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Socially Responsible Activity of Global Corporations to Support Human Development in Ukraine

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Abstract

Socially responsible business activity is becoming increasingly important in today's society as a vital driver in maintaining human development globally. Thereby, the research problem lays upon the potential of providing flexible support to overcome human development challenges in order to improve the quality of life within national economies. The paper aims to indicate socially responsible activity of global corporations to support human development in Ukraine and the possibility of using companies' capacity to provide social investments for sustainable human development needs.

The practical issue concerns the potential of providing flexible support to overcome human development challenges in Ukraine, improving social investments activity of US and European corporations. The research is conducted through a review of scientific articles and corporations' reports from the last ten years, evaluating the trends of social investments, including deeper understanding of the priorities of human development financial support. The findings section presents analytical research to determine social investments in Ukraine, considering European and US corporations' funds and their potential to strengthen human development.

Keywords: human development, human capital, socially responsible business, social investment, added value

JEL Classification Codes: M14, I00

Introduction

Human development is considered as one of the most important components to define well-being and competitiveness within modern society. Generally, implementation of human development priorities and principles plays a vital role in social and economic development both at the national and global levels, considering education, health, culture, and infrastructure, which improve the quality of life. For instance, human development indicators play a critical role in the maintenance of two countries with the same level of GNI per capita competitiveness in accordance with the level of human development outcomes.

The concept of human development is central both to measuring theoretical research and some applied studies, conducted by international organisations. In particular, the United Nations agencies' experts have defined the Human Development Index (HDI), created to emphasise that people and their capabilities should be the ultimate criteria for assessing the development of a country, not economic growth alone.

At the same time, sustainable human development faces a measure of financial challenges. Despite the government policy that supports human development priorities and international organisation resources, there is still a need to attract social investments from private entities. In particular, the issue of social responsibility has received considerable critical attention among the corporate managers who act globally. Socially responsible companies act in the way to stay conscious of the kind of impact they are having on all aspects of society, including economic, social, and environmental. Thereby, socially responsible companies are among the most active participants within the social investment market to support human development priorities.

The aim of this article is to indicate socially responsible activity of global corporations to support human development in Ukraine and the possibility of using companies' capacity to provide social investments for sustainable human development needs. The implementation of such an objective requires the presentation of some examples of socially responsible activity of foreign corporations that conduct their activity in Ukraine. This will allow for the identification of the achievements of practice as well as the recognition of key gaps in the available knowledge on social investments to support human development. The research consists of the following stages: estimation of social investments as a source for value added in Ukraine; review of social investments of US corporations; description of European socially oriented business activity and their influence on human development in Ukraine; conclusions on socially responsible business potential and its use for sustainable human development.

Social investments as a source for value added in Ukraine

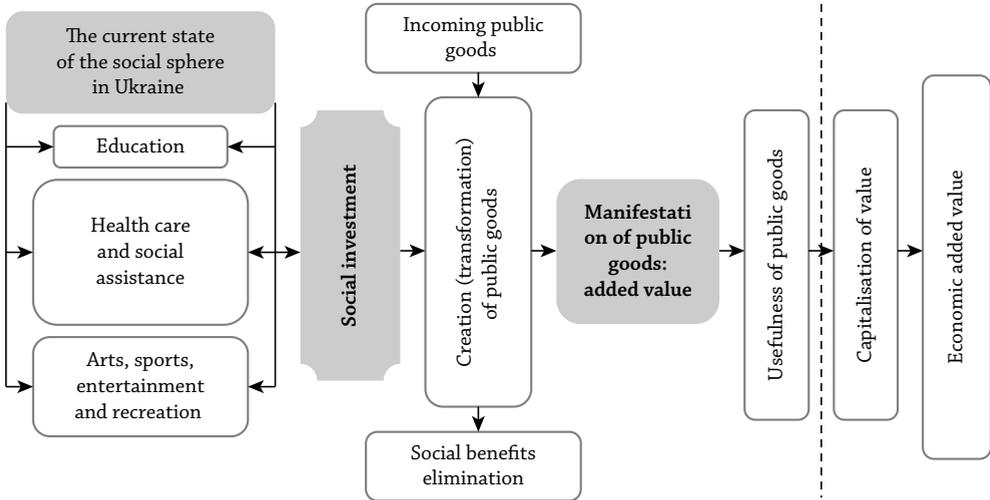
In Ukraine, the value-added indicator is calculated by experts of the State Statistics Service on the cost of production of enterprises. The Oxford Dictionary gives an interpretation of value added as the amount by which the value of a product increases at each stage of its production. At the business entity level, value added is defined as the difference between the cost of production and the means of production (Gurnyak et al., 2015; York & Lenox, M., 2014; Żelazny & Pietrucha, 2017).

Thus, the evidence suggests that the usefulness of value added is determined by the generated consumer good. However, the research of foreign experts is based on the point of view that it is possible to determine the good value not only in a monetary form. To date, there are effects coming from the activation of social, cultural, and intellectual capital, which create important human benefits as a result of economic activity and form a basis for obtaining utility in an intangible equivalent (Woolcock, 1998; Annie, 2014; Berger, 2010; Dyba & Gernego, 2018). Thereby, the reserve for the formation of value added in Ukraine is the social sphere, in particular, education, healthcare and social assistance, arts, entertainment and recreation (Figure 1).

The impetus for the creation of intangible public goods in the social sphere are social investments, which allow a state to develop the existing potential of domestic society, ensure the manifestation of public goods and the formation of utility. The question arises as to the appropriateness of social investment. However, given the development trends of the Ukrainian economy, the economic manifestation of added value becomes extremely important. Nevertheless, given the theoretical justifications of social investments presented in the previous sections, the social effect in the short

run is able to provide an economic effect in the long run. Therefore, in the context of our study, it is substantiated how the growth of investment in the social sphere forms the basis for increasing national income.

Figure 1. The process of creating added value in the social sphere in Ukraine



Source: own work based on Woolcock (1998), Annie (2014), Berger (2010), Dyba & Gernego (2018).

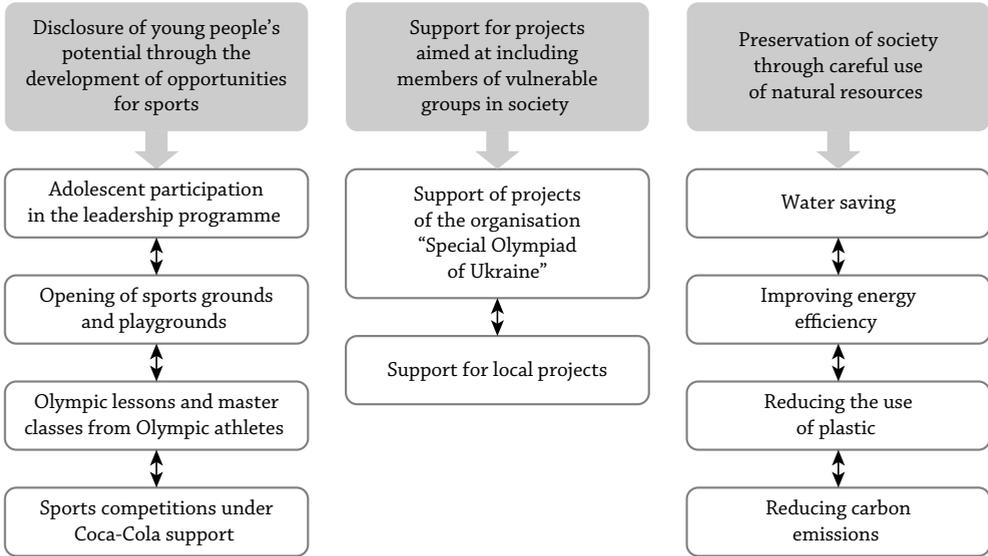
Review of social investments of US corporations

Nowadays, the trends of human development and value added in the social sphere are closely correlated with companies that are interested in finding investments that meet both financial and social goals. Social investments of corporations are becoming a tool for human development within modern society. Social investments help companies grow and increase the resilience of companies by increasing their social impact (Wilson et al., 2015). Opportunities for sustainable development in Ukraine are limited due to some financial challenges. However, these restrictions are partially offset by the efforts of international corporations operating within the national market. In particular, among American socially responsible corporations, the Coca-Cola Foundation and the Monsanto Foundation pay attention to human development issues.

The Coca-Cola Foundation was established in 1984 as a charitable division of Coca-Cola to redirect more than 1% of the company's operating profits to charity (The Coca-Cola Foundation, 2018). During 2006–2019, the company provided about 20 grants for human development purpose in the amount of more than 1.5 million

USD in Ukraine. The company’s investments in the human development of Ukraine are distributed according to certain directions (Figure 2).

Figure 2. Priorities of the Coca-Cola Foundation activity in Ukraine



Source: own work based on Coca-Cola (2017).

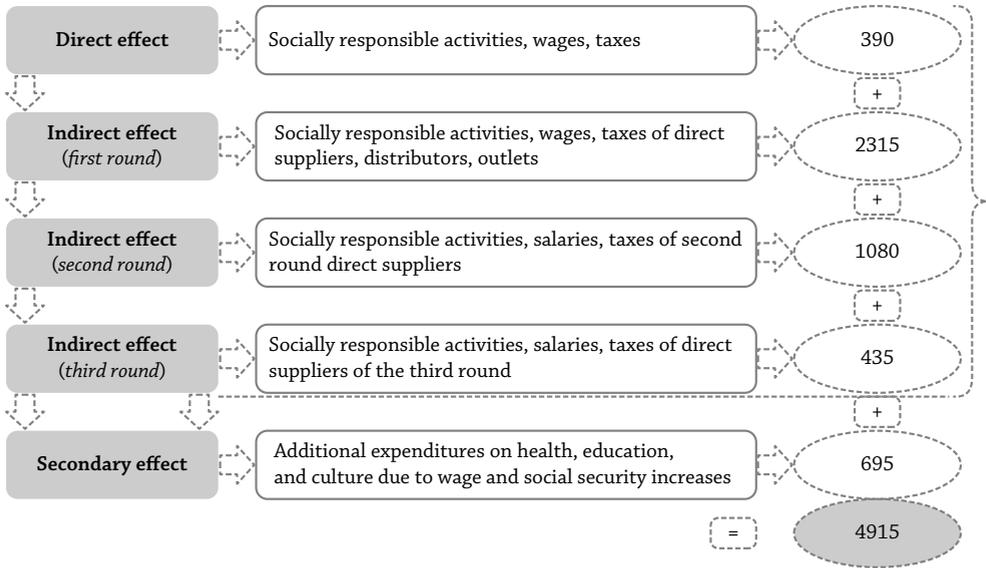
Simultaneously with the implementation of social investments in accordance with certain areas, the socio-economic cumulative (synergetic) effect is inherent in the core business of Coca-Cola, which is manifested in the increase of value added. Coca-Cola analysts emphasise the purely economic value-added effect. However, detailing the components of value added proves the existence of the socio-economic nature of the company’s value added.

The primary effect is the direct effect which is manifested in the remuneration of workers, contributions to social funds and tax revenues to the budget. This creates a powerful economic effect. However, workers’ salaries are aimed at supporting health, education, cultural and artistic development, which are the basis of human development. Tax deductions to the budget are a resource to support socially vulnerable groups (Coca-Cola, 2017).

The indirect effect involves the spread of the socio-economic effect to Coca-Cola’s direct partners (suppliers, distributors, retailers) and their partners, who, in addition to social benefits, may also be prone to socially oriented activities. The indirect effect is the formation of additional effective demand due to wage growth, which, in turn,

has a positive effect on health and education. In value terms, the sum of all these effects can provide a positive result at the level of the national economy (Figure 3).

Figure 3. Levels of impact on society of Coca-Cola investments, m UAH



Source: own work on the basis of Coca-Cola data (2017).

Thereby, the Coca-Cola company contributes to the sustainable human development in Ukraine, both through the relevant fund and as a result of direct production and commercial activities.

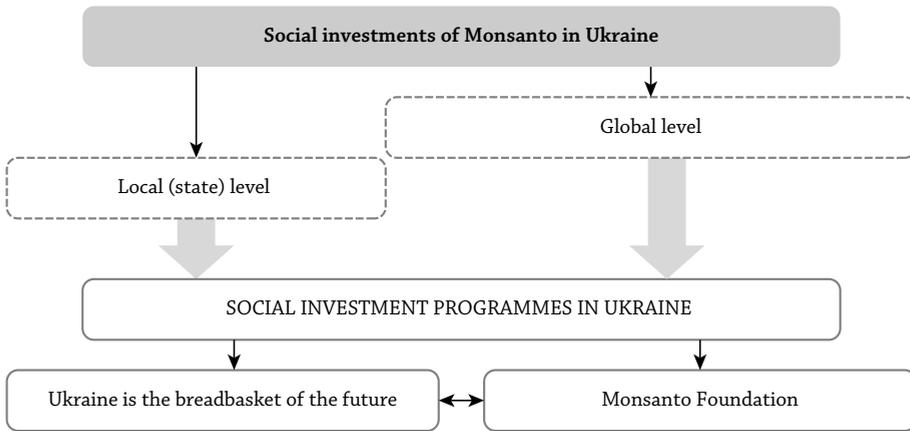
The potential for implementing social responsibility priorities is also manifested at two levels through social investment programmes in Ukraine implemented by the Monsanto company (Figure 4).

The Monsanto Foundation works to strengthen farming communities and rural infrastructure around the world. In Ukraine, the Foundation aims to improve agricultural education: supporting libraries, schools, and research centres; support for rural communities. The duration of the social project must be at least 12 months. The minimum project budget is \$ 25,000. Applicants must prove their financial capacity in the process of a recent external audit conducted in accordance with international standards.

Social investments within the direction of *Ukraine is the breadbasket of the future* provided support for 14 social projects in 11 regions. The winners of the programme were projects to create a playground for children with special needs, digitilisation of schools, support for a photography competition and social entrepreneurship in the

villages. Monsanto has supported projects related to energy efficiency, rural social entrepreneurship, education, and the replacement of medical equipment. The result of investment activities in the framework of the *Ukraine is the breadbasket of the future* programme are social projects that will help balance the human development of the national economy. Implemented social projects contribute to the intensification of solving local problems related to human development and the well-being of rural communities. This affects life and forms the potential for the development of inclusion trends, which is the basis of balanced human development in Ukraine.

Figure 4. Social investments of Monsanto in Ukraine

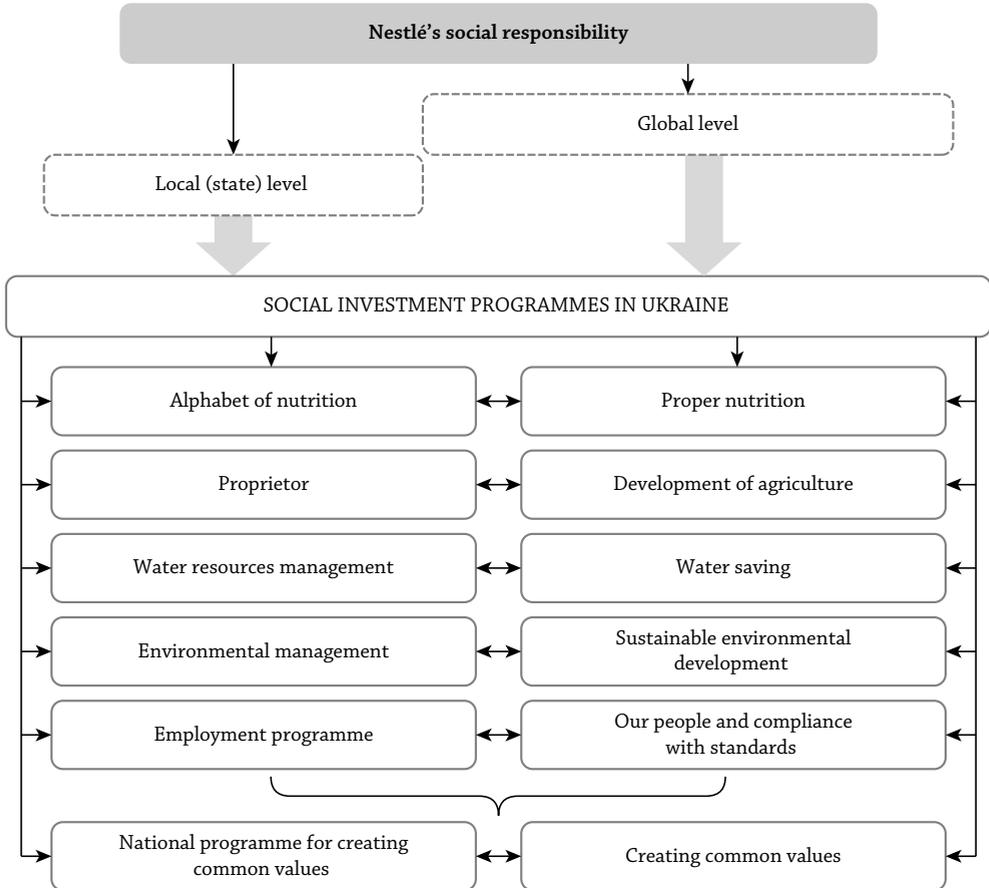


Source: Petrashko & Martyniuk (2019).

European social-oriented business and its influence on human development in Ukraine

Funds of socially oriented European corporations are also rather active in Ukraine. Thus, social investment programmes aimed at supporting human development goals are implemented at the level of German corporations, including private enterprises. In particular, such funds are owned by the following corporations: Volkswagen Stiftung, Robert Bosch Stiftung, Landesstiftung Baden-Wurttemberg, Bertelsmann Stiftung, Fritz Thyssen Stiftung, BI Fonds and others. The Swiss multinational corporation, Nestlé, which promotes a number of ideas related to the culture of healthy food consumption (health consciousness) and raising the level of education of the population, takes an active part in spreading the ideas of the need to finance balanced human development in Ukraine. The company's initiatives are primarily aimed at solving a number of key global social and economic problems (Figure 5).

Figure 5. Social investment of Nestle in Ukraine



Source: own work on the basis of Nestlé (2017), Gernego (2018).

The company has been implementing the *Creating Shared Value* programme for a long timeframe since 2009. The main goals of the programme are to promote healthy eating, conserve water resources and develop agriculture, raise public awareness of these initiatives. The goals are specified in the main purpose, which is to tackle the problems caused by the economic downturn and are accompanied by the destruction of values. In particular, it provides for the implementation of a broad educational programme aimed at promoting the principles of healthy eating and healthy lifestyles (health consciousness) among school-age children from around the world, opening a research centre in Africa and establishing a special Nestlé Award, which serves as an award for an innovative approach to solving problems in the field of proper nutrition, water conservation and agricultural development (Nestlé, 2017).

The shared value of the programme is an integral part of Nestlé's business strategy for proper nutrition and healthy living. After all, the key to the long-term development of Nestlé's business is to support common values aimed at improving food quality, conserving water resources and eco-friendly food production as a result of specific social projects. As part of the Alphabet of Nutrition programme, about 330,000 children were informed about nutrition. In the long run, the Master programme is aimed at reducing the volume of imported raw materials and packaging materials for Nestlé's production facilities in Ukraine. Currently, 30% of raw materials for production are imported at the company's enterprises in Ukraine. Instead, 70% of raw materials and packaging materials are domestic. Accordingly, this means the creation of new jobs, the development of technology on the way to the implementation of the national strategy of sustainable human development. The company's programmes on internships and youth employment have a direct social effect. In particular, in 2016, 1,369 people were employed in Ukraine, 480 students took part in internships. The successful implementation of the above-mentioned measures by the company allows it to create a close connection between the values of shareholders and public values.

Conclusion

Thus, international corporations have the potential to stimulate human development in Ukraine in the future. Nowadays, the national economy needs social investments to achieve the goals of human development and reproduction of human potential, considering value added creation in the social sphere.

The primary set of analyses provides the evidence on significant benefits for national economy competitiveness, caused by value added in the social sphere. Social investments affect people by providing resources to increase the access to achieving enhancement of human capital. Thus, social investments are considered as a source for value added to support human development in Ukraine. The current research provides insights into the models of American and European corporations' social investment activity to accept a major challenge for human development. Thus, this shows the potential to support human development in Ukraine.

The attention is paid to socially responsible activity of global corporations in Ukraine that should result in sets of a good practices overview, which are likely to be diverse due to the diverse problems faced within the area of human development in Ukraine. The theoretical and practical challenge is to develop and operationalise the concept of socially responsible business activity and its adaptation to the needs of the Ukrainian economy.

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