

CONTENT CHARACTERISTICS OF ECONOMICALLY STABLE EFFICIENCY OF SOCIALLY RESPONSIBLE BUSINESS

Abstract. In Europe and the United States the social responsibility of business is a clearly declared concept of business development. The economic stability of the enterprise is a prerequisite for the implementation of the principles of social responsibility of the business. The basic principles of positioning the essence of economic sustainability in the context of socially responsible enterprises are presented in the article. The typology of economic stability which is acceptable for socially responsible enterprises is improved. The components of the enterprise economic sustainability are detailed. The correlation between components of economic sustainability of the socially responsible businesses is highlighted. The article emphasizes the diversity of approaches to positioning economic sustainability and presents the differences between them. The paper takes into account the factor of social responsibility of business while correlating the components of the economic sustainability of the enterprise. The basic principles of this approach are justified. The conceptual apparatus of economic sustainability is grouped into 4 levels. This approach makes it possible to take into account the priority of categories and to structure them within the research object. Within the proposed approach there is also described and justified the essence of the economic sustainability related categories.

Key words: economic sustainability of enterprises, social responsibility of business, the typology, the components of economic sustainability, categorical apparatus.

Analysis of recent studies and publications

The theoretical principles of economic sustainability are being widely investigated by domestic scientists (O. V. Arefieva, 2011; L. R. Halko, 2010; I. Yu. Gryshova, 2015; V. L. Ivanov, 2005). Domestic authors thoroughly describe the essence of economic sustainability of enterprises in Ukrainian realities. There is also an authoritative international position on this economic category (Alan Lavine & Gail Liberman, 2007; Anand S., 2000; Bond E. W. & C. Syropoulos, 2012; Dolan P., 2004; El-Erian M. A., 2012; Fowler, S. J. &

Hope, C., 2007; Gaspar J., Vasconcelos P. B. & Afonso O., 2014; Giampalmi J., 2004; Jayne V., 2004; Jones, D. R., 2000; Kerr, I. R., 2006; Lopez, M., Garcia, A., & Rodriguez, L., 2007; Oskamp, S., 2006; Relph-Knight, L., 2006; Roome, N. J., & Bergin, R., 2006; Svoboda, S., & Whalen, J., 2005; Tebo, P. V., 2005; Van Kleef, J. A. G., & Roome, N., 2007). According to these authors, the economic stability should be considered integrally with social responsibility of the enterprise. This position is not very much supported by domestic scientists, but the trend towards correlation of these two categories becomes more and more popular in the world. The issues associated with social responsibility of business are widely studied abroad (Albareda, L., Lozano, J. M., & Ysa, T., 2007; Alvord, S. H., Brown, L. D., & Letts, C. W., 2004; Bendell, J., 2005; Berkhout, T., 2005; Carroll A. B., 1999). The vast majority of researchers believe it appropriate to consider social responsibility and economic sustainability of business as a complex.

At this, the basic scientific positions of foreign researchers can be adapted to domestic economic conditions.

The purpose of the article is research into the issues of adaptation and integration of international practices in the field of economically sustainable and socially responsible business to present-day economic environment of Ukraine.

1. Typology of economic stability of socially responsible enterprises

The researchers of the enterprise economic stability determine a series of diverse classification attributes of this category (O. V. Arefieva, 2011; V. L. Ivanov, 2005). As a result, there are determined varieties of this economic category. Besides the generally accepted division of economic stability into external and internal, it is appropriate to identify other types of this complex category (Fig. 1).

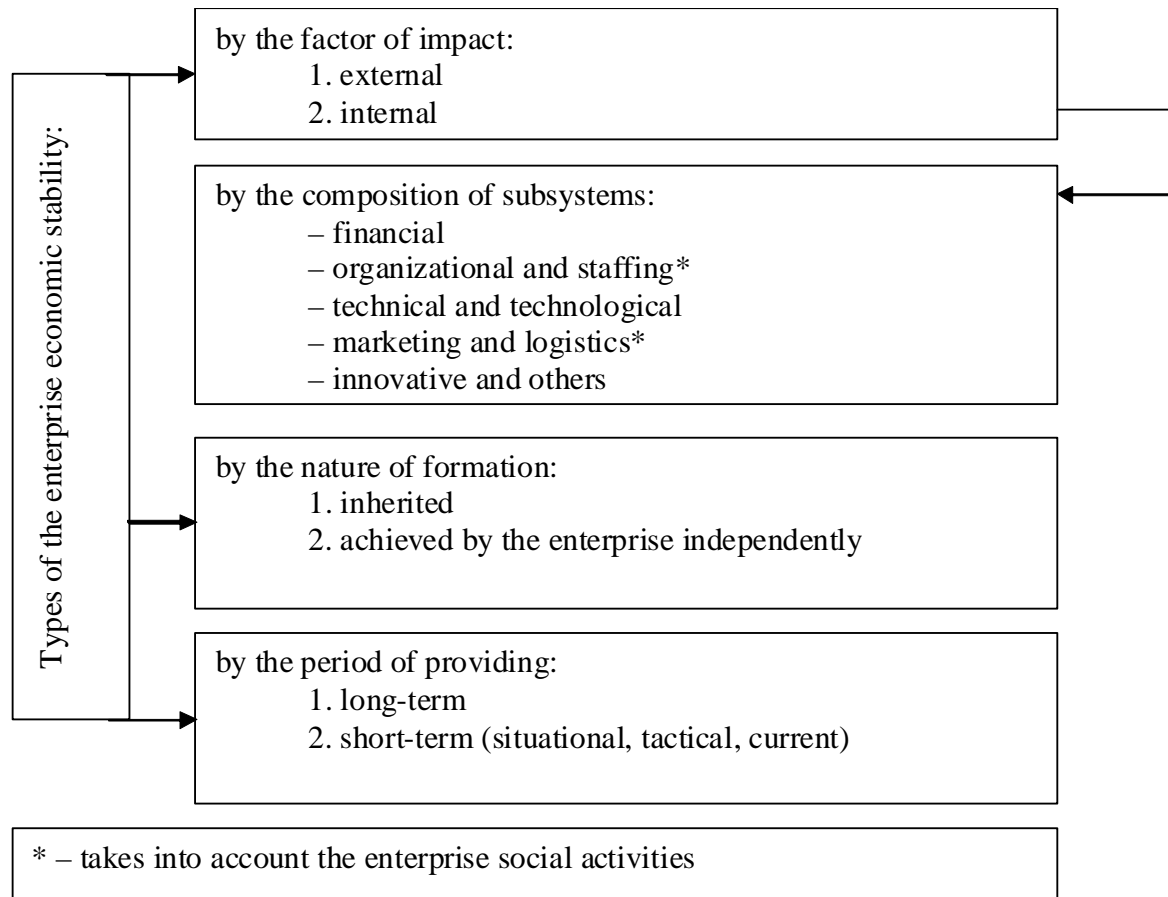


Fig. 1. Typology of economic stability as a theoretical category

* Note: Improved by the author

Specification of the types of the investigated economic category gives us the opportunity to emphasize the conceptual peculiarities of the enterprise economic stability. Taking into account the existence of a number of endogenous and exogenous influences on the enterprise economic stability it is natural to identify internal and external stability of the enterprise. The internal economic stability is the level of the balanced use of the enterprise resource potential. The essence of this category is described through its components. Components of the internal economic stability of a particular enterprise are often different. It depends on the specifics of the enterprise activities and its business processes management as well as on the specifics of the enterprise itself.

At this, formation of the economic stability components should reflect fully all the defining resources of the enterprise. After exploring the theoretical and practical aspects of interpreting economic stability, we consider an objective correlation of 5 components (financial, organizational and staffing (managerial), technical

and technological, marketing and logistics, innovation), which are shown in Fig. 1.

It is appropriate here to provide our own interpretation of the financial economic category. Financial stability of the enterprise is seen through such a level of financial performance volatility that provides opportunity to manage the development of the enterprise. Thus financial stability is interpreted as a permanent change in financial performance within certain specified norms. The results of these changes are acceptable for tactical and strategic management of the enterprise activities.

For determining an organizational and staffing (managerial) component of the enterprise economic stability the management capacity of the enterprise is taken into account. There are also determined attributive characteristics of the enterprise management system. The interpretation of this socio-economic category may have the following format. Organizational and staffing stability of the enterprise means the acceptable level of changes in the organizational structure of the company and its labor potential with the aim to

provide adaptive control of the enterprise financial and economic activities based on corporate social responsibility.

When exploring the manufacturing sector of the economy it is also necessary to specify technical and technological stability as a component of the overall economic stability of the enterprise. Interpretation of this category by economic scientists is ambiguous. The peculiarity of this category is the fact that it is estimated mostly by financial indicators though by its essence it should also take into account non-financial characteristics of the production process. The content of this component can be defined in the following way: the technical and technological stability of the enterprise is its technical potential in the context of its transition to manufacturing non-standard production units as well as the enterprise capability of providing the planned level of production profitability.

Identifying the marketing and logistics stability as one of the components of the overall enterprise economic stability is relevant for economic entities as this category reveals the efficiency of the enterprise products sales process. In modern conditions of overproduction the ability to optimize logistics costs and to find the appropriate product positioning in the market is of paramount importance. The essence of this category can be summarized in this way: the marketing and logistics stability of the enterprise is the comparability of actual sales with targets under conditions of increasing return on sales and return on marketing costs.

The innovative stability is another component of the enterprise economic stability that is worth studying. The innovative policies of the enterprise are considered to be essential for ensuring economically stable operation of enterprises in modern market conditions. This is due to the requirements of the modern post-industrial economic environment. The necessary condition for the effective functioning of a modern enterprise is the intellectual capital development and its implementation in the manufacturing process. The enterprise innovative stability is the compliance of the enterprise innovative policies with the real results of the intellectual capital implementation as well as the availability of the intellectual potential necessary for innovative development of the enterprise.

Internal economic stability is a priority in studying correlation between the available potential and its flexibility and adaptability to dynamic conditions of modern economy. It enables the

enterprise to manage its advantages in market conditions. The external economic stability of the enterprise is also very important. The influence of external economic factors is relevant for the modern financial and economic system. They also determine the dynamics of the enterprise external economic stability. The external economic stability is the architectonics of exogenous factors that are actually beyond the enterprise control. But to large extent they define the basic conditions and principles of forming the internal economic stability.

For developing a comprehensive understanding of the category "economic stability", in addition to the external and internal aspects, it is appropriate to explore the nature of forming the enterprise operation stability. The main difference between the types of economic stability, being generalized by the nature of their formation, is obvious. The inherited economic stability is the level of economic stability, shown by indicators, which has not been achieved by the enterprise itself. This economic category is closely correlated with the economic potential of the acquired enterprise. The level of inherited economic stability directly depends on the market value of the intangible assets of the enterprise, the property rights for which were acquired by the buying enterprise.

One more way of differentiating economic stability is to classify it by types according to the term of achieving. This approach allows defining long-term and short-term stability. Specifying the third type, medium-term economic stability, is not necessary within this feature. This is because economic stability is positioned as either dynamic or static. It means that considering the enterprise economic stability in dynamics, managers are oriented towards achieving long-term goals. In the analysis of static economic stability the emphasis is made on the actual level of this economic category for managers to be able to take current management decisions.

After examining the essential characteristics of economic stability in terms of the developed typology, we can formulate a number of conclusions. Economic stability as a category is a multidimensional concept. It can be viewed from different scientific positions. While characterizing in detail the complexity of this economic category, it is advisable to take into account the following:

- specifics of external and internal factors of influence on the economic situation;
- correlation of exogenous and endogenous factors in the enterprise economic stability;
- the fact that the formation of the enterprise economic stability is an evolutionary process;

- necessity to consolidate long-term goals and tactical management while forming the enterprise economic stability;
- specifics of analyzing the establishment and assessment of qualitative and quantitative indicators that characterize this category.

2. Correlation of categories: economic stability and corporate social responsibility

In the process of scientific research, economic stability of enterprise can be interpreted in different ways primarily because of the objective complexity of this economic concept. The following can be considered to be main approaches to determining the essence of the enterprise economic stability:

- approach based on the resource concept;
- approach based on institutionalism;
- systems approach;
- approach oriented to the enterprise innovation potential;
- other approaches.

Stability of an economic system is determined by its ability to recover the performance reduced by external or internal factors. The recovery potential depends on the available resources and their rational use. At the same time, economic stability is a complex of systems with distinct interrelations. Architectonics of this system is determined by formal and informal institutional effects of exogenous and endogenous nature. Consequently, adhering only to one approach complicates objective positioning of this economic category.

Economic stability as a category is not homogeneous because it consists of external components which are variously positioned by the scientific community as to the importance of their influence on the synthetic characteristic. An important aspect in defining the category of the enterprise economic stability is not only real interpretation of the economic process content but also substantiation of the reasoned statements adequacy. That is why we consider it expedient not only to offer a list of economic stability components but also to determine their interrelations (Fig. 2).

Fig. 2 illustrates interrelations between the components of the enterprise economic stability. The chart helps to see the complexity of these interrelations. It proves expediency of using the systems approach to both evaluation and management of this economic category. The proposed system is the balance of the enterprise potential possibilities, the management of which is aimed at ensuring economically sustainable operation of the enterprise.

Direct interpretation of the chart shows the availability of the managed and managing subsystems in the system of the enterprise. The interrelations between these subsystems imply reverse interdependence. The organizational and staffing (managerial) component of the economic stability is positioned as the managing subsystem that takes decisions based on corporate social responsibility. The technical and technological, marketing and logistics as well as innovative subsystems are considered to be managed subsystems. Social and financial statements are compiled in accordance with regulatory and legislative requirements (financial reporting, statistical reporting etc.), and also according to orders, instructions and other regulations issued by the enterprise management (managerial reporting, internal business reporting on production, social sphere etc.).

The proposed system of interrelations integrates the main aspects of the enterprise operation that are the components of its economic stability. Positioning of the economic stability on the basis of the chart shown in Fig. 2 provides arguments for forming the evaluative approach to determining the level of economic stability and treating it as a complex economic category. This approach also includes using management tools to ensure the declared level of the enterprise economic stability. Thus, the interpretation of the enterprise economic stability shown in Fig. 2 not only details it into components but also focuses on the procedure of fixing data in reporting forms which is the precondition of evaluation and management (also shown in the chart).

The interpretation of connections between the components of economic stability determines dependence of both direct and indirect types. The direct dependence is conceptually positioned as a sequence in which the financial and economic outcome of the enterprise operation is formed. This connection is presented with continuous lines in Fig. 2. It is visually reflected in the chart that technical and technological as well as marketing and logistics components represent product production and realization processes. Evaluation of these components is directed towards identifying the stability level of the potential involved in the enterprise operation activities. The level of the above components is fully reflected in the qualitative features of the organizational and staffing (managerial) component. Administering the processes of product production and sales is the primary task of managing the enterprise economic stability. Understanding economic stability strictly within one category cannot be considered appropriate for the well-grounded explanation of its essence.

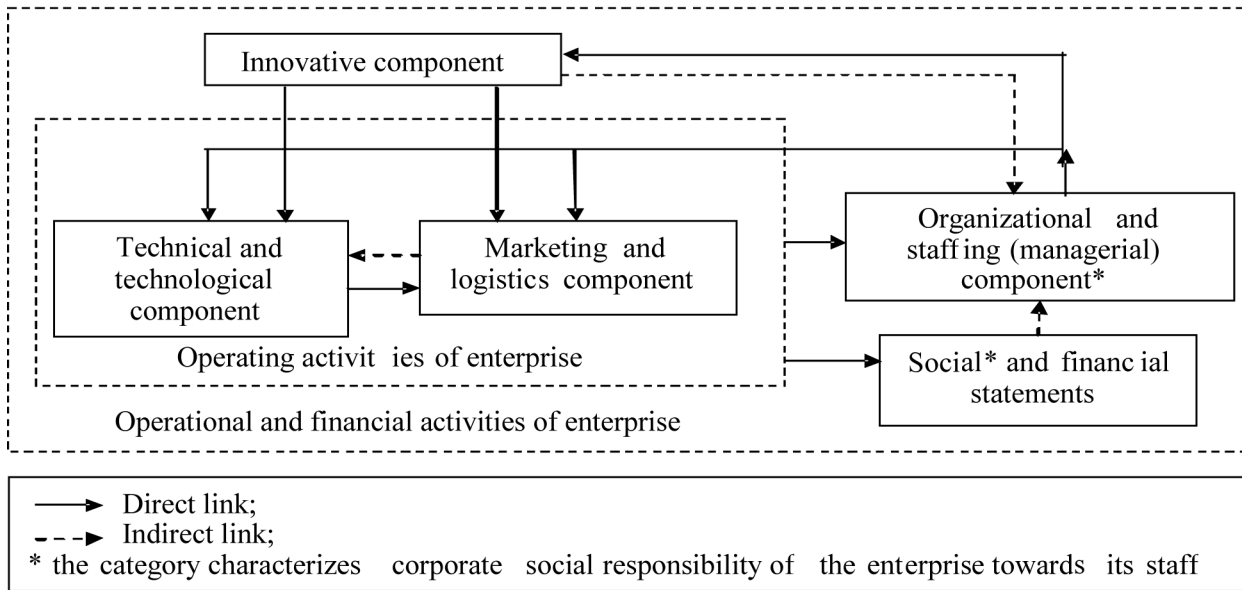


Fig. 2. The components of the enterprise economic stability and their interrelations (balancing the components of the enterprise economic stability)

* Note: improved by the author

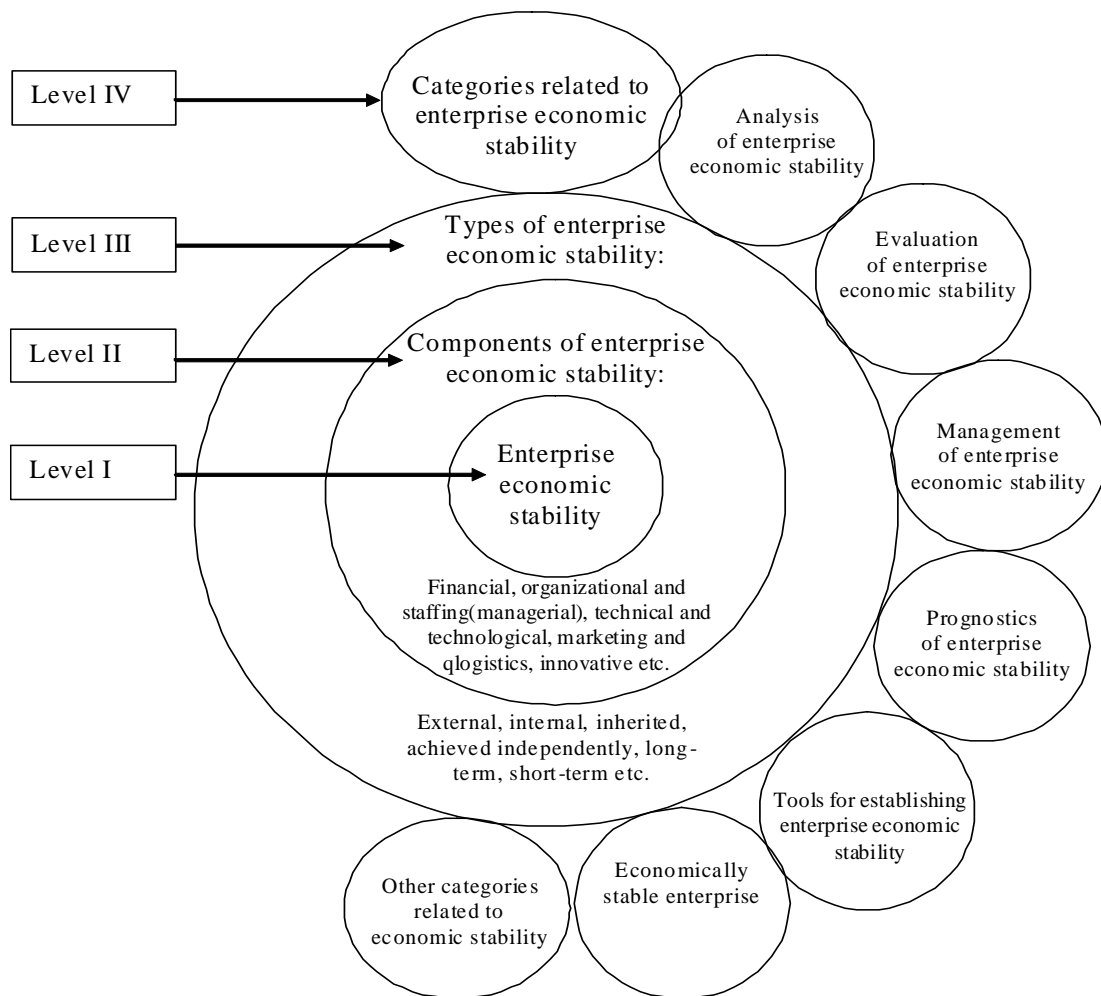


Fig. 3. Conceptual framework of enterprise economic stability

Note: elaborated by the author

The enterprise economic stability as the object of research creates additional conceptual framework, which should be considered in combination with the researched economic category. For our purpose the conceptual framework of the economic stability can be divided into several levels. The first-level categories are the immediate object of research, i.e. the enterprise internal economic stability. The second level is presented by the components of the researched object. The third level includes the types of the enterprise economic stability. The last level of the conceptual framework comprises related concepts, i.e. the economic categories which have been formed as a result of interaction between the object of research and other research spheres. Fig. 3 presents schematically the enterprise economic stability distributed by the conceptual framework levels.

The levels from first to third are described above, so they do not need any additional consideration. The fourth level of the conceptual framework of the enterprise economic stability retains its relevancy. There are the categories at this level, which have been formed as a result of the research into the enterprise economic stability. The peculiarity of this level is that the categories it contains have been formed in the result of synergy of different research spheres. Besides, the categories of this level illustrate specifics of scientific research into the enterprise economic stability.

“There are many definitions of the category of “corporate social responsibility”. But understanding of this category essence in economic science

literature is not always unambiguous. In western literature it is, as a rule, interpreted in the context of ensuring stable development of a company.” (Bayura, 2009: 21).

The categories related to enterprise economic stability are summarized in Table 1. The Table presents modern interpretations of economic categories with the account of peculiarities of the domestic economic environment. These categories supply additional knowledge about the enterprise economic stability through detailing its fundamental aspects. Defining these categories is important because it provides complex understanding of the fact that enterprise economic stability is a multifaceted concept.

Positioning economic conceptual framework in compliance with the modern conditions of doing business is a prerequisite of the objective research into economic stability in general.

Conclusions and prospects for further research

Theoretical considerations on economic stability of socially responsible enterprises have been presented through synthesizing the experience of domestic and foreign scholars. The proposed typology of the enterprise economic stability is suitable for creating preconditions of socially responsible business. The emphasis on the social aspect of the economic sustainability of the enterprise contributes to its more effective correlation with the social responsibility.

Table 1

Modern interpretation of categories logically related to enterprise economic stability

Name of economic category	Economic category content	Notes
Analysis of enterprise economic stability	Breaking a complex economic category into components, thus identifying enterprise functional subsystems which provide the enterprise economic stability	Estimative and analytical procedure
Evaluation of enterprise economic stability	Determining the level of the enterprise economic stability on the basis of quantitative and qualitative indicators, expert method and other economic and mathematical tools	Estimative and analytical procedure
Management of enterprise economic stability	Coordinating actions of subordinate units by the enterprise managers with the purpose of effective provision of the enterprise economic stability	Management procedure
Prognostics of enterprise economic stability	Forming economic and mathematical forecasts of basic indicators of the enterprise economic stability and the general level of sustainable economic operation of an economic entity	Futuristic procedure
Tools for establishing enterprise economic stability	A set of methods or techniques for realizing a certain action which have obvious and substantial influence on enterprise economic stability by its changes (implementation of managerial decisions) or evaluation	Algorithm (approach) for implementing procedures
Economically stable enterprise	The enterprise having the stability indicators volatility level within the limits that allow to realize its strategic goals	Indicators dynamics

The architectonics of economic sustainability dealt with in the article illustrates the fundamental principles of both economically sustainable and socially responsible business. The multilevel categorical apparatus of economic stability which is expanding the understanding of this category has been formed. The proposed apparatus illustrates the complexity of this category and its potential correlation with other categories, particularly with those of social nature. The development of the concept of socially responsible business on the basis of its economic stability is the direction of further research.

References

1. Arefieva O. V. & Prokhorova Yu. V. (2011). *Anti-crisis financial management of the enterprise: [monograph]*. Lviv: Ukrainian Academy of printing, 252 p.
2. Baiura D. (2009). *Corporate social responsibility in corporate governance. Ukraine: aspects of labor, 1*, pp. 21–25.
3. Galko L. R. (2010). *Providing and Support of Economic Firmness of Industrial Enterprise: Thesis for a candidate degree in the field of Economic Sciences by speciality 08.00.04 – Economy and Management of Enterprises (After the Types of Economic Activities); Institute of market problems and economical ecological researches of the NAS of Ukraine, Odessa, 20 p.*
4. Gryshova I. Yu. (2015). *The identification of threats of economic stability of industrial enterprises. Business Navigator: scientific-production journal, 1(36)*, pp. 189–198.
5. Ivanov V. L. (2005). *Management of economic stability of industrial enterprises (on the example of the enterprises of machine-building complex): [monograph]*. Lugansk: East Ukrainian national University named after Volodymyr Dahl, 266 p.
6. Alan Lavine, Gail Liberman (2007). *Quick steps to financial stability*, Indianapolis, 192 p.
7. Albareda L., Lozano J. M. & Ysa T. (2007). *Public policies on corporate social responsibility: The role of governments in Europe. Journal of Business Ethics, 74*, pp. 391–407.
8. Anand S. (2000). *Human development and economic sustainability. World Development, 28 (12)*. – pp. 2029–2049.
9. Alvord S. H., Brown L. D. & Letts C. W. (2004). *Social entrepreneurship and societal transformation. Journal of Applied Behavioral Science, 40*, pp. 260–282.
10. Bendell J. (2005). *In whose name? The accountability of corporate social responsibility. Development in Practice, 15(3–4)*, pp. 362–374.
11. Berkhout T. (2005). *Corporate gains: Corporate social responsibility can be the strategic engine for long-term corporate profits and responsible social development. Alternatives Journal, 31(1)*, pp. 15–18.
12. Bond E. W., Syropoulos C. (2012). *Economic integration and the sustainability of multimarket collusion, Economics Letters, 117 (1)*, pp. 42–44.
13. Carroll A. B. (1999) *Corporate social responsibility: Evolution of definitional construct. Business and Society, 38 (3)*, pp. 268–295.
14. Dolan P. (2004). *Sustainable leadership. Leader to Leader, 33*, pp. 8–12.
15. El-Erian M. A. (2012). *Stable disequilibrium: Persistent, large payment surpluses and deficits threaten global long-term economic well-being and financial stability, Finance and Development, 49 (2)*, pp. 27–29.
16. Fowler S. J. & Hope C. (2007). *Incorporating sustainable business practices into company strategy. Business Strategy and the Environment, 16*, pp. 26–38.
17. Gaspar J., Vasconcelos P. B., Afonso O. (2014). *Economic growth and multiple equilibria: A critical note, Economic Modelling, 36*, pp. 157–160.
18. Giampalmi J. (2004). *Leading chaos, paradox and dysfunctionality in sustainable development. Executive Speeches, 19(2)*, pp. 6–13.
19. Jayne V. (2004). *Sustainable and responsible now a fact of management life? New Zealand Management, 51(3)*, pp. 26–33.
20. Jones D. R. (2000). *Leadership strategies for sustainable development: A case study of Suma Wholefoods. Business Strategy & the Environment, 9(6)*, pp. 378–389.
21. Kerr I. R. (2006). *Leadership strategies for sustainable SME operation. Business Strategy and the Environment, 15(1)*, pp. 30–39.
22. Lopez M., Garcia A. & Rodriguez L. (2007). *Sustainable development and corporate performance: A study based on the Dow Jones Sustainability Index. Journal of Business Ethics, 75*, pp. 285–300.
23. Oskamp S. & Schultz P. W. (2006). *Using psychological science to achieve ecological sustainability. In S. I. Donaldson, D. E. Berger, & K. Pezdek (Eds.), Applied psychology: New frontiers and rewarding careers. London: Psychology Press.*
24. Relph-Knight L. (2006). *Sustainability is integral to top-level leadership. Design Week, 21(18)*, 6.
25. Roome N. J. & Bergin R. (2006). *Sustainable development in an industrial enterprise: The case of Ontario Hydro. Business Process Management, 12(6)*, pp. 696–721.
26. Svoboda S. & Whalen J. (2005). *Using experiential simulation to teach sustainability. Greener Management International, 48*, pp. 57–65.
27. Tebo P. V. (2005). *Building business value through sustainable growth. Research Technology Management, 48(5)*, pp. 28–32.
28. Van Kleef J. A. G. & Roome N. (2007). *Developing capabilities and competence for sustainable business management as innovation: A research agenda. Journal of Cleaner Production, 15*, pp. 38–51.

