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## INNOVATIVE MANAGEMENT IN GLOBAL FINANCIAL CSR GOVERNANCE

*The article analyzes the innovative trends of development and integration of corporate social responsibility management in the companies activities on the scale of global financial management based on the study of economic, political and social trends of development of society in the field of state building, entrepreneurial activity and financial strategy. The characteristics that help to generalize the concept of global financial management in corporate social responsibility are defined. The specifics of the understanding of the global financial management of corporate social responsibility, which has a decisive influence on its current understanding, is defined. The key relationships between corporate, regional and global corporate social responsibility management and their innovative impact on the financial system on a global scale are analyzed. The authors proved that the firms implement corporate social responsibility activities and participate in global financial corporate social responsibility governance based on a variety of motivations. Studies on the corporate social responsibility related to the toric and behaviours of firms show that they are greatly influenced by socially held expectations and social and cultural contexts surrounding corporations. The fact that the majority of firms in the sample have accepted their corporate identities as social beings mean that global-level corporate social responsibility norm development has progressed over time. The results of the study presented in the article suggest the opening of new horizons and directions for the scientific analysis of the content of corporate social responsibility in order to combine science and practice, as well as create conditions for its integration into the activities of business entities.*

Keywords: corporate social responsibility, Global Financial CSR governance, models of CSR.

**Introduction.** Globalization and the expansion of corporate financial influence have significantly encouraged the direct involvement of firms in official rulemaking processes. Additionally, the world has become more densely interconnected and intertwined in finance sphere through the globalization process, which has (1) precipitated intensified political interdependence among nations, (2) expanded the migration of people across borders, and (3) increased social and cultural intermingling among different territories, sectors, and industries (Meyer, 2000, p. 23). Indeed, the negative aspects of globalization are also

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becoming apparent (e.g., increasing inequality, social marginalization, environmental destruction, and human rights abuses) and various companies, including public companies (e.g., national governments and international governmental organizations (IGOs)), private firms, and multi-stakeholder entities have been seeking solutions for these problems. Such changes and challenges, in the global economy, have invoked questions about traditional state-centric systems and the mechanism of global governance (which is a term developed to provide an analytical framework for understanding globalization-based changes in rulemaking processes and organizational dynamics) (Cutler, 1999).

Globalization has also supported the proliferation of multinational corporations (MNCs), which have been significantly affecting various global social agenda (Vogel, 2009, p.8-9) and controlling a vast amount of resources (e.g., "financial capital, technology, employment, and natural resources") due to the growth of privatization and deregulation processes worldwide (Culture, 1975, p. 7-9). Oftentimes, individual national governments can no longer control or monitor the operations of MNCs effectively because many MNCs have become so large and influential—even more so than a number of nation-states (Utting, 2005, p.8). A number of MNCs have even been participating in global rulemaking processes that are associated with social agenda and CSR.

Corporations have been described as self-interested entities that are removed from the public domain and directed only at profit maximization (Freeman et al., 1983, p.89). This rationalist perspective can only partially explain growing corporate involvement in global CSR movements and global rulemaking processes that are associated with financial and environmental agenda (Hrishnova, 2010). In fact, there is insufficient evidence to date of a positive relationship between CSR activities and the long-term financial benefits of MNCs (as many business scholars insist) and clear incentives (or disincentives) for corporate participation in global CSR organizations (as group theory scholars suggest).

**Literature review and the problem statement.** The modern concept of corporate social responsibility absorbed the previous theoretical results and had formed as a justification for corporate responsibility to society. In foreign research of CSR, the strategic point can be considered in Howard Bowen's book "Social Responsibilities of the Businessman", which reflected the determination of the meaning of the concept of CSR thru financial aspect Cutler. 1999, p.86). Subsequent were studies of CSR presented by K. Devis, J. McGuire, S. Network, where they specified the concept and content of social responsibility (Vogel, 2009, p.316). Following the publication of the study by R. Freedman in 1984, the theory of CSR and stakeholders began used widely to analyze and explain the relationship between the companies and society; their economical aspect. A similar definition of stakeholders can be found in future studies of A. Csrroll (Culture, 1975, p.510). Through this research, CSR becomes the special and inevitable trend of management on a global scale.

Research problems of financial CSR governance in Ukrainian scientific literature had been providing by N. Voloskovets (2010), O. Hrishnova (2010), T. Ignatenko (2010) and others. Integration of social responsibility into authorities had been analyzed by O. Melnychenko and V. Loza (Korchevna et al, 2009, p.20). L.Korshevna, V. Novikov and O. Nykytuk in their article "On the quality of power within the concept "sustainable development" and "social responsibility" had researched the ideology of authority in different spheres of human activity and the government role in managing of active development of society (Melnychenko A.2013). I. Savchenko had revealed the contents of the multifunctional role of social responsibility as a tool for solving social problems in the society (Novykov. 2009, p.7). But still remain the unresolved problems of influence the prerequisites of development of social responsibility at modern society.

**The purpose and research problems.** Purpose of the article is to analyze the influence of firms, within the global political economy, is precipitating changes in their social roles and identities. However, while it is important to understand the economic and political interests of these firms, this article research assumes that corporate behaviours are not determined and organized in a social vacuum. In fact, world

polity theory and constructivism recognize the crucial role of institutions and cultural norms on organizational behaviours and can potentially yield alternative insights and “substantive interpretations of those processes and factors” that are downplayed by other dominant theories.

In order to empirically and theoretically examine the phenomenon of global financial CSR governance (and the corporate motivations for participating in the governance), the following article explains the theoretical background, examines relevant theories, and contains literature reviews.

**Research results.** The term global financial governance helps to better clarify the growing involvement of firms in global rulemaking, replacing the concept of International Relations (IR) (Overbeek, 2004.). Simply defined, global governance is “governance in the age of globalization” (Doh & Guay, 2004). The growing popularity of the term reflects the decreasing capacities of national governments to solve global social and financial problems (e.g., environmental destruction, global poverty, and rampant development).

According to a widely cited definition, global governance is “the sum of myriad control mechanisms, driven by different histories, goals, structures, and processes”; furthermore, it is brought about by “a remarkable expansion of collective power” that is more extensive in scope and larger in size than a conventional state-centric mechanism.

Several characteristics help to summarize the concept of global financial governance:

- 1) there is no single global authority (e.g., a world government) exclusively controlling the global public in finance sphere;
- 2) there are multilayered conflicts of interest among firms (and thus a consensus among them is more difficult to attain (vs. in prior eras));
- 3) as the scope of global social problems become broader and more complex, the methods to deal with a myriad of issues (associated with national laws, governmental policies, international laws, transnational rules and standards, and multilevel and multi-stakeholder endeavours correlated with rulemaking) are diverse.

Global financial movements associated with CSR inform the concept of global governance and are often correlated with other similar terms such as Business Ethics, Corporate Citizenship, Corporate Social Responsiveness, Corporate Social Performance, Corporate Accountability, and Corporate Sustainability. While there are subtle differences in meaning, they are, in practice, used interchangeably. Among them, CSR is the most commonly used term and generally refers to corporate engagement in social, financial and environmental matters (Doh, Jonathan P., and Terrence R. Guay. 2004, p.11).

CSR is broadly defined as the notion that firms should take their legal, economic, environmental, and social responsibilities beyond the pursuit of profits; however, there have been arguments about the definition and scope of its application. Furthermore, the abundance of similar terms and failure to reach solid conceptualization have yielded confusion about its interpretation, application, and implementation, which enables practitioners to interpret CSR broadly-for different purposes, in different manners, and oftentimes for their own benefits.

Global financial governance and CSR are essential concepts within this research. Global CSR governance in financial aspect – a term combining these two concepts – can be utilized in order to help clarify changing organizational dynamics that are associated with CSR-related, global policymaking processes. A number of organizations generate policies to guide CSR-related, corporate behaviours and have formed institutional networks of global financial CSR governance.

*Global financial CSR governance* is defined here as a totality of global rulemaking mechanisms, with various global firms that identify, understand, and promote the concept of CSR and find financial recourses for them; set rules and standards; guide the CSR-related behaviours of corporations.

The main research inquiry, herein, seeks to identify factors that motivate firms to participate in global financial CSR governance. The application of neo-Gramscian theory, world polity theory, and

constructivism suggest a number of potential factors, such as the economic and political interests of a firm, its regional culture, and world cultural norms and values. In order to examine the various factors, the research is designed as sets of multilevel and multidimensional research models that employ a mixture of research methods.

There are three sets of hypotheses developed for this research. Three different levels (i.e., corporate, regional, and global) of factors have been identified that could affect corporate participation in global financial CSR governance. Figure 1 (below) shows the causal relationships that this article's aims to examine.

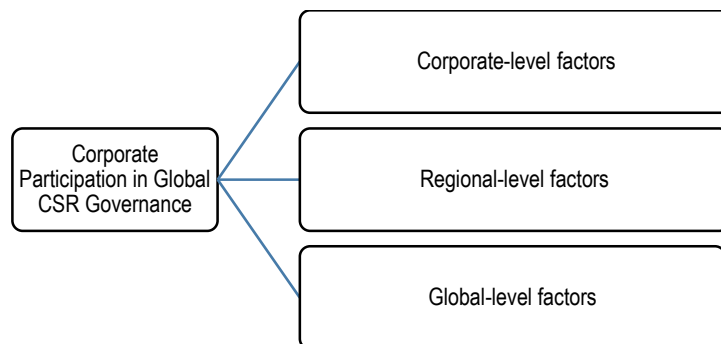


Figure 1 – Causal Relationships

Multilevel and multidimensional analyses are conducted on diverse factors in order to understand the complex corporate motivations and behaviours associated with global financial CSR governance.

The aforementioned datasets were constructed with data collected from various sources; multi-level, multi-dimensional analyses were conducted based on the research designs described herein; based on preliminary research that was conducted to identify the main organizations and understand how global financial CSR been structured. These organizations the most influential world polity agents (according to the world polity perspective) and form and disseminate norms and values (that are subsequently embedded in CSR policies).

Comprehensive data sets have been constructed in order to examine the aforementioned research hypotheses (which are based on the theoretical framework). Three sets of data, based on three different time points (i.e., 2008, 2012, and 2016) have been utilized to examine changes over time; 324 firms were listed in all three years.

A basic unit of analysis is to find the corporation; the 500 MNCs listed on the Global 500 at the three different times compose the primary data set sample. As noted, one variable among others is only included in the 2016 dataset (i.e., the specialized CSR web pages of a firm) due to the inability to check for CSR web pages in 2008 and 2002 (at the time this research was conducted).

Figure 2 (below) shows changes in the total number of participants among the listed firms, in each of the three global CSR organizations (of organizational stakeholders for the GRI case). The total numbers of participating firms in the UNGC and GRI are growing over time; however, the number of WBCSD members (among the listed firms in 2016) has slightly diminished (vs. the figures in 2014) (Overbeek, Henk, 2004).

While the average revenue of the listed firms has been continuously increasing (\$33,596 million in 2008, \$50,350 million in 2012, and \$60,609 million in 2016), the average net income in 2012 is lower vs. in 2008 (\$1,859 million in 2008 vs. \$1,699 million in 2012). This decline (1) becomes even more remarkable when juxtaposed with the rate of inflation over the years, (2) may be explained as a possible negative effect of the global financial crisis on the revenues of many MNCs, and (3) is one reason that the

2012 data set is included (in order to see if there is any impact of the global economic downturn on the CSR behaviours of MNCs and their participation in global financial CSR governance) (Overbeek, 2004.).

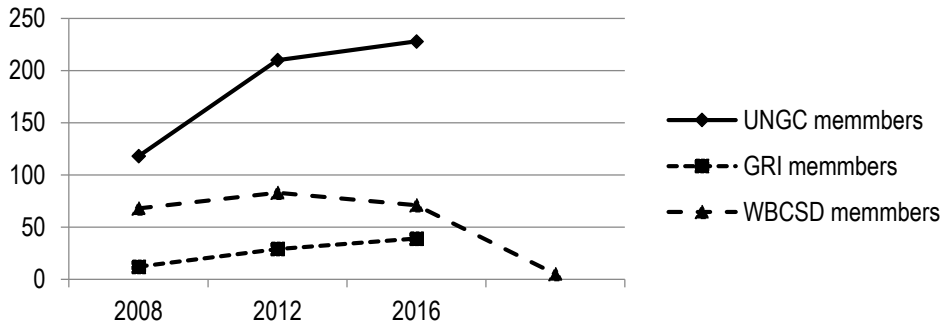


Figure 2 – Number of participants of research organizations

Additionally, it seems that the infusion of relatively young Chinese firms onto the Global 500 list more recently has lowered the average age of listed firms over time (89.49 in 2008, 76.79 in 2012, and 75.34 in 2016). Approximately 11 per cent of the list also included in the Interbrand Best Global Brands ranking during this timeframe (Overbeek, 2004.).

Figure 3 (below) shows the regional compositions of the listed firms in the three different years. Approximately one-third are headquartered in Europe, another third are in North America (the United States and Canada), and the remaining are in other regions (Asia, South America, and Oceania). While the regional composition has been relatively steady over time, the most recent data (2016) indicate that the composition has slightly changed. The percentage of "others" significantly grew seemingly due to the rapid growth of Chinese firms and their growing prominence on the Global 500 list.

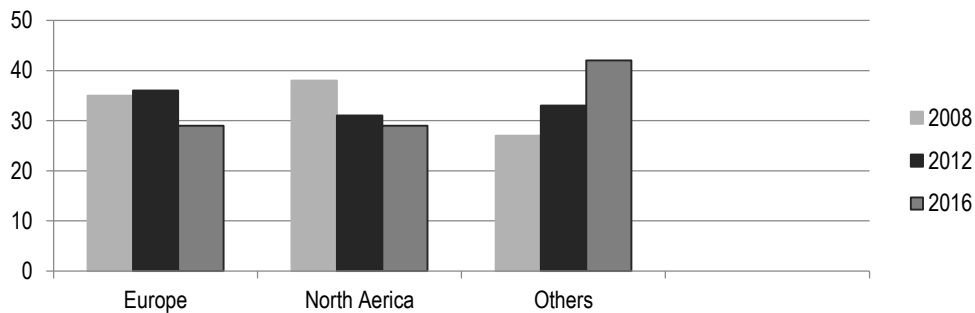


Figure 3 – Regional Composition of Listed Companies

The results of the descriptive analysis (on institutional CSR behaviours of firms) provide a good overview of the extent that listed firms have been institutionalizing CSR, in accordance with global financial CSR models. The numbers of listed firms with specialized CSR departments (or CSR experts) are growing over time (136 in 2008, 269 in 2012, and 312 in 2016). Also, more than 90 per cent of the listed firms have maintained an associated code of conduct throughout the years. Based on the 2016 data, approximately 87 per cent listed firms have arranged separate CSR web pages on (or connected to) their corporate

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websites. Thus, it is fair to conclude that building CSR expertise, setting a code of conduct, and reporting CSR activities online are common institutional behaviours (among the listed firms) (Overbeek, 2004.).

The number of firms publishing CSR (or similar kinds of) reports has been growing over time as well. This growth is even more apparent with the 324 firms listed in all three years. For example, approximately 70 per cent of the listed firms (and 80 per cent of the firms listed in all three years) published CSR reports in 2016. This suggests that most of the major MNCs are publishing CSR reports or reporting their CSR activities in their annual reports. Thus, publishing CSR reports is a common practice for big businesses (Overbeek, 2004.).

The research results show that more and more MNCs communicate and behave in ways that are desired by the world polity (where CSR is becoming a common world cultural norm). Firms are increasing: joining major global CSR organizations; adopting various CSR rules and standards; partnering with other public and private entities to implement CSR programs; taking on a variety of CSR activities (that focus on diverse social issues); hiring CSR experts; establishing specialized CSR departments; publishing annual CSR reports.

By representing themselves as social (more than rational) beings, they not only expect to achieve greater economic and financial interests but they also conform to that culturally and socially expected norms and behavioural models (at least at the rhetorical level). Based on these findings, it is logical to conclude that MNCs participate in global financial CSR governance for more complex and sophisticated reasons (beyond the rational calculation of expected costs and benefits); thus, an understanding of the complex corporate motivations associated with global financial CSR governance is important and insightful from at least three different perspectives (corporate, public policy, and scholarly perspectives). From a corporate perspective, the research results provide firms with insights about CSR-related behavioural patterns and global business trends. Indeed, it is likely that there will be growing pressure on firms for more social involvement. Firms are likely to be pressured to implement more radical changes in the future – even as NGOs and civil society continuously call for corporations to alter their behaviours. Thus, changes would occur incrementally, along with CSR norm development and institutionalization processes.

Furthermore, it is predicted that more and more firms are going to implement CSR activities in a more isomorphic way and in accordance with the rules, standards, and models disseminated by global CSR governance. Not only should firms assume various institutional and practical CSR actions but they should also assume them in a more sophisticated way since they would be under enhanced, agenda-related public scrutiny over time. Firms would have to develop strategies to cope with this global trend and find ways to work with various other organizations (e.g., governmental entities and civil society organizations). Thus, it is likely that those CSR models (disseminated by global CSR governance) would become "taken-for-granted," generalized business norms that any globally operating firm should follow.

From a public policy perspective, the research draws several policies implications for rule-makers and especially for international and transnational CSR organizations. A number of global CSR organizations have been criticized for utilizing voluntary mechanisms based on beliefs that voluntary rules would not have binding effects (to control and regulate corporations). However, the research results show that these organizations play significant roles in shaping and framing corporate CSR rhetoric and behaviors and their standards and rules are also extensively adopted by a number of influential MNCs.

Indeed, research results confirm that those global CSR organizations do affect corporate CSR rhetoric and behaviors. Nevertheless, while the potential social and political roles of global financial CSR organizations are confirmed as significant by the research, it is less clear whether the related behavioral changes of corporations will be genuinely meaningful and solve actual global social problems.

As they cope with the growing role of finance in a global CSR culture, global CSR organizations and public rule-makers should consider how they can assume more active roles in the creation and enforcement of more specific rules and regulations that guide and control CSR behaviours in meaningful

ways. Recent public efforts to institutionalize CSR, in more structured ways, are apparent. These public efforts are likely to continue in the future and both public and private organizations (especially corporations) should develop policies reflecting such changes. Indeed, this research also confirms the effect of industry characteristics and regional cultures on corporate participation. This means that industry and regional-level cultures and institutions affect corporate CSR-related behaviours in global financial CSR governance.

Thus, public and private rule-makers should develop more differentiated rules and strategies to cope with the different circumstances affecting corporate behaviours. Some scholars, associated with the neo-Gramscian perspective, have warned that strong corporate resistance to institutionalized CSR governance (e.g., via support of nonbinding legal and quasi-legal instruments and resistance to any mandatory public regulations) would impede the attainment of genuine change in corporate social behaviours.

The article's research findings, herein, clarify this issue as well as the associated benefits and limitations. Since CSR is becoming a common world cultural norm, firms with global operations can no longer ignore associated social influences; indeed, they incorporate socially desired CSR actions into their business operations.

Major MNCs follow and lead global financial CSR governance, which can involve certain risks and limitations; they (1) must concern themselves more with CSR issues that are aligned with their financial interests and (2) are likely to neglect unrelated or less related issues. Consequently, interests associated with less-powerful actors are likely to be underrepresented. CSR-related pursuits focus on a number of environmental and social issues (that concern a significant percentage of the global public); however, the concentration of decision-making power, among major MNCs, can be undemocratic and even prove to be risky. Policymakers must develop ways to deal with more comprehensive issues (including financial ones) and bring a more balanced array of stakeholders into decision-making processes in more transparent and accountable ways.

The article also has some scholarly implications. MNCs are increasingly conforming to world cultural models disseminated by global financial CSR governance and thus promoting the institutionalization (legitimization) of CSR as evidenced by the research findings. This world polity project is led by economically, politically, and socially leading firms that are actively participating in major global CSR organizations. Both neo-Gramscian theory and World polity theory (which are oftentimes depicted as competing theories) work complementarily in explaining the complex dynamics of global financial CSR governance. Thus, the application of multiple theories (which are sometimes conflicting at a theoretical level) may help reveal more complex, associated dynamics and mitigate (over) simplifications of the phenomenon.

In conclusion, this article confirms that firms implement CSR activities and participate in global financial CSR governance based on a variety of motivations (e.g., economic and political interests, regional culture, and world cultural norms and values disseminated by world polity agents). Studies on the CSR-related rhetoric and behaviours of firms show that they are greatly influenced by socially held expectations and social and cultural contexts surrounding corporations. The fact that the majority of firms in the sample have accepted their corporate identities as social beings mean that global-level CSR norm development has progressed over time.

However, it is still too early to conclude whether CSR norms have fully matured enough to: generate meaningful changes in corporate social behaviours; achieve the ultimate goal of "social betterment." Nonetheless, more and more firms will certainly implement various CSR-related activities, participate in global CSR organizations, and work with a variety of public and private entities and thereby generate further involvement.

The development of various financial CSR-related soft laws will continue and the coordination of (and conflicts between) these private rules and public regulations are expected to continue in a dynamic way.

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#### **Інноваційний менеджмент в глобальному фінансовому управлінні КСВ**

*У статті проаналізовано інноваційні тенденції розвитку та інтеграції менеджменту корпоративної соціальної відповідальності в діяльність компаній в масштабах глобального фінансового управління. Дослідження системно розглядає цю проблему з позиції держави (через призму економічного, політичного та соціального розвитку суспільства), а також з точки зору підприємницької активності та фінансової стратегії суб'єктів господарювання. В статті узагальнено базові детермінанти концепції глобального фінансового управління корпоративною соціальною відповідальністю, її специфічні особливості та відмінності від інших концепцій у сфері корпоративної соціальної відповідальності. Проаналізовано ключові взаємозв'язки між корпоративним, регіональним та глобальним рівнями менеджменту при реалізації концепції глобального фінансового управління корпоративною соціальною відповідальністю, а також інноваційний вплив цих трьох типів менеджменту на фінансову систему в глобальному масштабі. Автори довели, що фірми здійснюють діяльність з корпоративної соціальної відповідальності та беруть участь у глобальному фінансовому управлінні корпоративною соціальною відповідальністю на основі різних мотивів. Результати дослідження корпоративної соціальної відповідальності з точки зору економічної поведінки компанії свідчать, що значний вплив на їх діяльність здійснюють соціальні очікування та соціально-культурний контекст компанії. Той факт, що більшість компаній за основу прийняли корпоративну ідентичність як соціальну норму, означає, що розвиток норм корпоративної соціальної відповідальності на глобальному рівні з часом прогресує. Результати дослідження, що представлені в статті, окреслюють нові горизонти та інноваційні напрями для об'єднання науки та практики при реалізації концепції корпоративної соціальної відповідальності, створення умов для інтеграції цієї концепції в діяльність більш широкого кола суб'єктів господарювання.*

Ключові слова: корпоративна соціальна відповідальність, глобальне фінансове управління КСВ, моделі КСВ.