

**Corporate Social Responsibility in Ukraine:  
Cynical Utilitarianism or Aristotelian ‘Common Good’?**

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*Abstract*

Corporate Social Responsibility (CSR) has been researched extensively in Western Europe (Steurer and Konrad, 2009), and to some extent in Central and Eastern Europe (e.g. Furrer et al., 2010). Empirical research in the former USSR, however, has been limited. This paper aims to address this deficiency, presenting the results of a study of CSR drivers in Ukraine. We conducted 19 semi-structured interviews with managers, NGO representatives and academics in Ukraine. Our preliminary findings suggest that CSR adopters in Ukraine tend to fall into two main categories. Following Garriga and Melé’s (2004) typology, we discern a group that takes a predominantly utilitarian approach to defining its social obligations, adopting CSR practices in response to actual and perceived external demands. Such organisations tend to be newer (post-USSR era) companies, and/or those whose clients and investors are located mainly abroad. The second type consists of more locally embedded concerns, whose owners and managers adopt a predominantly normative approach to CSR, adhering to practices that originated in the Soviet period, whilst striving for economic viability in a new era of market orientation. Our study casts light on the divergent paths taken by organizations in a distinctive transitional setting in order to gain social and economic legitimacy.

## **Introduction**

The development of Corporate Social Responsibility (CSR) theories in the first decades since the term was coined in the middle of the last century concentrated mainly on the West, which was also the focus of the initial empirical research in the field at the turn of the century (Carroll, 2008). Investigation into CSR in 'new economies' still remains limited.

Ukraine presents an intriguing and underexplored ground for CSR research. It varies historically, economically, politically and culturally from other former Soviet republics and states of the former Socialist block. It, then, follows that CSR analysis based on evidence from previously researched East European countries, cannot be transferred without reservations to Ukraine. With this in mind, our investigation aims to begin drawing a picture of CSR in Ukraine. This paper will be built around two questions:

*What are the motives of the Ukrainian companies for adopting CSR?* Crane et al. (2008) suggest that one of the central, but often unexamined, issues related to CSR, is what drives it. Therefore, we propose to begin investigating CSR in the Ukraine by looking in at what drives CSR in that country. We will analyse the results of our study utilising the typology proposed by Garriga and Melé (2004).

*Is there a divergence in CSR practices between Ukrainian companies? And if so, is there a clear pattern for this divergence?* It is impossible to separate the discussion about the motives of CSR from the discussion about the actions that constitute CSR, or as Verma (2011: 57) points out 'CSR cannot be described in clear terms, rather it can be determined through the type of activity the company is performing'. Due to the lack of clear definition of what is 'CSR practice' and in an attempt to avoid researchers' bias, we left that question open to interviewees' interpretation.

This approach proved successful, and the analysis will show very interesting understandings of the term, which would have been lost, had we insisted on putting forward our definitions. We will begin by providing a brief overview of CSR in the Ukrainian context. We will then present the findings of the 19 semi-structured interviews conducted with the Ukrainian executives, academics, and media and NGO representatives. We will go on to propose answers the two questions posed earlier and will conclude by suggesting possible avenues for further research into CSR in Ukraine.

## **CSR in Ukraine**

### *Defining CSR*

Corporate Social Responsibility (CSR) has been attracting a great deal of attention in the management literature since the 1950s. The concept of CSR has been reviewed and analyzed from various perspectives and the literature has been comprehensively reviewed by many writers (e.g. Carroll, 1999, 2008; De Bakker et al., 2005; Garriga and Mele, 2004; Lee, 2008). However, despite almost 60 years of debate, CSR remains a highly disputed concept. Most writers agree that the term is elusive and poorly defined (see Votaw, 1973; Preston and Post, 1985; Quazi and O'Brien, 2000; Lee, 2008), that it lacks theoretical underpinning (Preston, 1975; Post, 1978; Zenisek, 1979; Jones, 1980), and is 'value laden and susceptible to particular ideological and emotional interpretations' (Aupperle et al., 1985: 446). While CSR remains one of the widely used frameworks for discussing the role of business in society, other concepts evaluate this role from a different perspective, such as stakeholder theory (Freeman, 1984); business ethics (Velasquez, 1988), corporate social performance (CSP)

(Wartick and Cochran, 1985), social contract (Donaldson and Dunfee, 2002), or corporate citizenship (Mele, 2008). Although there is no single definition of CSR,

‘most scholars agree that *Corporate Social Responsibility* is about (a) the *social*, ... (b) *responsibility*, which is commonly understood in this context as ... ‘duty’, of (c) *corporations*, which typically refers not only to corporate *legal* entities but to business organizations in general’ (Van Oosterhout and Heugens, 2008: 201) and  
‘other types of institution apart from business in the narrow sense’ (Maclagan, 2008: 371).

This quote provides a useful summary of CSR for the scholars of the subject. The European Commission attempted to provide practitioners with the following guidance: ‘corporate social responsibility is essentially a concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment’ (EC, 2001: 5). But these and other accepted definitions (e.g. Carroll, 1991) do not address the fundamental problem of the lack of clarity as to the social issues that organisations should embrace (Jones, 1980), or indeed how they can be embraced. It is left to each business to decide how to assimilate this concept into its operations, and how to ‘behave like a good citizen in business’ (CBI, 1973).

It has also been suggested that the divergence in the definitions of CSR is partly a result of different views of the role of business in society in different areas of the world (Argandona and Hoivik, 2009). Even in the relatively small geographic area of Europe, where CSR has been gaining popularity since the 1990s (Koleva et al., 2010), there is divergence in CSR policies and practices (Furrer et al., 2010). The recent shift of focus in the CSR from the West, especially the USA and the Western Europe (Skouloudis et al., 2011), to other areas – Asia, South America (Calderon, 2011) Africa (Dartey-Baah and Amponsah-Tawiah, 2011) and Central Europe (Baughn et al., 2007) – has demonstrated the divergence in understanding and practice of CSR.

#### *The Ukrainian Context*

One area, however, has attracted little interest, and empirical research into CSR in the former USSR has been limited. A brief overview of 2 databases – Business Source Complete and Emerald - reveals that Ukraine, the second largest country in Europe (by territory), has not yet emerged as a topic of attention for CSR researchers. The phenomenon itself is beyond the scope of this paper, although our review of CSR in Ukraine may suggest several reasons for this lack of interest.

As Freedman and Liedtka (1991) point out, the CSR debate is firmly embedded in capitalist economic discourse. It is not surprising, therefore, that the concept of CSR was not familiar in the former Soviet Union. Ukraine, although culturally different from the other 14 Soviet republics, followed a political and economic regime centrally dictated chiefly by apparatchiks in Moscow. ‘Business’ in the Soviet era was synonymous with ‘speculation’ and had been outlawed. ‘Corporation’ was a form of enterprise associated with the ‘corrupted West’. Corporate Responsibility, then, had been a foreign concept to the newly independent Ukraine, which, with the breakup of the Soviet Union, was plunged into a new economic reality in which it needed to develop new business models and new business discourse.

The relative newness of the CSR concept does not mean, though, that the underlying principles of that concept were foreign to the Ukrainian society. For over seven decades Ukraine was a part of the Soviet Union in all senses – politically, economically and socially.

Soviet enterprises (*predpriyatiya*), although not driven by profit generation and highly inefficient in an economic sense, were part of the planned economy that encouraged those 'predpriyatiya' to support social infrastructure. Moreover, activities, that are seen by the West as CSR conduct, such as recycling, community projects and volunteering, were encouraged in the Soviet citizens from a very early age. A child born in the Soviet Ukraine would normally attend a kindergarten established and supported by her parent's place of work, she would see her parents come to paint, garden, build fences and do other work necessary in that kindergarten during 'subbotnik' (organised volunteering, usually on Saturday). As she started school, she would participate in monthly paper and metal recycling drives in her school. Some of her free time would be spent at 'subbotniks' with her schoolmates, supporting local social and environmental projects. Her parents would take yearly breaks to 'recover health' in the sanatorium maintained by their place of work and she would spend most of her summer holidays in the summer camps, also maintained by the parent's place of work. When she got married, she was entitled to use a community hall, also maintained by that workplace. One's life was inevitably, and very tangibly, intertwined with that of the local community. The collapse of the Soviet Union resulted in ambivalent attitudes towards business. Vorobey (2005) lists a number of reasons for mistrust in business in the newly independent state, of which lack of transparency in the process of privatisation of state-owned enterprises is central.

It can be argued that the brief discussion above pertains to every former Soviet nation. However, different trajectories of the former Soviet republics in the post-Soviet era are evident. GDP growth in the CIS (former Soviet republics, excluding the Baltic states and Georgia) varied in 2010 from -1.4% (Kyrgyzstan) to 8.5% (Uzbekistan) (UN, 2012). Baltic states and, to a certain degree, Russia have made considerable progress towards a market economy. Nationalist disputes in Georgia, Tajikistan, and Azerbaijan slowed their economic development. According to Fuxman (1997) a strong sense of separatism and nationalistic pride has stalled economic reforms in Ukraine, which has emerged as an independent nation after 350 year of being part of the Russian empire and then over 70 years as part of the USSR. And 'despite Ukraine's rich agricultural and industrial resources' (ibid: 1274) it lags behind its neighbouring Russia. However in recent years the economy of Ukraine has demonstrated a degree of stability, and its economy grew by 4.4% in 2011, slightly ahead of the CIS and Georgian average of 4.3% ,and significantly ahead of the world (2.8%) and developed economies (1.3) (UN, 2012).

In 2005 Vorobey asserted that the concept of CSR, as it is being understood in the West 'is yet to be introduced in Ukraine' (2005: 219). However, the development of CSR in Ukraine gained momentum from mid-2000. The United Nations Global Compact was launched in Ukraine in 2006 and 205 participants (82 businesses) are currently signatories to this initiative (Danilyuk, 2012). In 2010 Ukraine was amongst the top 20 business participants in Global Compact (Hall, 2010). 'Gvardia', one of the leading business magazines of Ukraine, has conducted annual rating of CSR reports since 2007. The importance that this topic has been gaining is also evident from the increasing number of Ukrainian publications, both academic and business, on the subject of CSR (e.g. Kolot, 2012; Kurinko, 2011; Vorobey and Zhurovska, 2010). It seems that the institutionalisation of the CSR movement is well on its way.

The above discussion of the unique character of Ukrainian society and economy, suggests that studies of Eastern European Countries (EEC) (e.g. Furrer et al., 2010), although useful in revealing a strong relationship between countries' economic social and political contexts

(e.g. Baughn et al., 2007), and in identifying general differences between the ‘developed West’ and ‘transitional economies’ of the East, are not very helpful in considering distinctive qualities within each of those transitional economies. Those studies also do not distinguish between differing institutional contexts within each country. We, on the other hand, were interested in investigating Ukrainian companies’ motives for engaging in CSR at an organisational level, prior to attempting to arrive at conclusions at an aggregate country level.

A strong sense of nationalism and mistrust of business led to suspicious attitudes towards Western business especially among the Ukrainians. Kyj (2011: 51) suggests that achieving legitimacy in the former USSR is ‘a difficult task’. Several factors, such as the lack of stability (Lukyanov, 2011) and corruption (Kyj, 2011) suggest that it is also a difficult task for Ukrainian firms to gain legitimacy in the West. In order to gain societal legitimacy organizations may ‘manipulate and deploy evocative symbols’ (Suchman, 1995: 572) such as CSR. Several studies suggested that ownership structure affects a firm’s adoption of CSR (e.g. Prado-Lorenzo et al., 2009; Robertson, 2009).

#### *CSR motive*

Several authors investigated how CSR is influenced by a certain driver: CEO (Godos-Diez et al., 2011); consumers (Smith, 2008); investors (Kurtz, 2008); government and civil society (Moon and Vogel, 2008). However, there is no unified framework that examines multiple drives on CSR. We have adapted Garriga and Melé’s (2004) typology of CSR theories which examines each theory according to the assumption of relationship between business and society, and the reason it posits for accepting social duties, and utilised the headings to classify the motives for adopting CSR.

Following Garriga and Melé’s (2004) typology we propose to group the motives for adopting CSR into the following clusters:

- *Instrumental* – firms adopt CSR because they believe it will contribute to the ‘bottom line’. This might include greater efficiency, contribution to competitive advantage, attracting and retaining customers, employee satisfaction, better image, etc. In this cluster we will also include legitimacy, or more precisely ‘pragmatic legitimacy’ as defined by Suchman (1995).
- *Political* – firms’ adoption of CSR is based on their understanding of the role of business in society in relation to the social and political power they possess. Those companies would engage in CSR on the understanding that with greater power comes greater responsibility.
- *Integrative* – firms adopt CSR because they see themselves as an integrative part of society, and ‘successful firms can only develop in successful society’.
- *Ethical* – firms’ CSR engagement is based on the idea that ‘this is the right thing to do’.

In the next section we will present the findings of our study in light of the questions raised earlier.

## **Our approach to this project**

This study aims to gain understanding of CSR motives. In order to explore perceptions, attitudes and values, qualitative inquiry is considered to be most appropriate (Oberseder et al., 2011). We chose to conduct interviews since our aim was to explore *whys* and *hows* of organizations, not just the traditional *whats* (Fontana and Frey, 2003). In such exploratory study, when seeking new insights, in-depth and semi-structured interviews are most appropriate (Saunders et al., 2007). Semi-structured interviews allow for a flexible process, allowing exploration of issues the interviewers deem important; ‘picking on things said by the interviewees’ (Bryman and Bell, 2007: 474). Kurinko’s (one of the authors of this paper) professional relationships assisted us in overcoming the main obstacle to conducting interviews – access to executives.

To gain greater understanding of *whys*, not just *whats* of CSR, we interviewed executives from the Ukrainian-based companies that already engage in CSR. We aimed to obtain diverse sample of interviewees, approaching companies from different industries, of varied size and ownership. Initially 13 interviews were arranged in Kyiv. Soon enough, we were able to expand our pool of interviewees to include representatives of other NGOs, media and academia. Those provided invaluable insight into the current state of affairs of CSR in Ukraine. In addition, those links led to a further two interviews with firms who do not promote their CSR activities and are located outside Kyiv. Also, during our visit to Ukraine, we were invited to a CSR seminar comprising company executives, policy makers and academics in Cherkasy (approximately 200 km South-East of Kyiv) that provided a unique perspective into the perceptions of CSR in Ukraine.

We conducted 19 interviews: 14 with business firms and 5 with non-commercial organisations. This sample size is deemed sufficient for qualitative research (McCracken, 1988). Sixteen interviews were conducted in Russian, then transcribed and translated into English. Filosof and Kurinko (co-authors of this paper) are bi-lingual, so we were able to confirm that the translations correctly reflect the original interviews. When possible, we also read non-financial reports published by the organisations participating in our study, and endeavoured to collect additional information (e.g. from the business press) to form a more complete picture of those companies. A summary of companies in our study can be found in Appendix I.

## **What companies say the motives are**

Our interviews uncovered a wide range of motives for engaging in CSR. All motives, whether explicitly mentioned, or implicit, were recorded for each interviewee, resulting in a firm/motives matrix (appendix II). Overall, a clear division between locally owned and subsidiaries of foreign companies was only on a one aspect. All interviewees from the international companies claimed that the decision to adopt CSR, and the overall framework for CSR activities, is dictated by the parent headquarters. This was also confirmed by the interviewee from the joint venture. However, all of those interviewees also stated that the corporate approach is open to local interpretation. Also, those interviewees ascribed motives to the parent company, which can be analysed in the framework of the 4 original clusters.

Our sample revealed a range of motives. We suggest that all motives that deliver some sort of utility, such as:

- legitimacy,
- customer loyalty,
- staff attraction and loyalty,
- reputation, profitability,
- stakeholder loyalty,
- increased profits,
- innovation,
- increasing market size,
- increased efficiency,
- risk management, and
- competitive advantage,

are grouped in an *instrumental* cluster. Initial review of the interviews suggests that all but one firm in our sample are driven by at least one of the instrumental motives. Some motives, such as reputation, were mentioned by greater number of interviewees than others, such as innovation, which was only mentioned by only one executive. Table 1 summarizes the most frequently mentioned motives.

Table 1. Widely mentioned instrumental motives

<i>Instrumental Motive</i>	<i>Firms</i>	<i>E.g.</i>
Legitimacy	A, E, H, M	‘In Davos, when companies gather, it is a good form, it is a visiting card (ticket) to the other league, and one may say major league’ (A)
Attracting customers, increasing customer loyalty; increasing the size of the market	C, H, G, I, L	‘I believe this will help us gain even greater number of customers’ (I)
Reputation	D, F, I, J, K	‘in our case it’s absolutely reputational factor’ (F)
Staff retention, development and safety	A, E, H, I, L	‘we do not have high salaries, but the atmosphere is unique’ (I);
Leading to profitability	E, H, L	‘all that is done on all aspects of social responsibility brings company profit’ (E);
Attracting investors	A, I, H	‘we need access to international capital markets’ (H)
Risk management	A, I, J	‘I think CSR enforces...risk management’ (J)
Contributing to competitive advantage	C, I, J, L	‘the reason why company is doing CSR, I think, is twofold. Main focus is on competitive advantage’ (L).

The summary above may suggest that the Ukrainian firms are driven by utilitarian motives. However, this summary presents only one facet of complex web of motives we uncovered in this small sample.

Several companies stated that they saw the success of the region, or the country, as a necessary condition for successful business development.

*'The company can develop successfully only in a sustained developed society'*  
(A)

*'If we do not pay attention to the region's development, then the situation will worsen and the business environment will worsen as well'* (J).

Some may claim that this approach is still essentially instrumental. Some interviewees illustrated this argument

*'(Our) business is utilitarian – it (CSR) is good for society, but it also is good for business'* (F).

*'So the mission of it is the same, helping people to realize their potential. What it means for the company implementation? It is contributing to the community where we live and work, in a way that also has, of course, a benefit for a company'* (G)

Following Friedman it is possible to interpret these motives as emerging from 'own self-interest' (Friedman, 1970). This view is echoed by Reich (2008), who argues that activities, aimed at improving a company's position, even if they benefit society '... are not socially virtuous. They are just good management practices...(Reich, 2008: 9).

It can be argued, however, that these firms recognise the social contract between them and the societies in which they operate (Donaldson and Dunfee, 2002), and assume responsibilities as corporate citizens (Vidaver-Cohen and Altman, 2000), which relates to the *Political* motives.

*'Some of our businesses operate in 'monotowns'<sup>1</sup>. So if we don't make those cities good places for people to live, to bring up their children, to educate the children, where they can have good quality health care, will those people stay? No they wouldn't. So we have the duty to help the community'* (H).

The power associated with doing business is recognized, as is the duty of to use this power responsibly

*'Hotels always harm the environment. We have to reduce that harm'* (I).

We believe that these two groups of motives, political and societal, are interrelated and any separation between the two is artificial. Therefore, they can be subsumed under *societal* cluster in the proposed framework.

Two interviewees (M, N) stated that the main reason for engaging in CSR was *ethical*. Both firms are local, located outside of Kiev. Although M alluded to legitimacy ('our strategic aim is to become equal among the best in international industrial arena'), in responding to the question 'what are the motives for adopting CSR?' the interviewee gave a single-word answer 'ethics'. Both companies, therefore, can be seen as driven by mainly ethical concerns.

N presents a unique case in our sample. The interviewee owns and operates a farm, including leasing parcels of land from 500 landowners. He grew up in the village and set his business there in 1995, at the age of 21. He is aware of the concept of CSR, but claims to 'do it all before I heard of it'. His understanding of CSR was 'first of all, live among people in such way that they benefit, rather than suffer from your activity'. When asked why he engages in CSR he replied 'because otherwise no one will do in this village what is

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<sup>1</sup> 'Monotown' is a Soviet concept. It relates to towns and cities whose main source of employment and social provision was a single enterprise

absolutely necessary'. When asked whether he believes there is a link between social performance and financial performance, he replied 'I never considered it. One cannot live in the village irresponsibly, and one cannot work the land irresponsibly'. Like every other interviewee, he was asked about the chain of 'reporting', which in Russian is synonymous with 'accountability'. His answer, in our view, summarizes his approach to CSR '(I'm accountable) to no-one, myself only, and also to the elders – my mother, my teachers, my neighbours, my relatives – they live in the village'. This approach, in our view, reflects the 'common goods' approach, a classical concept, rooted in Aristotelian tradition (Smith, 1999). Although there are some similarities between this approach and Stakeholder theory (Freeman, 1984), both argue to consider stakeholders beyond shareholders in business operations. Nevertheless, these two perspectives differ in their motivational underpinning. Stakeholder theory is 'a theory about what good management is' (Friedman in Agle et al., 2008:166), a theory about how to conduct business, accepting capitalist and libertarian values (ibid), i.e. a theory about contribution to *business*. Whereas the common good notion maintains that 'business has to contribute to the common good, because it is a part of society' (Garriga and Mele, 2004: 62), i.e. a theory about contribution to *society*.

### **Is utility the whole story?**

If we were to stop here, we could argue that the main motive driving Ukrainian companies to engage in CSR is *instrumental*, with some adding *societal* motivation and a small minority being driven by *ethics*. However, as we observed, although some sort of utility was given as a reason (explicitly or implicitly) for CSR by the majority of interviewees, many of the same interviewees also regarded social reasons as important. It is impossible to discern from the interviews which is the main, and which is the secondary reason. It is also misguided to take the answers out of their greater context. Ukraine, a relatively young market economy, is still emerging after 70 years of Soviet era. The socialist past is rejected and capitalism is seen as the future. As one of the speakers at the Cherkasy seminar stated: 'CSR is capitalism's mechanism to win over socialism' (S). It is possible to conceive, therefore, that the attempt to establish close ties between CSR and financial benefit derive from the need to be seen as a legitimate *capitalist* enterprise. Executives are looking for ways to participate in a discourse that is dominant today in the international business community. CSR is one of the themes in that discourse. They look for clues in the West. Six of the companies in our sample are international companies. Among the remaining eight, three admitted an interest to be recognized as international players, and in many the top managers were educated in the West. In L, for example, 60% of top management are Western citizens, and in company C, two of the executive directors are Western and CSR was introduced by a financial director, who worked abroad. CSR discourse in the West is deeply embedded in the capitalist mentality (Freeman and Liedtka, 1991). CSR strategy must be linked with the business strategy, as advocated by the strategy 'gurus' (e.g. Porter and Kramer, 2006). A Ukrainian executive understands CSR as

*'the means for the company to contribute to the community, where we live and work, in a way that also has, of course, a benefit for the company. What is said at any CSR conference? If you're not doing this, if it has no way to contribute to your business, it's not CSR, it's philanthropy' (G).*

It is also plausible that the interviewees demonstrated a ‘Hawthorne Effect’ in relation to our research. Since the research was conducted by a British university, the interviewees might have given us the answers they thought the Anglo-Saxon researcher might expect.

Therefore, another way to understand the overwhelmingly instrumental approach to CSR is as executives’ rationalization of their socially-directed activities.

In addition, as mentioned in our introduction, in order to understand motives for undertaking CSR activities, it is important to identify those activities. The next section will describe, in some detail, the CSR practices of the firms in our sample and will attempt to make sense of the stated motives in light of those practices.

### **What companies do**

Separating CSR practice from CSR activity is impossible. ‘CSR is concerned with treating stakeholders of the firm ethically or in a responsible manner’ (Hopkins, 2004: 1). This definition represents the notion that the essence of CSR is practice. So, in order to gain deeper understanding of firms’ CSR engagement we asked about their CSR activities. Yet, ‘even managers who seek to do good for society, ..., are challenged to find practical advice in the extensive literature that broadly discusses socially responsible management behaviour’ (Globerman, 2011: 527). Therefore, we did not offer our interpretation of ‘CSR activities’, but allowed executives provide their narrative of CSR engagement.

The result was a vast array of activities, from private-civil partnerships to monetary contribution to orphanages. It is difficult to discern any activity that is dominant in the majority of companies. What was obvious is that each firm interprets and engages in CSR in different way. However we saw several trends emerging.

#### *Charity*

Although all interviewees that mentioned charity maintained that it was ‘others’ that saw charity as CSR, and they maintained that charity is only a small part of CSR, many mentioned charitable contributions among their CSR activities. When C was asked about views of CSR in Ukraine she stated:

*‘I think today CSR understood as charity only. However, charity plays a minimal part. I often say that to be fond of charity is like an illness. Our company did a lot for the veterans on May, 9 (Victory day in the former USSR) - a lot was done and many presents were given ... However, (currently) there is a project of social memory and, as a matter of fact, this is the work with the youth, popularization of the people who made history. But to promote this point excessively is not right also. Generally, promoting charity is not right, with the exception, probably, when this is **reaching a higher level**. Well, for example, money from the Green Office (payments received from paper recycling), are supplemented with the owner’s funds, and this money is given for the renovation of the rooms in orphanages. So, **this is the case of innovation**.’ (our emphasis).*

This quote demonstrates somewhat ambivalent attitudes of the Ukrainian executives to charity. On the one hand, they are proud to contribute to society; on the other hand, they do not want to be seen as engaging in charity. Charity is perceived as a throwback to the

communist past, while CSR belongs in the capitalist present. This supports our view that representing an activity as CSR legitimizes that activity, justifying the firms' involvement in socially-directed projects.

#### *CSR as part of the business activity*

Many of the companies mentioned activities that are directly linked to their operations. Firm D, for example, is a telecommunication operator. As part of their responsibility they develop and promote on-line safety for children in partnership with the Ministry of Education and one of the Higher Education Institutions (HEI) in Ukraine. They

*'want to make our products and services to improve people's lives and make contribution to the development of society, it's the development of those solutions which really help people and people require them. For example, there is an audience of our clients, deaf people, they use SMS, they use Internet, but the real problem for them is how to call an ambulance, for example, in a situation when there are no people nearby who can help. We have made them a proposal and solved their problem - it's calling an ambulance via Internet. We have cooperated with ambulance service. We created a pilot project on the basis of the Kyiv ambulance service. We have them to place specific equipment, (computer), offered them a solution to receive and process information and to provide them with an additional channel for receiving requests via SMS. We have done this in Kyiv. The human health service appreciates this introduction. And now, this service operates in 10 regions of Ukraine. This year we plan to expand to all regions of Ukraine'.*

Another example is the contribution to teaching and training in areas related to their business. B's employees deliver lectures in finance in the HEI in Kyiv and the regions. L delivers classes in financial literacy to children aged 6-14 in the regions in which they operate. M sponsors a local vocational training facility and provides paid internships to their students. E presents another interesting case. It is an international vertically integrated steel and mining company. In 2009 it introduced a new policy for labour and industrial safety. 79,000 staff had to be trained in the new approach and processes. It is customary in the metallurgical industry to outsource this type of training to an external contractor.

*'We went another way. We began to train our own trainers of enterprises who, in turn, train the supervisors. We started to employ pensioners of metallurgical enterprises – 55-year-olds, full of strength, health and willingness to work, plus with the experience and respect of the collective they used to be part of. On the one hand, we give them a chance to earn, feel needed, and, on the other hand, their knowledge is left in the company'.*

Linking CSR activities with the operations of business seems to be the preferred mode of CSR engagement in Ukrainian-based companies. This seems to support the view that successful CSR strategy follows from the business strategy (Porter and Kramer, 2002).

#### *The (lack of) CSR – profitability link*

Profitability and competitive advantage were mentioned by several interviewees as reasons to engage in CSR. However, often the actions could not be seen as bearing any utility for the firm, and at times would even have negative impact on the 'bottom line'.

It is not surprising that M, who claims to engage in CSR from ethical motives, provides free medical treatment for its employees, maintains the local culture and sports centre and sustains the local orphanage and other social activities. N's ethical motives also support his contribution to the maintenance of the local cemetery, presents to the school teachers, clearing of the local pond and paying for the purchase of medical supplies and refurbishment of the local clinic.

Apparently altruistic behaviour of another firm, who claims to engage in CSR for instrumental reasons, is less comprehensible. Firm D, for example, whose stated motives for engaging in CSR were reputation and innovation, refused to carry such 'irresponsible' content as 'SMS Quiz' or adult content.

*'This is done by telecommunications companies. It is clear that the developer of such programs comes to us. At that time we had the most extensive customer base, we were offered these projects, profitable projects, and the profit of telecommunication company using such a project is several million dollars. In fact this is the way of making money, and this is a test of social responsibility to the management of the company depending on what decision they make in this case. Our management has decided that we would not participate in such projects, we would not support them. And this is actually the money which we would voluntarily refuse. This is a business decision. Another solution, which takes up about 30% of content services in Ukraine - is the sale of adult content. Absolutely legitimate content.*

*These are the things we do not do principally, because it is our responsibility and the decision of management'.*

This refusal is not widely publicized by the company, so it cannot be attributed to their PR activity.

Firm K, who said they saw profitability as one of the main motives, participates in the programme of social adaptation of orphans before they leave orphanages,

*'(those) children do not have any communication skills, are not able to deal with their own problems as well as problems connected with everyday life, authorities, employment and so on. They have got used to being provided with everything. They need to develop social skills.*

*Since 2007 our company has been the general partner of the project titled «First steps to success»'.*

These programmes do not contribute to profitability and are not mentioned in any of the PR materials.

There seems to be a disparity between what is seen as CSR motive and the actual activities. The companies may be saying what they think is expected of them, which is that CSR has to contribute to the 'bottom line', but many of the activities are not supporting that claim.

### *National pride*

Pride usually features in CSR discussions in relations to employee satisfaction and retention (e.g. Wilken, 2009; Doh et al., 2011; Helm, 2011). National pride either as a motive, an action or a consequence of CSR does not feature in CSR orthodoxy. The issue of Ukrainian national pride was discussed in the 'Ukrainian context' section. What raised our curiosity was coming across it in the context of CSR. It was not a prevalent motive in the interviews; nevertheless, two executives mentioned it specifically. When asked about the origin of their CSR D told us:

*'D is a company with history. We have been operating since 1997 and were initially managed by our president IL. He was driven by desire, ambition, and the fact that it was a Ukrainian company, created by a Ukrainian, and it was an example of business success. We started like all other companies, with some charitable activities; it was the basis, but our vision of development, yearning to be the best company in the country, to be a business which could be the pride of Ukraine'.*

We have not included this in the company's motives for CSR, as we saw this as the motive for the business in general. It can be also argued that this statement supports their striving for reputation, as one of the motives.

If the previous example could be explained by the link between pride and firm's reputation, leading to a benefit to the firm, the next case offers no immediate link between the firm's utility and actions by the firm. 'I' is a Ukrainian operator of the international hospitality brand. Their overall CSR strategy is set by the parent company. 'I' has the authority to decide how to implement this strategy. This is managed by their PR and marketing manager, who is also responsible for their advertising. This manager told us a story of launching an advertising campaign in Europe:

*'In Europe you will show a half-nude woman and it can be seen as normal, because there the public is more ready for this. In Ukraine this situation is a bit more severe, because, unfortunately, the Ukrainian women are perceived [in the West] as a finished stock for export abroad. Therefore, when it comes to the image of Ukrainian women, we try to keep up to standard; we do not tolerate any hint of impropriety. Actually, for Ukraine it is very important. Once we launched an advertising campaign in Europe, and the photograph was regular, the image was regular, but the text was had inappropriate connotations. Therefore, our general manager and I wrote a letter that we, unfortunately, cannot launch this advertising campaign because it can offend the Ukrainian women'.*

In this case there is no obvious link between the declared motives for CSR as the actions of the firm. We can suggest that this behaviour may contribute to legitimacy of 'I' in the Ukrainian society.

#### *This too is CSR?*

Although 'legal' is one of the aspects of the CSR pyramid (Carroll, 1991), it is widely agreed that

1. Theories of business ethics (and theories of corporate social responsibility, corporate citizenship, sustainable development, and so on) are largely concerned with justifying obligations that go *above and beyond* what is required by law (that is, with justifying 'beyond-compliance obligations').
  2. An ethical business or businessperson (or socially responsible firm, or a good corporate citizen, etc.) must also obey all relevant laws and regulations.'
- (Norman, 2011: 43-44)

EC (2011: 3) state : 'Corporate social responsibility concerns actions by companies **over and above their legal obligations** towards society and the environment' (our emphasis). Therefore, we were surprised to hear many of the companies (9) mention activities, which would not be mentioned in a CSR context by the Western firms. Two main issues that drew our attention were the payment of 'white' salaries, payment of taxes and compliance with law. This should not be surprising, however, as Ukraine was ranked in 181th out of 183 in 'ease of

paying taxes' (IFC, 2012) with total tax rate of 57.1% (compared to 40.4% and 42.7% in Eastern Europe & Central Asia and OECD countries respectively). It is suggested that by mentioning paying all taxes and compliance with law as CSR activity, the interviewees tell more about the situation in Ukraine than about their companies, which Berenson (2010) suggests is of mistrust in the state.

### **Non-commercial's perspectives**

Interviewees from non-commercial institutions suggested a range of reasons for firms' engagement with CSR. The NGO representatives and the CSR consultant (whose role is to promote CSR engagement among Ukrainian companies) state that they have to present a very strong 'business case' in order to explain why a firm should engage in CSR. This view was echoed at the seminar in Cherkasy. Participants asked 'why do we need CSR?' The speakers (local politicians and an NGO representative) and the facilitators (CSR consultants) concentrated on such benefits as attracting international investment, attracting and retaining high quality personnel, improving reputation/company image. Kurinko's (2011) practical book has a chapter dedicated to 'economic reasoning for CSR' in 'What is CSR' Part 1. This suggests that contribution to the bottom line is seen as the main reason for adopting CSR in Ukraine.

The journalist and the academics, however, were less unequivocal. According to R, the current status of CSR in Ukraine is characterised by individualism-collectivism dichotomy, or, as we expressed in the title, utilitarianism-common good. R suggests that in Ukraine CSR-adopting firms can be broadly divided into 2 segments:

1. Those firms that continue from the socialist era, adopting obligations originated in the Soviet times
2. 'New' enterprises, where CSR was introduced by the West.

He gave an example of two firms operating in the same sector, both former Soviet enterprises, privatized in the 2000s. The first is AM. It was mentioned by many of our interviewees, including Q, as an embodiment of exemplary CSR practitioner. An international conglomerate, it purchased a privatized KRS in 2005. While the others commented on the high standard of CSR activities, and it features in the top 5 in the 2012 rating of socially responsible companies by 'Gvardia', R claims that the picture of CSR excellence is exactly that, a 'picture'. According to R

*'since AM purchased KRS it has a very specific view of which social aspects are kept [from the Soviet past] and which are dropped. Those that provide no benefits to the company were dropped. Those that were adopted are being developed and are heavily promoted'.*

AM failed to fulfil its obligations to invest in technical and environmental improvements to the installation, as well as in social improvements, which were part of the KRS purchase agreement, and fought for several years to annul the obligations clause. Only in 2011 AM 'voluntarily' agreed to fulfil their obligations.<sup>2</sup>

On the other hand Q gave an example of MMC. MMC carried on with the Soviet-time obligations – maintaining social housing, health clinics, summer camps for local children, etc. They do not publish CSR reports. In fact, R claims they do not call it CSR.

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<sup>2</sup> References are not given to protect anonymity. Reference available upon request.

We tried to arrange interviews with both AR and MMC. MMC informed us that they could not talk about CSR, as they had been recently purchased by a larger conglomerate (one of our interviewees) and all interviews are given by ‘the centre’. We were similarly stonewalled by AR. After several approaches, Corporate Communications Director agreed to a telephone interview: *‘In order to get clearance from my top management, please send me the list of questions you want to discuss. Also, I would appreciate more detailed information about your research and your expectations from the interview’*. After we complied with their request, we have not heard from them. In both cases we probably can learn as much from silence as we could have from an interview.

Q, the journalist, seemed to share R’s cynicism about the ‘real CSR of Ukrainian companies’. She did not support the ‘Soviet-new’ dichotomy, but offered her understanding of the influences on CSR engagement in Ukraine:

- IPO. Companies engage in CSR because they face IPO in the West;
- Transnational. This influence encompasses 2 groups of firms:
  - International subsidiaries following CSR strategy of a parent firm; or,
  - Ukrainian firms who follow the practices of the West;
- Personal values of the owners. The value spectrum ranges from utilitarian to altruistic.

It is perhaps not surprising that those who are interested in the companies’ adopting CSR put forward a possible positive contribution to the ‘bottom line’ as the main reason for doing so. Those who have no immediate stake in implementation of CSR, and whose views are underpinned by systematic research and analysis of CSR data, present a more diverse depiction of the Ukrainian CSR.

### **So what motivates the Ukrainian-based firms to engage in CSR?**

Our research provides an insight into the motives and actions of Ukrainian-based companies that had been lacking before. Based on Garriga and Melé’s (2004) typology, we proposed to categorize the motives of the Ukrainian-based companies into 3 categories: *instrumental*, *societal* and *ethical*. Our findings suggest that Ukrainian-based companies’ CSR engagement is driven by a varied mix of the three motives. Most of the companies in our sample (13 out of 14) stated and enacted more than one motive. And although it seems that instrumental motives are more prevalent than societal or ethical, we demonstrated that it is possible that claiming the instrumental motives seems to fit the interviewees’ expectation of the modern capitalist firm. ‘Ethical’ was emerging as the main motive, stated and enacted, for two companies in our sample.

We also found that foreign-owned companies’ CSR strategies were driven by the parent company. When probed further, it emerged that the motives of the foreign-owned companies were not dissimilar to those of Ukrainian-owned entities.

Large Ukrainian companies, who seek international markets and international investment stated or demonstrated that they were seeking legitimacy in the West. Ukrainian companies whose customer base is mainly Ukrainian were not motivated by seeking legitimacy in the West.

So, it is time to address to address the question posed in the title. The rapid changes in the economic and social contexts of the newly independent state leave the firms with the search for a way to engage with their communities. They seem to be caught between the wish to shed their communist past and the need to participate in the social dialogue in a meaningful way. They also strive to become accepted as legitimate capitalist enterprises by the stakeholders in their country and in the West. CSR, a Western concept, seems to provide a way to meet this challenge. Most of them, therefore, are not driven by the 'common good', but have utilitarian motives. But the actions of these firms indicate that their approach is not cynical, with many following the Soviet trajectory of social engagement. We suggest that answer to the question is that CSR in Ukraine is neither cynical utilitarianism nor Aristotelian 'common good', but a mix of utilitarian, societal and ethical motives.

It is clear that the unique nature of this country and the approach taken by Ukrainian-based firms towards CSR warrant future research. Following from our work we suggest several possible lines for future research. Firstly, a research into specific sector, for example firms whose customer base is mainly in the West, or firms of a certain size. Another avenue for future research would look into country specific aspects influencing CSR, such as national pride, for example. And lastly, we suggest that a further research tracing changes in approaches to CSR in the large firms, from the Soviet roots through privatization to current ownership would shed more light into this unique national setting.

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