

## CORPORATE SOCIAL RESPONSIBILITY IS STILL A NOVELTY IN INDEPENDENT UKRAINE. CHAMBER MEMBERS GIVE THEIR VIEWS ON HOW THEIR COMPANIES APPROACH IT.

**'What trends and opportunities do you see now, and expect to see in the future, with regard to the social responsibilities of Ukrainian business?'**

**1 IRINA KUZNETSOVA,**  
General Manager,  
Dialla Communications;  
Founder of the Annual Chestnut Run Charity Event Carried out for 15 Consecutive Years



**CSR PROGRAMS HAVE POTENTIAL TO BRING BENEFITS TO BUSINESSES AND CONSUMERS**

It is well known that Corporate Social Responsibility (CSR) programs have the potential to bring a number of benefits to businesses and consumers. However, the specifics of the socio-economic situation in Ukraine, as in the majority of developing countries, means that due to the various uncertainties and limitations that businesses face, they are discouraged from funding a good cause if it has to be done at the expense of corporate profits. Despite the fact that the notion of CSR may be familiar to corporate executives, it cannot be implemented to the fullest extent because of the high costs associated with adopting such

programs, and the lack of immediate tangible benefits to the company and its stakeholders. It is also unfortunate, that even though program intentions may carry an ideological value to the Ukrainian consumer, and may exemplify some brand-affinity instances – it is not yet one of the determining factors in their purchasing decisions. And it will probably take some time and a lot of marketing dollars to educate consumers on a particular social responsibility program and to elicit a substantial resonance that would give the company a competitive advantage. In my opinion, it would be very optimistic to state that full-scale CSR programs – not in the form of philanthropy, but rather in a genuine form of corporate philosophy - are present now, or will be seriously considered by most of the Ukrainian companies, including the larger ones, in the near future.

**2 RONALD MARKS,**  
Partner,  
Konnov & Sozanovsky  
Ukraine has suffered two seismic shocks to its political and economic structure. The first was its own internal transition from a command economy to a market economy, which paralleled its political transition to an emerging democracy. The second has been its involvement in the dynamics of globalization. Despite concerns about the inefficiency of current corporate legislation, or about the opacity of the administration of justice, or about the glacial pace of movement toward full acceptance of global norms, a few things are beyond dispute.

The first is that political, social and economic dialogue is now occurring in Ukraine at a scale and to a depth that has no analogue in Ukraine's history. The ACC itself has been a critically important part of that initiative, as seen in such outstanding efforts as its recent White Paper on Illegal Corporate Raiders.

The second is that the increasing demand of Ukrainian companies to access international capital markets has forced those companies to think and operate in new ways. Companies moving to an IPO, for example, experience a permanent change to their appreciation of corporate social responsibility as the friend of corporate efficiency, and not the foe. Finally, and not unrelated to the foregoing, is the sense that corporate social responsibility is now seen as the smart move for astute companies and business managers.

We are at the cusp of major foreign investment into Ukraine, precisely because foreign investors now understand that-



**CSR SEEN AS SMART MOVE FOR ASTUTE COMPANIES AND BUSINESS MANAGERS**

whatever the machinations of some - Ukraine's integration into full harmony with global norms of corporate social responsibility has become irreversible.

**3 ANDRIY SHELIUG,**  
Chairman of the Board,  
THE NIKO CORPORATION



**CSR ADDS VALUE TO ALL THE BUSINESS PROCESSES, HELPS IMPLEMENT TECHNOLOGES**

Despite the existing differences of public opinion, Ukrainian businesses have been greatly involved in helping social causes all over last decade. But just recently, we started to realize that giving money away is not as easy as it sounds, and businesses have to do much more than just donate.

The transition from handouts to responsible corporate philanthropy (venture philanthropy and social investments), to CSR strategies, is a very vigorous and visible process that was introduced mainly by international corporations and readily caught on among domestic companies due to its effectiveness. It is now becoming the norm for recognized national companies and corporations to be socially responsible, and this practice is spreading pretty fast nationwide.

Foremost, CSR adds value to all business processes, and helps implement the most modern and effective models and technologies. For instance, environmental responsibility impels us to use energy-efficient technologies in construction

development, which helps businesses save money; client-oriented programs and improving products and services help businesses to secure more consumers and consequently increase sales; while personnel development programs increase employees' abilities and performance, which also leads to higher profits.

Venture philanthropy and social investments help communities become more prosperous, and that not only raises potential consumers' purchasing capacity, but also improves the image and reputation of a company – a precious asset that also has a bearing on the balance sheet. The important thing about CSR is its popularization and promotion. The mass media and businesses should be more active in launching joint social advertising campaigns and activities. National businesses, when selecting subcontractors, suppliers and partners, have to give more preference to those companies that actively support social activities. CSR entrepreneurship should also be introduced by businesses and NGOs, so the funds received from donors can be further invested and the proceeds channeled to those in need.

Another effective way of popularizing the CSR is to attract employees of domestic and international companies to social programs. Volunteering and fund raising within a company are of great value for the company and employees themselves.

It is a very positive thing that in Ukraine, we have international organizations and projects that could be great CSR models, and give guidance to national businesses. I would like to mention and thank American Chamber of Commerce, UCAN and Global Compact for directing and helping our company to properly and effectively organize our CSR activities.

Businesses can invest a lot into the development of a civil society – something that previously was the prerogative of foreign

donors – but it is Ukrainians who will make the biggest impact on Ukrainian society. May we all be responsible for social responsibility!

**4 NIKOLAY FABRO,**  
Executive Director,  
Yug Contract Co., Ltd.



**MORE LOCAL COMPANIES ADOPT PRINCIPLES OF SOCIAL RESPONSIBILITY NOWADAYS**

In the modern world, the dynamics and success of any company directly depend on the country's social and economic development. With this in mind, no business can ignore important social issues in society. A socially responsible company should communicate harmoniously, interact and maintain a consistent dialogue with society, taking part in tackling the most urgent social problems. The Western countries have been doing this for quite a while. Unlike Ukrainian companies, western firms do not see corporate social responsibility as merely charity.

Ukraine is gradually learning from international business expertise, with more local companies adopting the principles of social responsibility - Yug Contract being one of them. We see ourselves as a responsible member of Ukrainian society. The status of Yug Contract as a big national company means it not only has a high reputation, but a huge responsibility to help the social, economic and eco-

logical development of society. Yug Contract's corporate social responsibilities have several aspects, such as external social activities, personnel development, operational safety and security, and ecological management.

In its work, Yug Contract strictly follows the principles of fair business operations, regularly extending personnel training programs and adhering solely to socially responsible methods of corporate restructuring. We share many years of practical experience and good theoretical knowledge in related areas with our clients and partners. Every one of our projects is a mission to improve the quality of what we do, to advance our clients, among whom are not only commercial companies, but state-run and budget-sustained organizations.

Corporate social responsibility unites our company, strengthens its reputation, and ensures we have the required interaction with the business environment we work in.

We are aware of being accountable for the best rational use of resources and social support. No doubt local and foreign companies working together to develop and make popular common values and standards of corporate social responsibility will make Ukraine a better place for investors, as well as strengthening its image as a reliable and responsible partner.

**5 ANDREW WILSON,**  
Regional Vice President,  
Eurasia Foundation

The current trend in CSR is very exciting. Thanks to the leadership of a number of international firms and domestic corporations like Interpipe, corporate citizenship is evolving faster in Ukraine than in many other transition economies. And thanks to organizations like Expert, the Ukraine Grantmakers' Forum, and the Successful Communities Institute, the public is doing more to understand its role in promoting CSR.

There is one danger that worries me, though. Having engaged CIS governments on this topic for the past five years, I am concerned that some officials are starting to view CSR as an opportunity for new regulation and taxation. Governments need to regulate business, of course, in such areas as environmental protection and labor standards. But the notion of good corporate citizenship largely evolved from efforts by the public to compel corporations to do more than the government requires.

In the United States, partly as a result of public stimulus, non-profit organizations now account for about one-tenth of all economic activity – nearly a trillion dollars per year. Many of these organizations perform important community and social services that the government could



**SOME GOVERNMENTS VIEW CSR AS OPPORTUNITY FOR NEW REGULATION AND TAXATION**

not perform effectively, even if it had the resources. And it is safe to say that this civic and social activity would not have evolved if the American government regulated corporate community engagement. Let's hope that the government of Ukraine will continue to respect CSR for what it is - a relationship between companies and the communities in which they work. ■