stakeholders and society as a whole.

So, the specified specific principles of the CSR management mechanism of the enterprise, supplemented by functionalities, will provide

an opportunity to obtain a synergistic effect for the enterprise, stakeholders, employees, communities and society as a whole.

The use of CSR principles at the enterprise level leads to the establishment of a close relationship with target groups, on which the company's competitiveness directly depends. Today, for consumers, partners, stakeholders, not only the company's product or service is important, but also its reputation, which brings social recognition, which affects the company's sales and its stable growth. The image and reputation of a socially responsible company makes it an attractive employer, contributes to the formation of intra-corporate relations and, as a result, increases labor productivity.

The growth of human capital contributes to the sustainability of economic development, it also requires the formation of a CSR management mechanism of the enterprise, as a result of which social issues acquire special importance at all levels of society's life. Socially responsible actions of the enterprise contribute to the improvement of conditions for the development of human capital, which is reflected in the profitability of the enterprise. Therefore, within the convergence of social responsibility, the convergence of the economic, social and environmental goals of the enterprise's development is carried out in accordance with the paradigm of sustainable development.

The CSR management mechanism of an enterprise is a complex and multifaceted process that includes a variety of methods, functions and provides motivational, organizational, and information support, which, in accordance with the principles of the basic and specific principles of the implementation of the enterprise's CSR, makes it possible due to the mutually coordinated influence of the subject of the management system on the managed to get the achievement of the set goals.

The formation of the enterprise's CSR management mechanism makes it possible to achieve the enterprise's CSR goals because it gives impetus to directed actions and allows to combine all processes into one trend for achieving the enterprise's CSR goal. The formation of the enterprise's CSR management

mechanism should take into account the specific features of the enterprise's functioning and be built in accordance with the main CSR goals, including:

- production of high-quality environmentally friendly products for consumers;

- attracting investments and creating conditions for the development of human potential;

- compliance with all norms of enterprise activity in accordance with tax, labor, environmental legislation and taking into account the trends of their changes in international legislation;

- consideration of social expectations and generally accepted ethical norms of social development;

- contribution to the development of the sphere of activity, communities, society due to the implementation of partner projects;

- effectiveness of business introduction in accordance with the goals of sustainable development (Fig. 1).

When forming the CSR management mechanism, it is important to distinguish the subjects to whom the enterprise will have social responsibility. In this regard, all subjects can be divided into the following groups:

- shareholders, financial institutions, investors – this group of subjects has different interests regarding the results of the company's operation, but at the same time the common thing is that the presence and promotion of CSR principles become a motivating factor for the activation of investors, granting of loans, etc.;

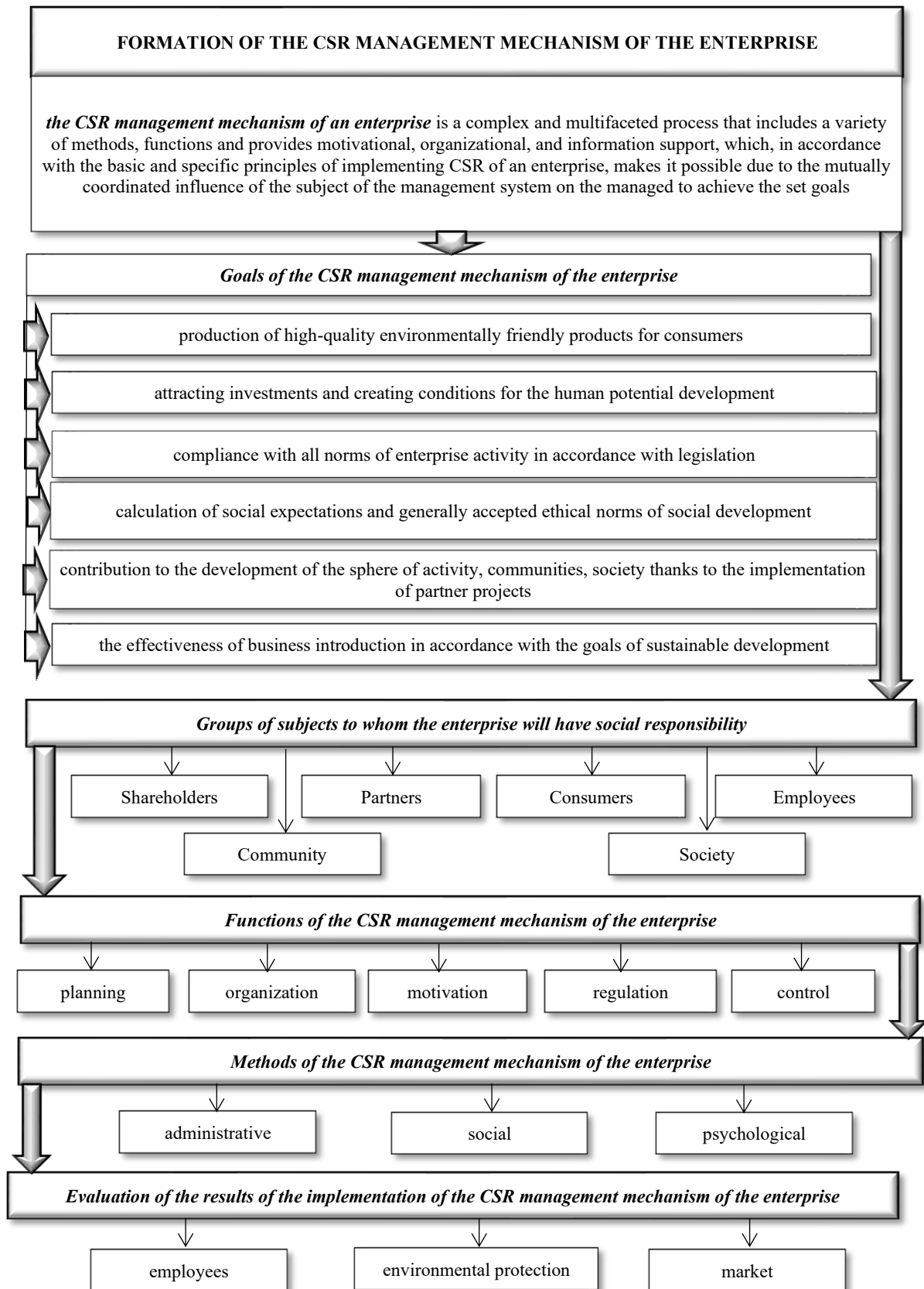
- partners, when the enterprise has a socially responsible image, this proves the enterprise's ability to carry out its activities in accordance with the law and rules of fair, socially oriented business, which increases the importance of partnership relations with such an enterprise;

- consumers, recently the ecological culture of consumption is increasingly increasing, consumers are influenced by information about the quality of products, the impact of products on human health, the manufacturer's responsibility for products and guarantees of their use, the environmental friendliness of product production, etc.;

- employees who care about the company's future development plans and intentions, who are interested in rewards for productive work, attractive working conditions, health and safety, risk management and opportunities to eliminate threats to the company's development;

- the regional community, which is interested in jobs, tax revenues for local budgets, which provide opportunities for regional self-development, reducing the environmental load on the ecosystem, increasing well-being and ensuring social and economic security of the population in the region;

- society as a whole, manifested in the interest of civil society organizations in the implementation of CSR principles, including the labor rights of workers, human rights, the fight against corruption, economic development and environmental protection in accordance with the concept of sustainable development.



**Figure 1. Management mechanism of the CSR of the enterprise**

*\*Source: generated by the authors.*

Such management functions of the enterprise's CSR mechanism as planning, organization, motivation, regulation and control due to the use of various management methods in compliance with the principles of the enterprise's CSR management mechanism make it possible to purposefully achieve the tasks set before the enterprise. Management mechanism methods include administrative, social, and psychological methods.

The combination and direction of disparate elements, processes, tools and management methods due to the CSR management mechanism of the enterprise leads to a synergistic effect and the achievement of the set tasks and goals of the enterprise's CSR and the efficiency of the enterprise's functioning in accordance with public demands for the establishment of sustainable development.

The effectiveness of the implementation of the CSR management mechanism of the enterprise requires monitoring, control and evaluation of the effectiveness of its activities. This can be done by identifying a group of indicators to which the indicators of the effectiveness of the CSR management mechanism of the enterprise should be attributed in relation to:

- employees, this group includes indicators of the ratio of working conditions, salary level, staff turnover at the enterprise with medium-sized enterprises, training and their implementation results, the number of overtime hours worked, the composition of employees by age and gender, the percentage of disabled people in relation to the number of employees, evaluation by employees of their own enterprise and determination of existing shortcomings;

- environmental protection, impact on the environment, costs for environmental protection, use of secondary raw materials, energy efficiency, electricity consumption, volume and disposal of waste, fines for violation of environmental regulations, implementation of circular economy principles;

- the market, which involves determining the number and percentage of customer complaints, complaints about unfair advertising, providing consumers with guarantees and product service,

fines imposed by the antimonopoly committee and other state bodies, etc.

The assessment of the effectiveness of the implementation of the enterprise's CSR management mechanism will contribute to the management mechanism improvement and increase the effectiveness of CSR of the enterprise.

## Conclusions

As a result of the study, it is substantiated that the CSR management mechanism of the enterprise is a complex and multifaceted process that includes various methods, functions and provides motivational, organizational, and information support, which, in accordance with the basic and specific principles of the implementation of the enterprise's CSR, provides an opportunity due to mutually coordinated influence subject of the management system to the managed to obtain the achievement of the set goals.

The scientific novelty of the research consists in proposing the formation of the CSR management mechanism of the enterprise, which is based on the methodology of the fundamental provisions of the theories of socially oriented economy, the concept of sustainable development and corporate governance, distinguished by the specific principles of openness, systematicity, significance and partnership of the CSR management mechanism of the enterprise and their functions, as well as contains the tasks, functions, methods and a group of indicators for evaluating the effectiveness of its implementation.

The implementation of the CSR management mechanism of the enterprise in accordance with the specific principles and their functions will provide an opportunity for the enterprise to obtain a number of benefits, including: customer loyalty, image enhancement, increased profitability, increased loyalty of stakeholders and employees, increased operational efficiency, increased market and increased competitiveness, increased efficiency risk management.

The issue of assessing the effectiveness of the implementation of the CSR management mechanism of the enterprise in relation to the sustainability of economic development, reducing the asymmetry of socio-economic

regional development, assessing the competitiveness of the enterprise in the market, improving the environmental condition of the environment requires further research.

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