

THE IMPACT OF INNOVATIVE SOCIALLY RESPONSIBLE MANAGEMENT DECISIONS AT THE COMPANY'S REPUTATION

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This article reviews the theoretical and methodological basis for determining the impact of CSR on corporate reputation. Authors determined the basic CSR indicators that affect the company's image, and the risks faced by the company in the implementation of CSR activities. This research presents recommendations for reducing staff turnover by implementing CSR programs of the company.

Keywords: *corporate social responsibility, reputation, stakeholders, CSR indicators.*

INTRODUCTION

Corporate social responsibility is a relatively new field of activity for Ukrainian companies. However, Ukrainian scientists are conducting many researches on the topic of the role and importance of CSR programs for both the company and society as a whole.

CSR activities are focused mainly on the following groups of stakeholders: employees, customers and society as a whole. Corporate social responsibility of companies addressing different aspects of the existence of both the company and its stakeholders: education and staff development, environmental problems, the ration between price and quality of the product, charity etc. Resolution of the issues that are raised in this research can not only effectively operate the company and as a result increase the profitability of the enterprise, but also help to get a reputation of an intangible asset.

It must be said that the relationship between the level of the reputation and stakeholders is reversed because, inter alia, the investors always take into account the company's image before they invest in a particular company. So they estimate the probability of profit from investment. That is, the higher the level of trust in the company, the higher the level of the company's reputation, and conversely, the higher the level of reputation, the higher the level of trust. The company must always remember this rule and maintain a close relationship with its stakeholders.

Despite that the concept of corporate social responsibility is relatively new for our country, Ukrainian scientists conduct researches on the development of methodologies to assess the CSR. Among them there are V. Vorobei, I. Zhurovska, O. Bujan, O. Berezina, D. Bayura, O. Vorona, O. Chernykh, L. Hrytsyna.

However, these studies have scattered unsystematic nature. Issues that effectively influence the practice of social responsibility to society and still remain poorly understood, need improvement methods and indicators for assessing CSR.

TASK SETTING

The level of reputation of the company shows the relationship of its stakeholders. Therefore, it shows whether the company chose the right CSR activities. In this case, it is important for the company to identify which stakeholder group affects the level of reputation the most. Company can use this information to adjust its activities and make emphasis in the right direction.

The aim of this article is to determine the impact of corporate social responsibility at the level of reputation of the company "Ernst & Young" and personnel management through CSR activities.

RESULTS

Corporate social responsibility is the organization's responsibility for the impact of its decisions and activities on society and the environment through transparent and ethical behavior that contributes to sustainable development, including health and the welfare of society, taking into account the expectations of stakeholders complies with the law and consistent with international norms of behavior, and integrated into the activities of the entire organization [1].

Goodwill is a holistic view of the enterprise, which consists of evaluation of its various stakeholders and contact groups. Nowadays enterprise goodwill is understood not only as an established opinion and some accumulated capital trust, but also as an economic category, which is characterized by dynamic changes and which can specifically controlled [2].

The business leaders are an important factor that is shaping the company's business reputation. Experts believe that the reputation of the leader is 22% of the general reputation of the enterprise, 16% is a clear strategy, financial conditions are 14% business reputation. Correlation between price and quality of products makes 3% of the company's reputation, the availability of information (the publicity of the company) - 11%. Positive dynamics of financial performance is up to 10% of business reputation company [3].

These are the following factors that may affect the reputation of the company:

- pricing and the quality of goods and services;
- financial stability of the company, effective use of assets, creditworthiness;
- management system - salaries, timeliness of payments, bonuses for the employees; customer service;
- the use of new technologies;
- personal reputation of the employer (the owner) and his/her personal professional skills;
- compliance with laws in force;
- informational policy of the enterprise (transparency and accessibility to the information about the company);
- choice of the legal form of the enterprise [2].

On the basis of the analysis of Ukrainian and foreign papers and articles we have identified CSR indicators that affect the company's reputation (table 1). The indicators were divided into three groups of stakeholders in accordance with the relationship between them. In order to determine how to set parameters that affect the image of the company, integral coefficient was calculated (equation 1.1).

Table 1 - CSR indicators that affect the company's reputation

Indicator	The evaluation scale	Characteristics	Mark
1	2	3	4
Clients			
Quality of service (communication of employees with clients, the number of law suits, the accuracy of the information provided to customers, the package of services, rewards of the company, compliance with international standards)	1	complete customer satisfaction with services received, the lack of ambiguity in the relationship caused by the unreliability of the information, constructive feedback, the minimum number of negative outages from customers comprehensiveness of services, the rewards for the provision of services	1
	0	intermediate positions on most of the indicators	
	-1	dissatisfaction with the service, the presence of false information, lack of feedback, significant amount of negative feedback from customers, the differentiation of a package of services, lack of certificates, diplomas, quality marks	
The communication system (informational provision of employees, availability of information to potential customers, network of contacts with governmental and non-governmental organizations, the recognition of independent organizations)	1	established the relationship between the lower and upper layers of the hierarchy, information passes quickly and efficiently, feedback between the superior and performer, availability of public information that is required for the potential customers and potential partners, employees, evaluation by independent organizations	0
	0	intermediate positions on most of the indicators	
	-1	lack of relationship between managers and executives, the required amount of information does not reach the "bottom" of the hierarchical ladder, lack of any information about the company, the company does not cooperate with any local government or with NGOs, the inability of the company to enter new markets because of lack of recognition of independent experts	

Continuation of Table 1

1	2	3	4
Financial condition (competitive (market) price of services, distribution of profits, fighting against bribery, the degree of implementation of agreements with the partners of the company)	1	availability of competitive prices for services, which will allow the company to obtain the maximum profit; rational allocation of profit for the company, absence of any form of bribery, contracts with partners carried out just in time and at a high level	1
	0	intermediate positions on most of the indicators	
	-1	price for services is bigger or lower than at the market, so it is not formed on the basis of supply and demand, profit is distributed unevenly, there is debt to shareholders or creditors that the company is unable to pay, the lack of provision for the development of the company, contracts with customers and partners are not met or run very late	
Loyalty (bonus system for customers, customer base, the level of maintenance of new and existing clients, the share of customers' spendings, the average number of clients per month)	1	the presence of permanent clients, customer base is growing, available discounts for the customers, client's spendings are minimal, the average number of clients per month is at least 20% of the total number of clients	1
	0	intermediate positions on most of the indicators	
	-1	absence of permanent clients or customer base is periodically reduced, bonus system for customers does not exist, customer retention level is below the minimum, client's spendings are maximized, the average number of clients per month is less than 20%	
Employees			
The microclimate in the team (the level of conflict, trust, mutual aid, the competitiveness, the level of staff involvement in decision-making)	1	full involvement of staff in decision-making teams, trust between employees, a single picture of the overall goals of the company, clearly defined sphere of activity of each employee	1
	0	intermediate positions on most of the indicators	
	-1	atmosphere of indifference and negative attitude of team members to what is happening, unclear allocation of responsibilities of each employee, the absence of mutual support in a team	

Continuation of Table 1

1	2	3	4
Staff development (training, career advancement, mobility of employees)	1	company holds seminars and courses on improving the skills of their employees or pay them for these lessons if she cannot with personal development; employees are encouraged to actively participate and manage their career	1
	0	intermediate positions on most of the indicators	
	-1	company neglects its staff; improvement of the qualifications at the expense of the workers themselves; low variability of staff and very slow progress up the career ladder provide them; workflow allows employees to set goals and coordinate plans	
Social projects for workers (projects for employees and their families (sports, recreation, health care), insurance, holidays)	1	company holds various social projects aimed at improving the physical health of workers, developing their leadership skills; assistance to families of employees; positive policy of social security of its employees; various kinds of corporate events that aimed to improve team cohesion	1
	0	intermediate positions on most of the indicators	
	-1	absence of company's policy to assist families of employees; absence of various activities (sports and leisure); negative attitude of top management about various holidays; partial insurance of employees	
Safety and conditions of work (ergonomics of working environment, the balance between working time and time for rest, efficient salary and compensation package)	1	company maintains a work-life balance of workers; rational salary and additional payments for overtime and work during holidays; incentive awards for employees exceeded standards; availability of compensation	1
	0	intermediate positions on most of the indicators	
	-1	absence of work-life balance; absence of different additional payments or compensation for overtime work; dissatisfied ergonomic working environment	
Staff turnover (the coefficients of fluidity and stability in different structural groups, the company's policy to promote the employability of staff)	1	very low staff turnover; company helps dismissed employees in employment; high stability rate for different structural groups	0
	0	intermediate positions on most of the indicators	
	-1	indifference in promoting employment of dismissed employees; high turnover and low coefficient of stability for employees in different structural groups	

Continuation of Table 1

1	2	3	4
Society			
Social activities (educational projects and programs charity, sponsorship (in the protection of vulnerable people, children and young people), working with employment services, support of socially relevant research and campaigns)	1	popularization of responsible business practices; educational programs for Ukrainian youth; charitable programs and financial support for socially disadvantaged groups, constant increase in the number of social projects; winnings in different categories for conducting socially relevant projects; cooperation with the employment services, allocation of funds for new social projects	1
	0	intermediate positions on most of the indicators	
	-1	small number of educational projects; inactive position for participation in social programs, lack of positive trends of growth of socially important projects	
Environmental activities (environmental programs directed both inside the organization and outside of it, resource conservation, compliance with international environmental standards, a code of environmental behavior for employees, membership in the organizations of environmental direction)	1	company makes initiatives to improve the environment, monitors its environmental performance, creates parking spaces for bicycles, defines programs that are intended to increase environmental awareness of young people, involves employees in environmental actions, creates projects that initiate positive changes to protect the environment; minimizes the negative impact of the company on environment	1
	0	intermediate positions on most of the indicators	
	-1	absence of monitoring of ecological performance of the company; passive position of employees concerning environmental protection, absence or low number of programs and projects aimed at environmental protection; pollution	
Community development (employment of local population, the degree of involvement in the activities of a local nature, sponsoring local cultural, educational and sporting facilities and events, support of utilities and objects of cultural and historical significance.)	1	company provides financial assistance for activities of local nature, involves local people to work for the company, involves local people in the projects aimed at improving the local community improvement; cooperates with local authorities, gives funding for the reconstruction of socially and historically important buildings and structures	0
	0	intermediate positions on most of the indicators	
	-1	Company does not cooperate with the local population and its representatives; passive position in participation in events organized by the local community, a small amount of financial assistance for activities of local character	

Continuation of Table 1

1	2	3	4
The openness of the company (<i>the index of transparency, accessibility of information about the company, cooperation with the media, community organizations, the degree of participation in the activities of national and international importance</i>)	1	presence of reliable financial reporting in the public domain; company actively participates in activities and projects at the national and international levels; publishes reports about the company in different directions; publishes articles related to the activities of the company; company has winning a in the categories related to the transparency of the enterprise	0
	0	intermediate positions on most of the indicators	
	-1	company posts unreliable financial statements or does not post it at all, absence of reports on the activities of companies from different areas, lack of interaction with the media, inactive position of the company on cooperation with NGOs	
Relations with government (<i>payment of taxes, compliance with laws, participation in legislative activities, involvement of the company in public programs and education</i>)	1	company pays taxes fully on time, absence of violations of the law; cooperation with the authorities on the establishment of joint projects aimed at improving living standards, government support in carrying out projects of a legal nature, providing financial assistance for the implementation of relevant projects	1
	0	intermediate positions on most of the indicators	
	-1	tax evasion or delay payments to the state budget, violations of the laws during the work, absence of cooperation with authorities	

The level of reputation can be determined with the use of integral coefficient:

$$IK^2 = \left(k_k \frac{1}{m_k} \sum_{j=1}^{m_k} X_{ij}^k + k_c \frac{1}{m_c} \sum_{j=1}^{m_c} X_{ij}^c + k_o \frac{1}{m_o} \sum_{j=1}^{m_o} X_{ij}^o \right) * 100\% , \quad (1.1)$$

where k_k , k_c , k_o - weighting coefficients of the groups of "customers", "employees" and "society" respectively;

$x_{ij}^k, x_{ij}^c, x_{ij}^o$ - boolean variable of such groups as "customers", "employees" and "society" respectively that can take value of 1 if the j -th group of indications is presented in the i -th company, or 0 if the majority of indications are presented and is equal to -1 if majority of indications are lacking at i -th company;

m_k, m_c, m_o - number of indications with the help of which the social activities of the company are being valued by groups "customers", " employees" and "society" respectively.

In order to determine the effect of each of the groups on the reputation of the company, it is necessary to identify the relations between the expectations of three groups of stakeholders from the company and vice versa (example is in table 2).

Table 2 – The example of weights` boost factor determination for groups of stakeholders

Criteria Stakeholder	Sales volume	Quality of service	Productivity of work	Salary	Payment of taxes	Confidence in company	Summary	The weight
<i>Customer (existing and potential)</i>	1	3	1	1	1	2	9	$\frac{1}{4}$
<i>Employee (existing and potential)</i>	3	2	3	3	2	1	14	$\frac{7}{18}$
<i>Society (government, media, educational institutions, hospitals, orphanages, community organizations, etc.)</i>	2	1	2	2	3	3	13	$\frac{13}{36}$
Summary							36	100 %

For example, the most important for customers is to get high quality services from the company, and the company gets the necessary changes in amount of its sales of services, and thus profit. Employees' salary is the most important for them and the company requires the desired productivity of work in return which also affects the profit. Society in general needs payment of taxes and the company wants the trust of society back, as it is the local community of potential customers and employees.

Therefore, all the criteria are ranked according to the importance for each of the stakeholder groups. The most important criteria are assigned with mark "3", the least important - "1." All estimates are summarized by groups and in general. Next "weight" of the group should be determined by finding ratio between group marks and overall grade.

It is easy to calculate the level of the reputation of an enterprise while having all the necessary components of the integral coefficient.

Using formula 2.13, it was determined that the level of reputation "Ernst & Young" under the influence of CSR indicators is 71.53%.

For comparison were calculated the level of reputation of companies of "Big Four", which includes "Ernst & Young", «KPMG», «PwC» and «Deloitte».

After we analyzed companies' reports and evaluated CSR indicators that affect their image, it was found out that the level of reputation of «KPMG», «PwC» and «Deloitte» make 85%, 64.3% and 70.97% respectively (figure 1).

According to the results, the company "Ernst & Young" takes second place among the "Big Four".

Let's look how the weight of each group of stakeholders affects the reputation of the company (table 3).

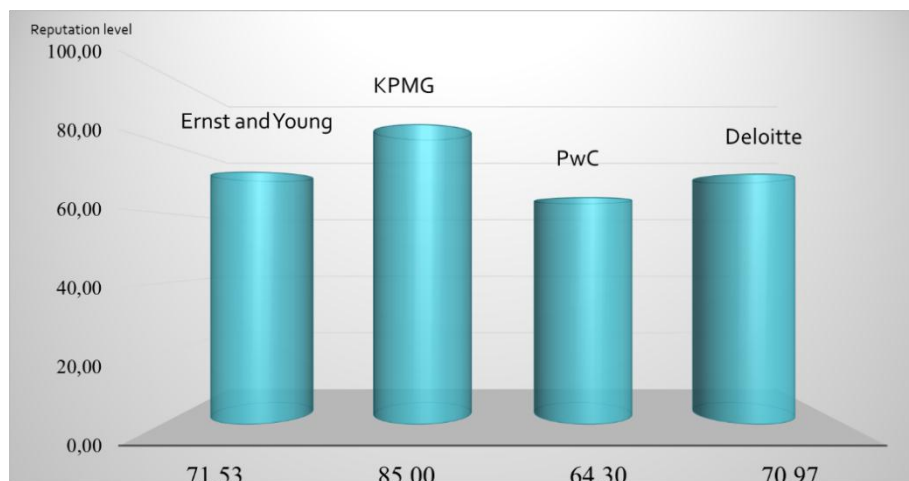


Figure 1 – Reputation levels of Big Four

Table 3 - The influence of stakeholder groups on reputation of the company

Variations The weight	Variations								
	1	2	3	4	5	6	7	8	9
«Clients»	1	0	0	1/4	0	1/4	1/2	1/2	0
«Employees»	0	1	0	7/18	7/18	0	0	1/2	1/2
«Society»	0	0	1	0	13/36	13/36	1/2	0	1/2
Output indicators (level of reputation), %	75	80	60	49,86	52,78	40,42	67,5	77,5	70

According to table 3 the most significant group of stakeholders are employees.

Recommendations for improving the CSR of the company “Ernst and Young”

Company made a survey among employees in the 2012. The survey results are presented in table 4.

Table 4 – Results of the survey of the company "Ernst & Young"

Category	% positive answers, 2012	% positive answers, 2009
Implementation of values	78%	79%
Diversity and interconnection	77%	78%
Corporate responsibility	77%	73%
Team work	77%	76%
Quality in everything	76%	74%
Strategy and leadership	73%	76%
Index of involvement	71%	74%
Efficiency of managers	70%	73%
Staff development	65%	68%

According to the table 4 we see that the category of "staff development" had and still has the lowest number of positive responses.

Here are some possible directions of improvement of staff within CSR activities:

1. Company needs to create new mobility programs and improve the existing ones.

Mobility programs are programs of short-term or long-term transfer that allow to work in other offices of the company. This format allows employees to gain professional experience in the new environment and the skills in solving interesting and unusual tasks. Moreover, this experience enhances outlook and involving participants of the program to a new culture and mentality, developing a sense of tolerance and the principle of diversity. At the same time, the participation in mobility programs enables employees to accelerate their learning and career development through a network of business relationships both internally and abroad.

"Ernst & Young" staff council should inform workers about possible mobility programs through Internet resources (e-mail, social networks), it needs to encourage participation in the program (to talk about their benefits, opportunities to learn about another culture, traditions, share their experience and learn new skills that may help quickly move up the career ladder). New mobility programs should be shorter (e.g. 1 month), because many workers who have familie, cannot leave their family for a long time. Expansion of the geographical coverage and quantitative applications.

2. Expand opportunities for professional growth.

Company should help employees to develop their own career plan and objectives for achieving it (training plans, gaining more knowledge and skills, learning foreign languages; to develop a calendar of trainings, seminars, including online once; to increase the number of internal trainers, track training program satisfaction among employees, monitor satisfaction with training programs among employees.

3. Involve employees in development programs improving.

To conduct online surveys, create mailbox views and proposals; to reward employees for the most interesting offers.

4. Improve the quality of coaching and mentoring.

To use new technologies that make learning more interesting, more accessible and faster; to provide employees with the necessary materials (books, manuals, audio. videos, etc.).

5. Company needs to help to improve emotional and physical health of employees.

To conduct time management training that will enable employees to manage their time better and properly allocate tasks. This will greatly reduce the amount of stress associated with deficiency of time on a particular task.

6. Identify staff skills and find their best use.

To conduct tests and interviews, give to solve nonstandard problem and so on.

CONCLUSIONS

Corporate social responsibility plays an important role in the enterprise, helping the company maintain its competitiveness and loyalty of major stakeholder groups, and meet needs of stakeholders in different forms.

On the basis of the author's method, it was found that the greatest effect on reputation of the company make employees. Therefore, companies should pay their attention to this group of stakeholders. The comparison was made to identify causes of staff turnover over the years, and the recommendations on improving CSR activities of the company "Ernst & Young" were proposed. They will help to reduce employees` turnover and solve one of the main problems of the company - a work-life balance.

ВПЛИВ ІННОВАЦІЙНИХ СОЦІАЛЬНО ВІДПОВІДАЛЬНИХ УПРАВЛІНСЬКИХ РІШЕНЬ НА РЕПУТАЦІЮ КОМПАНІЇ

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У статті розглянуто теоретичні та методичні основи визначення впливу корпоративної соціальної відповідальності на репутацію компанії. Виявлені основні КСВ-показники, які впливають на імідж компанії, та ризики, з якими стикається підприємство при реалізації КСВ-заходів. У роботі запропоновані рекомендації щодо зменшення плинності кадрів за допомогою реалізації КСВ-програм компанії.

Ключові слова: *корпоративна соціальна відповідальність, репутація, стейкхолдери, показники КСВ.*

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