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CSR development in Ukraine as an emerging economy from the institutional perspective

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Abstract

Today there is a substantial amount of research on corporate social responsibility (CSR) worldwide. However, there is a serious asymmetry in the amount of research on corporate social responsibility in the developed countries and emerging economies. An extensive amount of studies on CSR have been conducted in the western context while studies on CSR practices in emerging economies remain scarce and much less is known about CSR practices in developing countries.

It is argued that a local institutional environment – socio-economic, political and cultural factors play a crucial role in CSR development. Corporate social responsibility is an emerging concept in Ukrainian businesses and its slow development is caused by a number of factors. Given the lack of insight into the institutional perspective on CSR development in Ukraine, institutional factors are investigated that need to be accounted for in order to address CSR development in Ukraine and the rationality behind companies to implement CSR. Thus, the aim of this thesis is two-folded. First, this study aims to investigate the specific institutional factors shaping CSR development in Ukraine as an emerging economy and, second, to provide a deeper exploration into the local companies' motives for engaging in CSR considering a local non-enabling institutional context shaping CSR implementation.

A qualitative method was employed in the present study where an integrated theoretical framework and semi-structured interviews with Ukrainian businesses have been used. The thesis shows that different institutional pressures shape CSR development in Ukraine in both positive or negative ways. The study also demonstrates that local institutional context influences Ukrainian companies' motives with regards to CSR implementation. The findings suggest that five different types of motives have enforced Ukrainian companies to engage in CSR.

The study contributes to the literature on corporate social responsibility in emerging markets by investigating institutional factors shaping CSR development in Ukraine as an emerging economy and companies' motives for engagement in CSR in challenging and non-enabling environment.

Key words: institutional theory, institutional environment, CSR development, Ukraine, emerging market

List of Abbreviations

CSR	Corporate Social Responsibility
NGO	Non-Governmental Organisations
EU	European Union

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1.0 Introduction

1.1 Background

“Social responsibility can only become reality if more managers become moral instead of amoral or immoral” (Carroll, 1991).

There is always uncertainty: when can we argue that a company is socially responsible? Today CSR concept is of high importance at the global corporate level since CSR is aimed at contributing to sustainable development. Generally, CSR is considered as a company’s obligation to protect and improve social welfare (Li et al., 2010, p. 636). The concept of corporate social responsibility focuses on ethical and moral issues that have a direct impact on corporate decision making and behaviour (Solomon Olajide, 2014). CSR is a concept that includes valuable and extended social contribution of businesses to the social well-being.

Nowadays businesses are confronted with new risks in the global dynamic environment because globalization has brought new challenges and opportunities for businesses. Thus, companies put substantial efforts and, especially, a great deal of resources to CSR activities, endeavouring to create a value for society and environment, and companies’ reputation as well (Janssen, Sen, and Bhattacharya, 2015). Those efforts could be carried out in terms of the following issues: education, environment, human rights, economic development, etc. by taking different activities.

A wide range of different instruments through which a firm can benefit the sustainable development by incorporating the social, economic and environmental dimensions of corporate social responsibility in its business practices have been developed (Lozano, 2012). As Tsoutsoura (2004) notes, ‘each firm differs in the way how its CSR practice is implemented. These differences depend on various factors, e.g. the company’s size, the particular industry involved, the firm’s business culture and stakeholder demands’ (Tsoutsoura, 2004, p.3). Some companies tend to focus only on specific areas, for example, environment while others aim to follow CSR principles in all their operations. As good illustrations can serve such leading companies as Unilever, Johnson & Johnson, Microsoft, Nestle, P&G, Apple and many others that have donated a great deal of financial resources to different societal and environmental programs during last decades. For example, Microsoft donated around \$800 million value of its software to more than 70 000 non-profits organizations to assist them in delivering services (Microsoft, 2013).

Different polls have shown that diverse stakeholders expect those CSR activities from the enterprises (Cone Communications & Echo Research, 2013). It is not surprising because the main purpose of CSR is to ensure that firms are accountable to stakeholders (Solomon Olajide, 2014). Thus, according to Ahn et al (2010), ‘the field of CSR can be summarized as the management of potential conflicts of interests between various stakeholders with respect to economic, environmental, social and ethical issues’ (Ahn et al., 2010). Companies tend to deal with a wide range of different stakeholders, e.g. shareholders, employees, customers, trade unions and community. Moreover, a wide range of researches argue that there are positive effects of corporate social responsibility, for instance, it influences consumers’ purchase intentions (Sen & Bhattacharya, 2001); it increases productivity, recruitment and retention of employees (Greening & Turban, 2000); and it increases even investments in company stocks (Sen, Bhattacharya & Korschun, 2006); it helps to build a lasting and positive reputation in the long term (Pavelin & Brammer, 2006).

Today many companies understand that their mission is two-folded – not only maximizing profits but responding to social responsibilities by creating a social value as well. Thus, CSR practices have become one of the key components of business running that enhance competitive advantage and long-term sustainability of the company (Porter and Kramer, 2006).

The efforts of a company devoting to CSR policy notify stakeholders that a company engages in strategic steps that go beyond the basic purpose of any business, namely, to earn profits (Carroll, 2004). Such activity provides those stakeholders with the information that a company is aimed at contributing to the well-being of society. Those efforts point to the character and values of a company respecting crucial societal challenges.

1.2 Problem statement

The term Corporate Social Responsibility is a widely used nowadays in the academic discourse, with both research and practice dating back to the 1950s (Carroll and Shabana, 2010).

There is a great deal of researches on the development of corporate social responsibility (Chih et al., 2010). Moreover, most of the existing literature is based on companies which operate in developed countries. Most studies focus on the western context which is quite different from the context in which emerging economies develop (Baake, 2014, p. 2). The fall of communism in Central and Eastern Europe, China’s open market policy and national business policy reforms of Asian countries provided an exclusive opportunity for

research of institutional transitions and their influence on CSR implementation in emerging markets (Chung and Safdar, 2014). Companies in emerging economies adopt CSR practices less compared to their western counterparts and the main reason for this is their weak economic development (Li et al., 2010, p. 636). All this proves the fact that corporate social responsibility is still a new phenomenon in emerging economies.

It is also believed that a local context plays a crucial role in the implementation of CSR practices. The extensive literature on Corporate Social Responsibility (CSR) often assumes functioning and enabling institutional arrangements, such as strong government, market and civil society, as a necessary condition for responsible business practices (Amaeshi, Adegbite, and Rajwani, 2014). Different researchers argue that an institutional context in emerging economies needs to be considered carefully analyzing CSR practices and that these local specific factors have a profound impact on CSR implementation (Belal, 2009; Li et al, 2010). Thus, it is known that knowledge on implementing CSR practices in developing countries still lacks far behind of the knowledge accumulated in the Western world.

According to Belal & Momin (2009), researches on CSR in emerging economies focus on three categories: studies related to extent and level of CSR and their determinants; managerial perceptions and stakeholder perceptions (Rahman Belal and Momin, 2009). Earlier studies in emerging economies were mainly descriptive and quantitative. A popular method used was content analysis to measure the volume and content of CSR practices in emerging economies (Rahman Belal and Momin, 2009). Moreover, Belal & Momin (2009) emphasize that ‘researchers used a form of content analysis that was developed in western economies, to examine the level of social disclosures in emerging economies’. The authors therefore argue that it is required to identify and explore issues related to CSR practices in emerging economies considering institutional context because there is a great deal of variation between developed and developing countries (Rahman Belal and Momin, 2009).

Different researchers call for more researches on the developing economies in order to study the concept of CSR in these countries (Rahman Belal & Momin, 2009; Muller, 2006), considering institutional context in emerging economies into research because all the institutional factors will have a direct impact on implementation of CSR practices. The variations between developed and developing countries suggest a strong impact of the country factor on the involvement in CSR, due to the unique historical evolution of the national business systems and institutional frameworks (Cavalcanti Sá de Abreu et al., 2012).

Some other authors have also stressed challenging and non-enabling institutional contexts in different emerging markets as influencing the compliance with international CSR standards (Amaladoss and Manohar, 2011; Li et al, 2013). Today academics are faced with challenges of determining specific country-level factors that affect CSR implementation and constrain companies from operating in a socially-responsible way in emerging markets.

It should be noted that the weak institutional contexts, in which companies in developing economies operate, are often taken for granted or theorised as ‘different institutional contexts’, which per se do not require further unpacking. This approach to the understanding and function of CSR in society has come to dominate the nascent comparative CSR studies, especially those on developing economies (Amaeshi, Adegbite, and Rajwani, 2014). Thus, the international academic community, multinational corporations, and companies operating in the emerging economies need to gain a deeper understanding of the importance of CSR implementation and which institutional factors exactly affect its implementation in the emerging countries, where CSR, unfortunately, is still burgeoning (Li et al., 2010, p. 636).

Moreover, some scholars point out that there is an urgent necessity to explain the manifestations of (non-philanthropic) CSR in challenging and non-enabling institutional contexts because there are clear examples of increasing occurrence of CSR activities pursued by companies in challenging and non-enabling contexts. Thus, it is also of great importance to address this question given the increasing occurrence and impact of CSR activities pursued by firms in emerging economies which are characterised by weak institutional arrangements and segmented business systems (Amaeshi, Adegbite, and Rajwani, 2014).

As mentioned before, this study will focus on Ukraine which remains an under researched country when it comes to CSR. CSR has not yet taken hold in the mind of the Ukrainian consumer and is just starting to gain ground among national producers in the country (2014 Investment Climate Statement - Ukraine, 2014). The importance of CSR policies is not still taken seriously by Ukrainian consumers and businesses and the public awareness of the benefits that CSR practices bring is still low. Today CSR in Ukraine has not become a component of the strategic management of Ukrainian companies. Most businesses focus mainly on making profits without considering interests of the society and consumers (Shevchenko, 2013). Only a limited number of Ukrainian companies have developed business strategies comprising CSR. It is mainly subsidiaries of large international corporations present in Ukraine – European and American, that implement CSR as a global policy pursuing the goals inherent to CSR globally and some major national private companies (Kobel, Këllezzi,

and Kilpatrick, 2015; Bychkovskaya, 2013). However, none of the state-owned companies has developed its CSR strategy, despite the impact that these companies have on the society and economy (Vorobej, 2010).

Today, among the main CSR initiatives in Ukraine are labor issues comprising human resource development and workplace safety; and protection of consumer health (Achieving sustainable development through corporate social responsibility occupational health & safety, 2013). Ukrainian companies report various obstacles that constrain implementation of CSR practices. Most of these challenges are derived from local specific institutional and business environment which is unique to the country. Among the main factors constraining manifestation of CSR that are reported are insufficient funding, heavy tax burdens, legal discrepancies, a lack of the government's interest, the absence of legal incentives for CSR policy implementation and a lack of experience in implementing CSR practices (Kobel, Këllezi, and Kilpatrick, 2015).

There are no binding laws or legal acts on CSR implementation in Ukraine. However, there exist several adopted laws and codes, for example, the Labor Code and the Law on Consumer and Environmental Protection of the Laws regulating some aspects of CSR implementation (Achieving sustainable development through corporate social responsibility occupational health & safety, 2013). Some Ukrainian companies are potentially ready to implement CSR policies but low social demand for CSR implementation and other incentives constrain them from committing to CSR principles nowadays.

Thus, the study contributes to the literature on corporate social responsibility by examining empirical evidence from Ukraine, an emerging economy, where the current state of affairs owes to the lack of CSR commitment among companies. Our study relies on institutional theory because it is believed that the institutional settings play a crucial role in determining the behavior of the social elements – individuals and organizations, resulting in an impact on the implementation of CSR practices. Knowledge on CSR in Ukraine remains quite shallow, ranging from the information about low public awareness of CSR practices and underlying general obstacles for socially responsible activities of Ukrainian companies. Thus, it is evident that it is needed to consider various factors influencing CSR implementations, including economic context, social needs that exist in a certain country as well as state regulations and political situation.

Furthermore, through a set of qualitative in-depth interviews, and discourse analysis, our research questions enable us to make an attempt to understand the motivations behind the

pursuit of CSR practices in weak institutional contexts, despite the complex and negative institutional voids confronting Ukrainian companies.

1.3 Research question

In the light of the research gap, the main objective of this study is to investigate institutional factors that influence CSR development in Ukraine as an emerging economy, considering the local context companies operate in as well as the local companies' motives of engagement in CSR in challenging and non-enabling institutional context.

According to the objective that is mentioned above, the following research questions have been formulated in order to clarify the problem statement and to guide the research:

Research questions

1. What institutional factors shape or constrain development of CSR implementation in Ukraine as an emerging economy?
2. Why might Ukrainian *local* companies pursue CSR practices in challenging and non-enabling institutional context?

Drawing from the calls for determining specific country-level institutional factors that affect CSR implementation, the thesis aims at contributing to the understanding of corporate social activities in challenging and non-enabling institutional contexts, i.e. Ukraine, through identifying and connecting institutionalism-based explanations, i.e. *institutional factors* of CSR activities in weak institutional environments.

The second research question will provide insight into the *motivations* for CSR engagement among Ukrainian companies in order to analyze *rationale* behind the pursuit of CSR in weak institutional contexts, despite the complex and negative institutional voids confronting Ukrainian companies.

1.4 Structure of the thesis

The structure of the present project consists of the following 6 sections (see Figure 1) and starts from the introduction chapter, where the purpose and research questions are formulated based on the research background, the problem statement and a research gap.

	research question
CHAPTER 2	Theoretical insight: definition and concept of CSR, CSR in emerging markets, Institutional Theory, institutional context
CHAPTER 3	Methodology: research design, sampling and data collection, ethical considerations, validity and reliability of the research
CHAPTER 4	Results of data analysis
CHAPTER 5	Discussion of results
CHAPTER 6	Conclusion, limitations and recommendations for further research

Figure 1. Structure of the master thesis

In order to form a clear understanding of the theme of conducted research and to answer the research questions, a theoretical framework of applying concepts will be presented and broadly discussed in chapter 2 through the literature review. The second chapter will cover definitions of CSR, CSR development in emerging markets and the influence of institutional context on CSR evolution and development, and also discusses possible institutional factors shaping CSR development. Chapter 3 will reveal the methodology, methods and techniques that will be used in the present work. This chapter will describe methodology of the research through research design, sampling and data collection, ethical considerations, and then will address the issues of validity and reliability. In the chapter 4 the findings of the research will be analysed and presented. Further discussion of empirical findings, all limitations and implication will be described in the conclusion in chapter 5. The 6 chapter will summarize the key findings obtained through the research and indicates the direction for further research.

2.0 Theoretical framework

2.1 Corporate social responsibility. Definition and concept of CSR

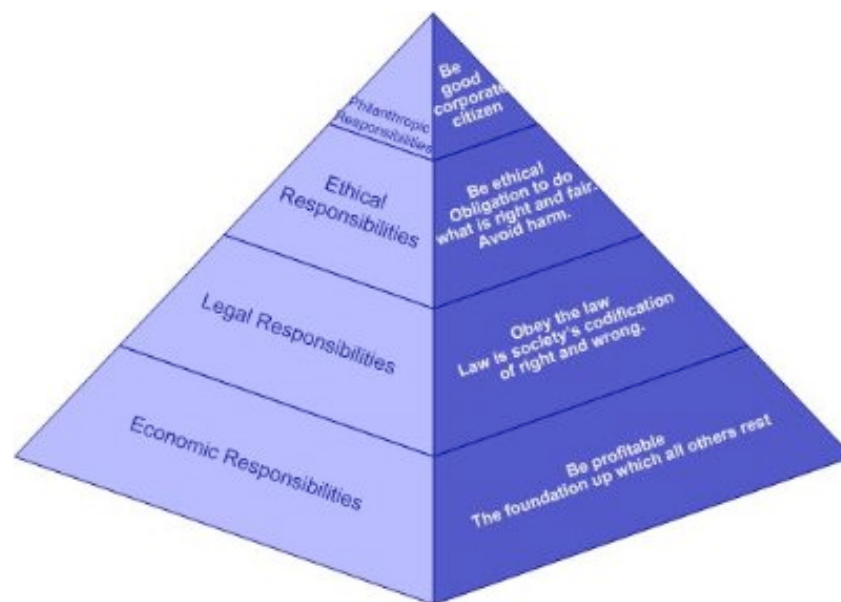
The literature on CSR provides a variety of CSR definitions and underlying measurements. Academics and researchers have strived to set a clear and unbiased definition of this concept for many years. Even though an extensive amount of studies is devoted to CSR, there is uncertainty in both academic and business community regarding what the definition and measurement scales should be regarded as universal (McWilliams et al., 2005; Dahlsrud, 2008).

The concept of corporate social responsibility has a long and wide-ranging history. The term "corporate social responsibility" dates back to the early 1950s. The academics tend to classify four periods of CSR emergence as a public and business concern: during the period before 1950 companies just donated to charities; the period 1953–67 was classified as the ‘awareness’ era, in which understanding of the overall responsibility of business and its involvement in community affairs emerged; during the period 1968–73 companies started focusing on specific issues, for example, pollution problems and racial discrimination and during last period – from 1974 and up to now – companies started taking serious management and organizational actions to address CSR implementation issues (Carroll, 2015).

Bowen (2013) is often regarded as one of the founders of the concept of CSR (Carroll, 1999). He defined CSR as ‘the obligations of businessmen to pursue their policies, to make their decisions and to follow the actions which are desirable in terms of the objectives and values of the society’ (Bowen, 2013). Bowen (2013) argued that only businessmen bear responsibility for the consequences of the actions they take in a sphere that is wider than corporate financial performance, indicating the existence and importance of corporate social performance (Bowen, 2013). His work was a turning point in the CSR studies because it highlighted the key requirement that businesses pursue activities in an ethical manner in order to maintain their social license to operate. According to Keith Davis (1960), ‘social responsibility refers to businesses’ decisions and actions carried out for reasons beyond the company’s direct economic or technological interests’ (Davis, 1960). Eells and Walton (1961) proposed that CSR must direct problems that arise when corporate entity is not able to perform in accordance with social obligations, and the ethical principles established between corporation and society. Another way to define CSR is to identify the different categories of

CSR and sort out companies' activities in terms of these different types of CSR (Carroll and Shabana, 2010).

One more often cited and applied definition of CSR is proposed by Carroll. Carroll (1991) defined CSR as a phenomenon existing out of four different categories (see Figure 1) which include economic, legal, ethical and discretionary (or philanthropic) responsibilities (Carroll, 1991). This definition of CSR has been set out as follows: ‘The social responsibility of business encompasses the economic, legal, ethical, and discretionary [later referred to as philanthropic] expectations that society has of organizations at a given point in time’ (Carroll, 1979, p. 500; 1991, p. 283).



Carroll's CSR Pyramid

Figure 2.1. Carroll's four-part model of CSR

Some researchers define CSR as a company's status and activities regarding its obligations toward society (Brown & Dacin, 1997; Sen & Bhattacharya, 2001). In 1971 The Committee for Economic Development used a ‘three concentric circles’ approach to define CSR. The inner circles consisted of basic economic functions such as growth, product and jobs; the intermediate circle depicted that all economic activities must be fulfilled with regard to changing social values and needs; the outer circle indicated new responsibilities that business ought to undertake as to become more involved in developing and improving social environment (Committee for Economic Development, 1971). The World Business Council for Sustainable Development (2000) considers corporate social responsibility as the permanent commitment by business for ethical behaviour and contribute to economic development and at

the same time improving the quality of life of the workforce and their families as well as of the local community and society. The concept of CSR has also been described as a set of business practices that maximize the positive impacts of its operations on society (Dahlsrud, 2008). According to Organization for Economic Cooperation and Development (OECD), CSR is defined as business' contribution to a sustainable society well-being (Weber, 2008). In the memo of the European Commission of 25 October 2011 it is stated that the Commission has changed the definition of CSR for the first time over 10 years and has set out a simpler definition as 'the responsibility of enterprises for their impacts on society' and outlines what an enterprise should do to meet that responsibility (European commission - Corporate social responsibility: A new definition, a new agenda for action, 2011). The new definition is believed to be fully consistent with internationally recognised CSR principles and guidelines. According to the European Commission (2011), 'enterprises should have a process in place to integrate social, environmental, ethical human rights and consumer concerns into their business operations and core strategy in close cooperation with their stakeholders' (European Commission, 2011). Some researchers follow the stakeholder theory and state that businesses are not responsible for the entire society, but only for their stakeholders, e.g. customers, employees, shareholders, suppliers, the government and community. This results in a definition of CSR as 'the principles and processes in a company to minimize negative impacts and maximize positive impacts for stakeholders' (Maignan & Ralston, 2002).

Donaldson and Preston (1995) describe CSR as an important source of profits and competitive advantage, whereas other researchers claim that CSR implementation is a way how to enhance corporate image and competitiveness (McWilliams et al. 2006; Porter and Kramer 2006).

One of the studies on CSR definitions identified and analysed 37 various definitions of CSR which researchers have set out in academic discourses (Dahlsrud, 2008). This number proves the difficulties researchers face in defining the CSR concept, and this number really underestimates the total number of definitions used in academic papers. There are lot of different ways to think about what CSR includes and what it embraces (Carroll and Shabana, 2010). Dahlsrud (2008) noted that there is so much discussion and confusion concerning the concept of CSR because researchers aim at describing and providing a deep understanding of CSR as a phenomenon instead of trying to provide its definition (Dahlsrud, 2008). Thus, the CSR definitions tend to describe a phenomenon, but do not present any guidance on how to manage the challenges within this phenomenon (Dahlsrud, 2008). But any definition of CSR should explain in detail what CSR exactly is, and only then moving to what type of activities

CSR in practice should address and in this way already providing an instrumentalization of the concept (Baake, 2014, p. 2).

After all, we can conclude that there is an extensive range of CSR definitions in the literature, which might be explained by variations in the organization's field, country of origin, size, strategy, key stakeholders etc. Although there is no universally accepted definition and measurement scale of corporate social responsibility, most definitions in the academic and business literature have some particular common ideas. We have decided to employ the definition of CSR from in this study that derives from the definitions discussed and is stated as the following: *CSR is viewed, then, as a comprehensive set of policies, practices, and programs that are integrated into business operations, supply chains, and decision-making processes throughout the company and usually include issues related to business ethics, community investment, environmental concerns, governance, human rights, the marketplace as well as the workplace.*

2.2 Corporate social responsibility in emerging markets

The concept of Corporate Social Responsibility (CSR) continues to evolve rapidly and the majority of global corporations today implement CSR practices. Until now, most of the research on CSR has focused on developed countries, mainly from the USA and the Western world (Frynas, 2006; Li et al., 2010; Rahman Belal and Momin, 2009). The rise of CSR practices in emerging markets has been significantly influenced by economic globalization. In most cases, the local subsidiaries of large multinational companies 'with recognized international brands or those aspiring to global status' (Visser, 2008, p.492) serve as key drivers of CSR initiatives. Some researchers has revealed that CSR initiatives in emerging markets are driven by external or 'outside' factors, i.e. pressure from international markets or international lending institutions such as the World Bank (Belal & Momin, 2009).

The terms 'emerging markets' and 'emerging economies' are used interchangeably in this work referring to those countries that are starting to participate globally by implementing reform programs and are undergoing economic improvements.

Today some emerging economies are confronted with the problems of poverty, corruption, human rights violations, serious inequalities and social exploitations. It is argued that companies operating in emerging economies have a responsibility to address some of these problems (Pachauri, 2006).

As discussed in the problem statement, the term CSR is considered to be a western concept that is applicable only to businesses operating in the Western world, due to cultural, economic and political context (Li et al., 2010). CSR in emerging economies is relatively a new concept and many authors argue that it differs from the traditional studies on CSR in the Western world because of context specific issues influencing the existence and practice of CSR (Visser, 2008). The commencement of CSR in emerging markets has been caused by globalisation and local subsidiaries of large multinational companies that are often considered to be the key drivers of CSR initiatives (Frynas, 2006). Researchers need to be careful not to impose Western notions and peculiarities of CSR on the reality in emerging economies (Frynas, 2006). The capitalist political economies could be described as a collective apparatus of institutional accountability between the state, market and civil society. They all work in tandem and re-enforce one another (Amaeshi, Adegbite, and Rajwani, 2014). Conversely, it is argued that most developing economies are marked by institutional voids – e.g. lack of vibrant capital markets, as well as poor governance, legal environments and civil societies, which may undermine the governance role of CSR in these emerging economies (Amaeshi, Adegbite, and Rajwani, 2014). Thus, the utilization of Western CSR approaches may be failed in the emerging markets (Ewing & Windisch, 2007). However, the foreign direct investments, especially from Western companies, into a country may increase the possibility that CSR practices will be adopted by home companies (Chapple & Moon, 2005). Institutional context can have a significant impact on determining necessary CSR initiatives (Ayra & Zhang, 2008).

Therefore, it is important first to understand what CSR means in the context of emerging economies. CSR in emerging economies should be seen as a local, not a universal, concept because institutional and cultural contexts play a crucial role on how CSR can be practiced and implemented in these countries.

According to Zhang (2008), ‘the compatibility of a country’s cultural orientation with the business cultures will impact on the way how easy or how difficult it is for businesses in these countries to practice CSR’ (Zhang, 2008, p.5). For instance, many CSR efforts in the Western world, particularly those striving to establish universal standards and codes of conduct, have been taken considering the fact that the institutions are the same for all companies in western countries (Zhang, 2008, p.5). Thus, the usefulness and applicability of these attempts to establish certain universal standards must be critically examined against local contexts because it is of great importance to know whether these standards can be applied and how they can be implemented.

According to Visser (2008), ‘there are different ways to classify the literature on CSR in developing countries, for example, in terms of content (thematic coverage), type (epistemological approach), and level (focus of analysis)’ (Visser, 2008 p. 475). When it comes to thematic coverage, the CSR studies in emerging economies can be classified in four main themes: social, environmental, ethics, and stakeholders. Visser argues that social themes are generally given more economic and political emphasis in emerging markets than environmental, ethical, or stakeholder themes (Visser, 2008 p. 475). In terms of approaches used in the CSR literature, there is both theoretical and empirical research which is equal in proportions. In addition to this, Lockett et al ’s (2006) finding should be noted that the CSR literature in western countries is dominated by quantitative methods whereas CSR studies on emerging markets are predominantly qualitative (Lockett, Moon, and Visser, 2006). Most of these studies used content analysis method to measure the volume and extent of CSR (Rahman Belal and Momin, 2009). And, in term of focus of analysis, an extensive amount of studies on CSR in emerging markets has either focused on all emerging markets, making generalizations (e.g. Frynas, 2006), or focused at a national level (Visser, 2008). Visser (2008) also notes that ‘CSR studies at the sector, corporate, or individual level remain relatively scarce in emerging markets’ (Visser, 2008, p.476).

According to Visser (2008), the definition set out by Carroll (1979) identifying four facets or dimensions of CSR and framing them into a pyramid-like structure cannot be applicable in emerging economies because ‘the order of the CSR layers in emerging markets greatly differs from Carroll’s classic pyramid’. In emerging markets, the economic responsibilities are attributed the first priority for companies which is followed by philanthropy responsibilities in contrast with western countries where economic responsibilities are followed by legal, ethical, and only then philanthropic issues (Visser, 2008, p.489). Considering institutional context, the author explains that the main reason for the new hierarchy is the presence of an urgent need for philanthropy in emerging markets in light of the realities of poverty, unemployment, and shortage of foreign direct investment prevailing in these contexts (Visser, 2008). Thus, it can be stated that businesses in emerging economies operate in very different circumstances to which the CSR practices are adapted. In emerging economies, CSR is mostly often linked to philanthropy or charity, i.e. through corporate social investments in such sectors as health, education, sports development, the environment, and other community services (Visser, 2008, p.493). Moreover, the issues that are favoured in emerging markets are quite different from those valued in western countries,

for example, 'struggling with HIV/AIDS, improving working conditions, provision of basic services, and poverty alleviation' (Visser, 2008, p.493).

As Belal and Momin (2009) note, research on CSR in emerging economies has progressed, a number of studies using case methods and longitudinal studies applying more rigorous content analysis techniques have increased over last years (Belal and Momin, 2009). CSR practices in emerging economies differ greatly from those in developed economies. Hence, there is an urgent necessity for further research on CSR in emerging markets at the different levels emphasizing on institutional, political, socio-economic and cultural factors driving the CSR agenda in emerging countries.

2.3 Role of institutional context

The implementation of the CSR can be analysed through the institutional lens. Institutional context is proposed to be a crucial factor that needs to be considered when understanding the extent, content and communication intensity of CSR and how it differs across countries. CSR practices are relatively new in companies and in emerging economies they are highly shaped by weak institutional contexts. Considering these characteristics, institutional theory has proven to be useful to understand the phenomenon addressed by this Master thesis, because it sheds light on the contextual elements that constrain CSR development in Ukraine and the motivations that drive some local companies to adopt and successfully implement CSR practices given the challenging and non-enabling institutional context.

The logic of institutional theory-based views is that successful implementation of CSR practices in developing as well as developed markets requires strong and effective market institutions. According to Amaeshi et al, 'CSR would either not exist or would not be effective in developing economies which are characterized by challenging and non-enabling institutional contexts' (Amaeshi, Adegbite, and Rajwani, 2014). In a weak institutional context, the government is supposed to be weak, the market is inefficient, civil societies are weak, and companies operating in such an environment, tend to generate more negative externalities than otherwise (Amaeshi et al., 2013).

All along the history of international business theory development, the institutional model of thinking has been very often used by researchers for analyzing the observed tendencies (Thornton, Ocasio, and Lounsbury, 2012). One of the main concerns of institutional theory research is finding the institutional causes for the transformation of

organisations and organisational fields. It has been widely recognized across different disciplines in the social sciences that ‘at the country level, the institutional settings are of great importance in determining the behaviour of the social elements - individuals and organizations’ (Li et al., 2010, p. 636). Institutional environment has been identified to have a great impact on implementation of CSR practices – institutional factors greatly shape and mould CSR practices and expressions (Li et al., 2010; Sharfman, Shaft and Tihanyi, 2004; Visser, 2008). Institutional transitions affect CSR strategic choices in the case of emerging economies (Chung and Safdar, 2014). As it has already been mentioned above, CSR concepts primarily originate from the Western world that has strong institutional environments with efficient regulation whereas in emerging economies the institutional environments are quite weak (Hadjikhani, Elg, and Ghauri, 2012). Different CSR researchers have widely recognized that institutional theory (North,1990; Li et al, 2010; Brammer et al., 2011) provides an appropriate theoretical framework to analyse CSR practices across countries (Li et al, 2010; Jamali, 2014) and they stress the fact that social, political and economic institutions affect the governing of social activities by companies, which is the case in emerging economies (Jamali, 2014).

We propose thus to use a model that will examine diverse macro- and micro-level factors which influence CSR implementation in Ukraine within institutional theory. The institutional contexts play a crucial role in specifying the behaviour of such social elements as individuals and organizations (North, 1990). According to Boxenbaum (2006), ‘institutional environments are those forces that set great pressure on companies to apply similar CSR policies and implement CSR practices to other companies in the same societal context’ (Boxenbaum, 2006). North (1994) provides a definition of institutions as constraints (rules, laws, codes of conduct, norms of behaviour) or relational contracts that govern interactions, human activities and activities of organizations, such as whether companies must be socially responsible. Institutional environments include a wide range of different national institutions, e.g. political, economic, and cultural institutions that shape the behaviour of companies, including their actions and interventions in the domain of CSR (Jamali, 2014). Together, these institutions are believed to be the cause of variation in CSR in different countries (Bondy & Matten & Moon, 2008). Institutional theory is about how various regulations, norms and practices are established, diffused and adopted over time. Thus, since CSR relates to the business’ responsibilities toward society, it is affected by the rules of the game and, therefore, CSR needs to be analysed considering the institutional context. When it comes to CSR, different institutional pressures influence socially responsible activities of businesses

(Campbell, 2007). Therefore, institutional theory is widely recognised in providing an appropriate theoretical framework to analyse CSR across countries (Baughn et al., 2007).

Some researchers have recently begun to compare the impact of different institutional settings in Western and emerging economies on CSR practices and its implementation (Zhao, 2013; Li et al, 2010, Kuznetsov et al., 2009). The academics have identified various institutional environment factors in a society that facilitate or constrain the pace in which individuals and organizations protect and regulate economic behaviour and in which CSR practices are implemented or not (Li et al, 2010; Boxenbaum, 2006). Jamali & Neville (2011) in their study emphasize that political, economic, financial, educational, and cultural systems, religion and global CSR institutional infrastructure are relevant and have influence on CSR practices (Jamali and Neville, 2011). Zhao et al. (2013) stressed the political embeddedness of CSR implementation in emerging markets resulting in the fact that CSR practices are greatly shaped by political actors (Zhao, Tan, and Park, 2013). These findings are in line with other researches that emphasize that relationships to socio-political actors are of great importance for businesses in emerging markets such as Russia and Ukraine (Hadjikhani, Lee, and Ghauri, 2008). Kuznetsov et al (2009) notes that as the institutional environment in Russia is weak, the prevailing CSR activities in businesses are payment of taxes or paying salaries without delays (Kuznetsov, Kuznetsova, and Warren, 2009). Another study shows that the concept of CSR is new in Hungary and the understanding of CSR greatly differs from business to business – some businesses limit CSR practices just with respect to the following laws whereas some do not show any efforts aimed at social well-being and follow only economic responsibilities (Singh, 2009). In the countries where ‘different tools, methods and procedures for implementation of CSR practices have not been set, it is likely to confuse CSR practices with usual philanthropic activities’ (Singh, 2009, p.122). Thus, in Bulgaria, for example, businesses implement responsible social practices just because of emotional reasons. According to Ite (2004), ‘the absence of national management and planning and the lack of an enabling environment have significant implications for CSR practices and the sustainability of CSR initiatives in emerging economies’.

Various features of the institutional environments of emerging economies greatly influence the manifestations of CSR in these contexts. These features comprise the nature of *political systems, socio-economic systems and cultural peculiarities* (Jamali, 2014).

The nature of *political systems* plays a crucial role in CSR practices encouraging or discouraging businesses from behaving in a socially-responsible way by integrating ethical issues in the business operations (Baah and Tawiah, 2011). Detomasi (2008) argues that the

country's political institutional structures and legacies influence on the CSR initiatives companies adopt and pursue in these countries (Detomasi, 2008). For example, some studies show that different political reforms towards democracy, values and higher standards in businesses and improved corporate governance influence CSR practices in a positive way (Jamali, 2014; Malan, 2005). The positive attitude towards CSR among politicians and government officials is of great importance. Political institutions play a great role in shaping CSR practices of businesses and they influence whether businesses will implement CSR practices or not and also the nature of CSR initiatives (Jamali, 2014). According to Detomasi (2008), governments can lay a burden for foreign companies to pay additional taxes but can also exempt companies from paying to encourage foreign investment or to incentivize CSR actions (Detomasi, 2008). The main political constraints of the weak institutional environments are as following: political instability, corruption, poor governance systems, autocratic rule and limited freedoms. All these features have serious implications for the advancement of CSR initiatives in emerging economies (Ite, 2005; Jamali, 2014). According to Jamali and Neville (2011), economic stagnation and political instability both imply major challenges for CSR implementation.

Applying the governance environment framework, academics have proposed a model that classifies societies into two groups – rule-based and relation-based governance environments (Li et al., 2010). Li et al. (2004) argues that in rule-based societies, the public rules are made effectively and equally accessible to everyone. As a result, people have a higher level of trust in information that is available for public, such as corporate communications and annual reports in particular. In contrast, in relation-based societies, the flow of information is controlled by the government and people have access only to that information that the government decided to make public. The consequence of this is the fact that people tend to distrust public available information and prefer other sources of information, for example, rumours to make decisions about their economic activities (Li et al. 2004).

The socio-economic environment in which firms operate and institutions of countries also shape the type of CSR activities and practices (Pohl and Tolhurst, 2010). In this respect, whereas in Western world the CSR policies mainly focus on consumer protection, fair trade, green marketing, and climate change concerns (Amaeshi et al., 2006), CSR in emerging economies is driven by the serious socio-economic features that often pressure firms to address priority social issues and gaps, including poverty alleviation, health care provision, infrastructure development, and education (Amaeshi et al., 2006). For instance, in Africa,

where HIV/AIDS is widespread, companies make efforts to social services to reduce the spread of it and also provide educational services with preventive measures (Pohl and Tolhurst, 2010). Jamali & Neville (2011) stress that economic recession, economic instability and the limited ability of companies to plan ahead their activities systematically and in a long-term perspective are also the factors shaping the CSR manifestations of firms in emerging markets (Jamali & Neville, 2011). In addition to this, high levels of inflations in developing countries may shape CSR practices resulting in the absence of investments in CSR initiatives (Jamali, 2014). Social, environmental, health-related, or industrial crises also play a crucial role in implementing CSR initiatives.

In terms of *cultural peculiarities*, some authors have argued that CSR is tied to cultural traditions and norms (Ahn et al, 2010). Considering the fact that culture strongly influences the way people think and behave, it is believed that the implementation of CSR practices varies between different cultures. Cultural traditions shape the expectations of citizens toward businesses' actions, the worldview of managers, and the relationships between managers and employees and between the company and community (White, 2008). Durfaus (2005) note that 'cultural traditions have an impact on CSR through three different channels. First, culture might affect the perception of CSR directly through personal beliefs. Second, culture might have an indirect effect through the institutional environment and, finally, an indirect effect on perception of CSR might be identified through industry recipes' (Dufaus, 2005, p.38). Moreover, the distinction between the Anglo-American and European cultural systems is highlighted. Their respective cultural systems have generated very different assumptions about the society, business and government (Matten & Moon, 2008).

There also exist great variation in which citizens trust or distrust the state in terms of following the "rule of law" and pursuing the collective interest of society as a whole rather than those of the elite or politicians (Whitley, 2003). In some cultures, particularly in states with high level of corruption and lack of transparency, citizens normally have little faith in the state as an institution that can enforce the law and/or promote development. In contrast, in cultures where the trust in politicians and the state is high, neither the citizens nor companies are likely to see CSR as a viable or a legitimate alternative to state regulation.

The table below summarizes the factors in which the analysis is based but the current paper seeks to investigate other institutional factors shaping the CSR development in Ukraine as an emerging market.

Category	Factors
Political	<ul style="list-style-type: none"> ○ Level of governmental regulation effectiveness (capacity of the state to monitor corporate behavior) ○ Law enforcement on areas of environmental and social protection ○ Level of corruption
Socio-economic	<ul style="list-style-type: none"> ○ Level of institutional embedding of the economy ○ Unhealthy economic environment
Cultural	<ul style="list-style-type: none"> ○ Level of trust in government and business

In the present thesis, building on DiMaggio (1988), we define institutions as ‘formal and informal enduring constraints that structure the economic, political and social relationships between a business and its environment’. We refer to institutions as abstract constraints such as widely held norms that constrain behaviour, legal regimes and the way they are enforced, and real justice in the rule of law.

As a conclusion, institutional context and culture can be of high influence on determining countries approach to, and evolution and development of CSR. Political, social and economic institutions and the development within them all play a significant role in mapping and shaping CSR policies and the overall understanding and interpretation of CSR in a country specific context.

2.4 Role of institutional context in Ukraine

CSR is relatively a new concept in Ukraine but it does not mean that the underlying principles of CSR were brought to the Ukrainian society as something completely new. For over seven decades Ukraine was a part of the Soviet Union. According to Kurinko et al (2012), ‘Soviet enterprises, although not driven by profit maximization and highly inefficient in an economic sense, were a part of the Soviet planned economy that encouraged those enterprises to support social infrastructure’ (Kurinko, Filosof, and Hollinshead, 2012). Activities such as recycling, community projects and volunteering, were encouraged in the Soviet citizens from a very early age. The collapse of the Soviet Union resulted in ambivalent

attitudes towards business among the society because of non-transparent privatization of state-owned enterprises (Kurinko, Filosof, and Hollinshead, 2012).

Today the socio-economic situation along with environmental one in Ukraine displays that the country has failed to make significant steps towards sustainable development (Gorobets, 2008). Corporate Social Responsibility has not yet taken hold in the mind of the consumer and is just starting to gain ground among businesses in the country. International companies continue to be the strongest implementers of CSR within Ukraine and have made efforts to transfer the idea of CSR to their Ukrainian affiliates. The Government of Ukraine does not adhere to generally accepted CSR principles such the OECD Guidelines for Multinational Enterprises or UN Guiding Principles on Business and Human Rights (2014 Investment Climate Statement, 2014). The crisis of public health care (State Statistics Committee of Ukraine, 2013), very high consumption of materials and energy, huge amounts of waste and the condition of the environment with such bad results in indicators as air, water and pollution of the land are stable for many years (Ministry of Environment and Natural Resources of Ukraine, 2013). Furthermore, these trends become disturbing and even increasing because the country faces fast climatic changes and the ecosystems as a whole. Ukraine is a European country characterized by severe inequality. Concentration of resources is in a few hands had been the legacy of two decades of post-Soviet development (Ghosh, 2014).

There are a lot of different factors for such slow development in terms of socio-environmental sectors, and some of them are (Gorobets, 2008):

- Ukraine was a part of Soviet Union that can be characterized by an economic structure basing on using natural resources intensively which, in turn, increase environmental pollution, and industries and technologies associated with high risks for health (heavy, chemical, etc.);
- Highly inefficient use of energy and water, almost undeveloped recycling processes, the lack of real fair competition;
- The needs of society are growing faster than the institutional establishment (especially in terms of environment, education and civil control);
- The lack of understanding of the sustainable development concept by the government and public sector, the lack of personnel expertise;
- The high level of corruption and ‘shadow economy’; the lack of consensus in politics which means competition instead of cooperation;

- Two short-term revolutions within several decades: so called ‘the Orange Revolution’ in 2004-2005 and ‘the Revolution of Dignity’ in 2014-2015;
- The loss of Crimea taken over by Russia in February 2014 (Macias, 2015);
- The hybrid and economic war with Russia on the eastern part of Ukraine (Kofman and Rojansky, 2015) which limits the possibilities of Ukrainian authorities to focus on establish governmental visions and goals on environment condition as well as develop specific national programs of the sustainable development for all main sectors: culture, economy and nature;
- The environmental problems occurred after Chernobyl tragedy, catastrophic nuclear accident, in 1986;
- The growing gap between the richest and the poorest, the low life expectancy;
- The permanent breach of laws by Ukrainian political establishment regarding three main sectors: nature, society and economy;
- The constant distrust from society to each new government (Kuzio, 2006).

A number of surveys show that many businesses consider heavy tax burdens, insufficient funding, and the absence of legal incentives for CSR policy implementation as the main constraints for CSR development in the country (Kobel, Këllezi, and Kilpatrick, 2015). Society does not put enough pressure on businesses what can catalyse proliferation of CSR practices.

Ukraine is developing permanently towards European Union family by moving to a market economy and democracy. The necessary prerequisite is to establish an arena for dialogue between the government, business and society. Therefore, CSR is a crucial factor for establishing such arena. The degree of CSR in a country displays the level of partnership between enterprises, government and society for tackling emerging social problems and increase the development of community.

As Ukraine is not a member of the European Union, this provides fewer incentives for businesses to follow EU standards in environment and consumer protection (Habisch, Jonker, and Wegner, 2004). Codes of corporate conduct and certification schemes applied in international trade through supply chain requirements act as a barrier to market access (Stepanenko, 2012).

According to Bui and Biletska (2014), ‘development of the CSR in Ukraine was consolidated mainly around international organizations and projects’ (Bui and Biletska, 2014, p.16). Only a limited number of Ukrainian companies have developed business strategies comprising CSR. It is mainly subsidiaries of large international corporations present in

Ukraine – European and American, that implement CSR as a global policy pursuing the goals inherent to CSR globally and some major national private companies (Kobel, Këllezi, and Kilpatrick, 2015; Bychkovskaya, 2013). However, none of the state-owned companies has developed its CSR strategy, despite the impact that these companies have on the society and economy (Vorobej, 2010). But Ukrainian businesses have started to invest their resources addressing different aspects of CSR. For example, almost all industrial enterprises have restructured the process to eliminate the negative consequences of their production on the environment (Habisch, Jonker, and Wegner, 2004). The reason for this is mainly assistance from international institutions and partially government regulations.

At the same time, it is emphasized that there is no professional CSR business-associations established in the country and managed transparently only by business, as it was in other European countries on the initial stages of CSR development (Bui & Biletska, 2014). However, there exist two organizations that contribute greatly to the creation of responsible consciousness towards stakeholders in Ukraine – Centre for CSR development and social company “CSR Ukraine Community” (Bui and Biletska, 2014).

One of the important aspects of CSR in Ukraine that is drawing attention of Ukrainian managers is corporate governance. Different international financial institutions have been active in Ukraine, e.g. the World Bank, the European Bank for Reconstruction and Development, and International Finance Corporation. These institutions have been trying to improve corporate governance standards in the country (Habisch, Jonker, and Wegner, 2004). Therefore, the international organizations can play a crucial role in the CSR practices through accommodating it into requirements for private projects in Ukraine.

Dialogue on the CSR topic in Ukraine is being held in the form of separate projects and initiatives, without precise indicators and assessing the process, and results of implementation.

According to Bui and Biletska (2014) only 35% Ukrainian of companies are aware of CSR concept in business practices. However, it could not be noted that CSR practices are popular among Ukrainian companies because each fifth company does not know of this widely known concept. According to the survey results, only 35 % of respondents believe that CSR has an impact on the corporate financial performance (CFP), 46 % found this question difficult to answer. However, only 38 % considered this impact quantitatively and qualitatively (Bui and Biletska, 2014). According to another survey, transport and personal services, and public utilities are less aware of social responsibility, 52,9% and 57,5%

accordingly. On the other hand, financial and banking services (94%), industrial goods production (84,5%) and trade (83,2%) showed the greatest awareness of CSR practice.

Only few companies popularize and actively implement CSR practices in Ukraine. Partially this is due to the lack of information about CSR and absence of experience, partially due to the distorted approach to CSR as a moral principle rather than an opportunity to obtain long-run sustainability (Bui and Biletska, 2014). According to the survey, where the question was ‘To what degree is it necessary for the company to be engaged in solving social and ecological problems, i.e. to be socially responsible’, 48.8% of companies think that solving social problems is solely a state institutions function, only 4.4% of enterprises expressed the opinion that business participation in solving social problems does not make any sense. Thus, Ukrainian businesses would prefer so that the state played a crucial role in solving social problems than businesses (Social responsibility of Ukrainian business research results 2005, 2006).

Eventually, the main obstacles for the CSR development in Ukraine are companies’ disinterest. The state of affairs in institutional environment proves the fact that socio-economic, political and cultural issues play a crucial role in CSR implementation. There is an urgent need to develop a Ukrainian understanding of CSR. Understanding of the CSR impact on the bottom line is very important for CSR development in Ukraine, as it is business that has to take an initiative in raising CSR awareness and necessity.

2.5 Research model

The research questions to the investigation were formulated as follows: *What institutional factors shape or constrain development of CSR implementation in Ukraine as an emerging economy? Why might Ukrainian companies pursue CSR practices in challenging and non-enabling institutional context?*

The study proposes a research model from an institutional perspective. To answer these research questions, we propose a research model that highlights the role of a set of institutional factors in shaping development of CSR in Ukrainian companies. This set of factors comprises socio-economic, political and cultural factors. We believe that these factors have an impact to the extent CSR is developed in Ukrainian companies. This paper identifies important gaps in our understanding of the relationship between national political-socio-economic and cultural peculiarities and CSR practices. Applying an institutional theory to CSR may highlight the unique institutional complexities that Ukrainian firms face and provide opportunities for conceptual and empirical development of CSR.

The model is represented in illustrative form. On the left side there are four independent variables such as political factors, socio-economic factors, cultural factors and motives for CSR engagement in Ukrainian weak institutional context. First three factors will enable me to find an answer on my first research question, whereas last independent variable will give me an answer to my second research question. All these independent variables are influencing a dependent variable which is CSR development in Ukraine. While first three independent variables might have either positive or negative effects on dependent variable, last variable has only positive influence on dependent one since companies' engagement in CSR activities in weak institutional context shape a development of CSR only in a good way.

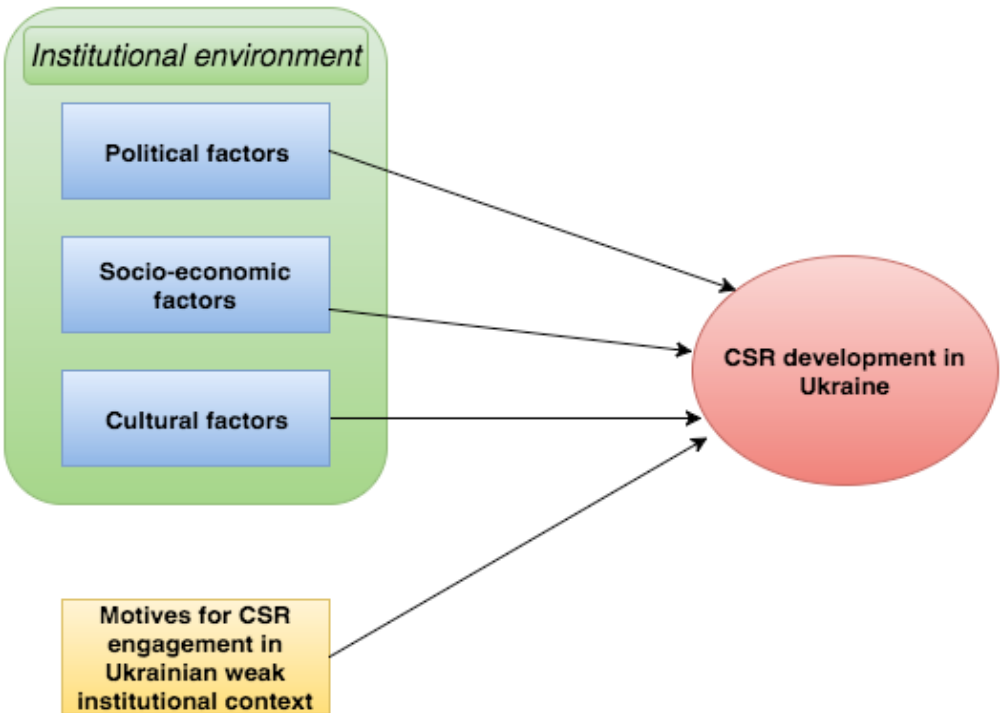


Figure 2.5.1. Research Model

2.6 Conclusion of theoretical framework

The analysis of literature on CSR has proven that CSR in emerging economies is somewhat different from CSR in Western countries, because of the institutional context these countries have, i.e. political, socio-economic and cultural context.

The insight into a variety of CSR definitions in the academic discourse showed that there is uncertainty in both academic and business community regarding what the definition and measurement scales should be regarded as universal. One of the reasons for this is that the

researchers aim at describing and providing a deep understanding of CSR as a phenomenon instead of trying to provide its definition.

It can be concluded that these institutional peculiarities that vary from country to country affect CSR strategic choices in the case of emerging economies. Different CSR researchers have widely recognized that Ukraine is an emerging market with relatively weak institutional environment – various factors contribute to slow socio-economic and political development. The importance of CSR policies is not still taken seriously by Ukrainian consumers and businesses and the public awareness of the benefits that CSR practices bring is still low. Ukrainian companies report various obstacles that constrain implementation of CSR practices. Most of these challenges are derived from local specific institutional and business environment which is unique to the country. Among the main factors constraining manifestation of CSR that are reported are insufficient funding, heavy tax burdens, legal discrepancies, a lack of the government's interest, the absence of legal incentives for CSR policy implementation and a lack of experience in implementing CSR practices. The institutional context in Ukraine is of great influence on the implementation of CSR practices.

3.0 Research methodology

This chapter provides all the necessary information regarding the methodological framework of this master thesis. Methodological chapter is vitally important in terms of defining the right way of doing the study, responding to the problem statement and research questions.

3.1 Research design

A research design is considered to be a guide to how a research will be undertaken. The function of a research design is to ensure that the evidence obtained enables us to answer the initial question as unambiguously as possible (Vaus, 2001). Research design is a detailed formal statement of how the study is to be carried out, identifying variables, key procedures and strategies (Knussen and McQueen, 2001).

The method's literature derives the three main types of research design: exploratory studies, descriptive studies and explanatory study. Each of these research types is used in different situations and addresses different research questions (Saunders, Lewis, and Thornhill, 2007). In the present study, an exploratory research design with elements of descriptive one would be the most efficient variant addressing our research questions. An exploratory research serves in our thesis as valuable means to find out what is occurring, explore new insights and possibly assess phenomena in a new light (Robson, 2002). Moreover, exploratory study is widely used if a problem is badly or not well understood (Ghuri & Grønhaug, 2002). The main advantage of this type of study that you are completely flexible, adaptable to change, and free to change your direction after either new data and findings or new insights (Saunders, Lewis and Thornhill, 2007). However, the flexibility does not involve the absence of direction, in other words, the flexibility means a broad focus which becomes narrower as the research develops (Adams and Schvaneveldt, 1991). There are three basic ways of conducting exploratory study: a search of the literature; interviewing 'experts' in the particular subject; and conducting interviews (Saunders, Lewis, and Thornhill, 2007).

Additionally, a descriptive research can serve as 'an extension of, or a forerunner to, a piece of exploratory research' (Saunders, Lewis, and Thornhill, 2006). In our study it is necessary to have a comprehensive overview of CSR prior to the collection of the data. Incorporating descriptive elements in our thesis allowed us to go further into describing

phenomena and draw conclusions from the data collected from the secondary sources prior to conducting interviews.

3.1.1 Qualitative research

Basically, we had to choose, as researchers, either quantitative or qualitative research framework before conducting the research. There are the following differences between them: the quantitative research is widely used to test variables and theories through closed-end questions and different statistical methods, whereas the qualitative research implies primarily the understanding of a phenomenon complexity through open-ended questions (Creswell and Clark, 2007). For our purpose the qualitative design is the most desirable research choice as it assists in discovering qualities or abilities of a phenomenon (Easterby-Smith et al., 2013). Thus, it allows us to study CSR phenomena and its development in Ukraine in-depth as to obtain an overall overview of such complex phenomena; due to flexibility of such strategy more questions could arise within research process. Additionally, a qualitative design is preferred in this study because this research aims to explore the phenomenon CSR by collecting substantial and detailed data. Therefore, we can assure that quantitative research would be inappropriate here to achieve the desired objective in this work.

3.1.2 Choice of a research method

There are different approaches and tools to gather qualitative data (Easterby-Smith et al., 2013, p. 126). The most suitable method to achieve such insights is in-depth interviews. It is a qualitative technique which refers to conducting intensive individual interviews with a limited number of respondents to find out their views on a concrete problem, issue or situation (Boyce and Neale, 2006). The importance of in-depth interviews is summarized by Burgess: ‘the interview is the opportunity for the researcher to probe deeply to uncover new clues, open up new dimensions of a specific problem and to secure accurate information that is based on personal experience’ (Burgess, 1984, p.107).

Basically, there are three general types of research interviews: structured, semi-structured and unstructured (Gill et al., 2008). In this project I have used semi-structured type of interviews. It contains several essential questions to shed a light to the key issues. Compared to structured interviews, open-ended and semi-structured interviews reflect a broader perspective and more in-depth understanding of the participants (Leedy and Ormrod, 2014). This type is appropriate to researchers who have an overview of their topic so that they

can ask questions. The main advantage is that it enables interviewer or interviewee to diverge from the topic guide if it needs in order to obtain particular information to a great extent. Furthermore, a checklist, i.e. a topic guide was prepared in advance which served as a structure for the questions. Although there were classic deviations (as it occurs within semi-structured interviews) in order to be in line with important issues and follow them, and to defuse tension.

I found very useful within this research to use such a technique as "laddering". This technique works well with depth interviews (Focus Group, 2009). It also helps to uncover the attributes, consequences, and values by asking "why..." and finding subconscious motives. However, there are two problems with this tool: the respondent may not know the answer; the issues may become too intimate (Hawley, 2009).

3.2 Sampling and data collection

The initial plan was to conduct interviews with the companies operating in one particular sector first which have similar characteristics such as size, products, profits and activities. It would enable me, in addition to my primary research questions, to make inferences about CSR in that particular sector which would narrow the scope of my study. However, due to small rate of responses from companies I had to arrange the interviews with the Ukrainian representatives from different industries. Therefore, all companies participated in this study have different activities. The interviews were conducted in three different languages (Ukrainian, Russian, and English) taking into consideration the willingness and choice of a respondent: 5 interviews were in Ukrainian, 5 in Russian, and 2 in English. In addition to interviews, I collected and analysed financial and non-financial reports published by those companies.

I chose two types of companies which have and do not have CSR policy and activities, and it gave me a full and comprehensive picture of CSR development as well as helped to find answers on my research questions. To be sure that I would have enough sample to make inferences I selected and included 3 multinational companies operating in Ukraine, 7 national companies with CSR policy and 2 national Ukrainian companies without CSR policy stated in overall company's strategy. Subsequently, nonprobability samplings such as convenience sampling and purposive sampling were combined to choose the respondents. Due to time and resource limitations these two samplings were used throughout my research. Convenience sampling allowed me to reach the respondents based on the ease of access to them. Purposive

sampling enabled me to choose only those companies which would be appropriate for my research.

3.3. Ethical considerations

According to Easterby-Smith et al. (2012) research ethics is about appropriate choices and to act in a suitable way with regards to both parties. An interview inquiry is regarded as a moral enterprise. Thus, interview research is saturated with moral and ethical issues (Kvale, 2007) and ethical concerns should be considered from the beginning of an investigation and up to the final report. Given the nature of issues addressed in this study, all the interviewed companies and managers were assured of anonymity which helped ensure more effective communication and trustworthy information.

3.4. Validity and Reliability

Le Compe and Goets (1982) mentioned that validity in a qualitative research relates to accuracy and trustworthiness of findings. Campbell and Stanley (1966) found and determined two forms of validity which are "external" and "internal". Denzin (1970) applied them to qualitative study. Thus, external validity relates to "the extent to which research representations or reflections of reality are legitimately applicable across groups" (Brink, 1993); internal validity refers to "the extent to which research outcomes are a true representation of reality and not being the effects of extraneous variables".

Selltiz et al. (1976) defined reliability as the consistency, stability, repeatability, and ability to collect and record information accurately. Moreover, it is concerned with the ability to yield the same results over periods.

In this study in order to enhance the reliability of the data there were used multiple sources for obtaining data, i.e. interviews, scientific documents, companies' reports; and conducted 12 interviews with the respondents who have different important roles and "weight" in companies as to have diverse perspectives on the same issues.

As it was mentioned external validity refers to a possibility of applying findings to other situations (generalizability). In case of a qualitative research it is difficult. However, by taking actions regarding internal validity and reliability, I believe that obtained results might be generalized and be spread on other companies operating in Ukraine.

Moreover, I attempted to avoid a bias as much as possible throughout my research. I am sure that my study is unbiased and the data is not distorted. In my thesis the interviews

were primary data source, therefore, I standardized all procedures. It implied asking the questions in the same way; asking a general/easy-to-answer questions first; conducting all interviews through Skype at convenient time for them; and, finally, promising that their identity would be hidden; recording all interviews as well as taking notes. Subsequently, I can argue that all inferences from the data are accurate, and the study was conducted in a such manner that none of extraneous factors did not influence the interpretation of the data.

4.0 Empirical Findings

The following chapter contains an extensive presentation of the findings collected through the discourse analysis of reports of the Ukrainian companies on the CSR engagement as well as in-depth semi-structured interviews that have been conducted.

In the effort to investigate the institutional factors shaping CSR development in Ukraine and explain why Ukrainian firms engage with CSR in non-enabling environment, and why they choose for particular types of CSR practices, the institutional environment of business plays a significant role (Campbell, 2006; Crouch, 2007; Matten and Moon, 2008). Hence, in this part we will reveal our findings using our theoretical framework and underpin our analysis with direct cite from informants.

4.1. Institutional factors shaping CSR development in Ukraine

4.1.1 Political factors

Following Fox et al. (2002) it can be argued that the state should provide an “enabling environment” for CSR. These authors explain that “by “enabling environment” we mean a policy environment that encourages business activity that minimizes environmental and/or social costs and impacts while at the same time maintaining or maximizing economic gains” (Fox, Ward, and Howard, 2002). Thus, the development of CSR in Ukraine as an emerging economy cannot be divorced from political processes, which drive or constrain business behavior towards taking responsibility for social related issues.

The goal of accession to European Union membership has acted as a driver for many Central and Eastern European countries to focus on CSR issues, since the latter is acknowledged to represent good practice in the EU (Visser, 2008). Interviews, that have been conducted, showed that Ukrainian companies are not an exception. Ukrainian businesses have started to follow European companies in terms of CSR implementation. Businesses are interested in implementing social, environmental and economic practices in order to attract European investors or to enter European markets. Progressive Ukrainian companies realize that one of the barriers for entering European markets is non-compliance with CSR principles. Several export-oriented companies that are interested in legitimization of their businesses in European countries, where CSR has a long tradition, develop and execute strategies to institutionalize CSR. Businesses with an international sales focus are more likely to report than companies that operate regionally or locally. Ukrainian businesses, that are exposed to

international markets, have to undertake CSR practices as a consequence of international market pressures. This is underlined by the following statement:

'In terms of microeconomic level of international economic integration Ukrainian enterprises have to move in the direction that is inherent to companies that operate in Europe, they have to meet modern standards of business behavior because it gives better access to international markets. It is complicated to export products to EU countries if you do not meet certain environmental standards. That's why our company has implemented the CSR policy. '

Another informant from a domestic company mentioned the following: *'It is basically large international corporations present in the country, that implement CSR practices as a global policy pursuing the goals inherent to CSR globally, but most domestic companies have other incentives of CSR implementation... Many Ukrainian businesses are characterized by a low level of ethical development that results in their uncompetitiveness on international markets. Therefore, we need to have a competitive position in order to expand on new foreign markets'.*

One respondent replying to the question regarding the factors that have contributed to facilitating CSR implementation in a company reported: *'I think that CSR compliance in our company primarily came as a result of contacts with foreign markets and it is still the main driver for us to implement CSR policies. The point is that compliance with CSR helps us to boost the company's image and, as a result, access new international markets.'*

This implies that dependence on international markets shapes behaviour of local companies in terms of CSR because among entry barriers to foreign markets they have to comply with CSR policies.

At the same time the weak institutional environment in Ukraine, that is characterized by corruption and poor governance, causes low CSR development in the country. Ukraine is ranked 137 out of 148 countries in terms of institutional framework according to the World Economic Forum's 2013/2014 Global Competitiveness Index (IBP, 2015). Ukrainian regulatory institutions are characterized by poor ethical behavior of companies, weak auditing and reporting standards (IBP, 2015). One of the major problems is the high level of corruption in Ukraine. Corruption was repeatedly mentioned by respondents as the most challenging problem in the country and main constraint of doing business in Ukraine and, therefore, discouraging companies to adhere to CSR policies. All international companies operating in Ukraine argued that they have special 'codes of conduct' aiming to detect potential economic abuse or theft while only 10 per cent of domestic companies have similar 'codes of conduct'.

This is underlined by the following statement of the representative of the international company operating in Ukraine.

‘Our key responsibility is to fight corruption in our industry and conduct business in a transparent way. This requires all suppliers and contractors. We analyze all our units, supply chain for corruption risks’.

Ukrainian businesses show unwillingness in disclosure of the information regarding anti-corruption activities, i.e. the rules and policies of business-partners selection, recruitment of contractors and transparency in their supply chain in their CSR reports. Thus, the level of transparency in CSR issues is quite low across the country and only a few businesses can be regarded as transparent. In Ukraine, in 2005–2010, only 38 businesses published CSR reports (55 reports in total) (CSR reporting: instrument of socially responsible business, Global Compact Network, 2010). There was an inconsiderable increase in the number of CSR reports from 15 in 2011 up to 35 in 2012 (CSR development in Ukraine in 2012. Forecasts for 2013, 2013). Nevertheless, the number of CSR reports seems to grow year by year.

Regulative systems in terms of institutional CSR development in Ukraine lags far behind other developed European countries. Regulative systems include both the law and rules, and imply clear sanctions in order to modify and guide corporate behavior of businesses. Ukraine is characterized by the lack of special legal framework for CSR policies, i.e. there are no mandatory rules, legal acts or standards as regards to the CSR compliance, their implementation, and reporting. There are no legal ways to monitor compliance of businesses with their CSR activities. As a result, lack of regulation creates substantial constraint on CSR development limiting transparency, possibilities for efficient control over CSR compliance, and eventually the incentive to adopt and follow a CSR policy. The lack of a strong governmental control over the social, ethical, and environmental performance of businesses in Ukraine results in discouraging businesses to adopt CSR policies. In analysing the data, five of the interviewees identify the state as a regulative actor of CSR practices. This is underlined by the following statement: *‘The national CSR policy in Ukraine is not developed for at least state-owned companies so it hinders much the CSR development. The state does not promote any specific actions to encourage businesses to engage in CSR practices. If the government was a role-model of transparency and adopted special legal acts regarding CSR compliance, we would have to adhere to them and implement a CSR strategy and as a result provide complex information about their sustainability policies and projects. But now there are no mandatory rules or legal acts and we lack interest in promoting CSR within the company. In this case only the state should be socially responsible’.*

In contrast, a number of companies are willing to undertake CSR projects without legislative assistance and demonstrated their voluntary adherence to CSR policy. For example, one of the representatives of the Ukraine's largest industrial holdings stated: *'Regardless the fact that there are no legal acts binding Ukrainian companies to adhere to CSR practices, we have had many incentives for implementing CSR within the company. We started implementing CSR with some charitable activities as other companies did... it was our vision of development, because we strived to become a country's leading company in the industry, to be a business which could be the pride of Ukraine. Therefore, our management has decided to be a model of transparency and implementation of social and environmental policies. Thus, we have realized that implementing CSR is good for our company'*.

Another respondent from an industrial company has also expressed willingness and a high interest regarding CSR development: *'For us CSR is a part of our business strategy. We understand that our business should greatly contribute to solving social problems. It should integrate principles of responsible business into all processes, i.e. from investment decisions to their implementation. Such an approach helps us to build partner relationships with our employees, customers and society'*.

Moreover, some Ukrainian companies that are engaged in CSR point to the failure of the state to address social issues and report that it is one of the incentives to implement CSR in the companies.

'We think that the Ukrainian state, as a social actor, fails to deliver all the social services needed for the public. In such an environment, where social policies of the state are weak, we are willing to contribute to the society well-being by different programmes and events that we arrange'.

In addition, in Ukraine there are some adopted laws and codes, for example, the Labor Code and the Laws on Consumer and Environmental Protection that regulate some aspects of CSR. Furthermore, the project 'National Strategy of Social Responsibility of Business in Ukraine' has been developed under the initiative of the CSR Development Center with the support of the Global Compact Network in Ukraine, some private companies, and universities. In 2011 the project was sent to the Parliament in Ukraine. The project is aimed at adopting the National Strategy of CSR Development at the state level as well as improving the laws on implementation of environmental and social labeling and its enforcement (Kobel, K llezi, and Kilpatrick, 2015). The document can play an important role in the future development of CSR policy.

Certain respondents have also pointed that political instability in Ukraine, i.e. political crisis, economic reforms, constantly modified taxation system and disparities between the east and west, constitutes a major hindrance to the development of CSR in the country because it weakens the governmental capacity to influence public policy and CSR. Political instability in public policy implies sharp changes in governmental regulations with regard to taxation and trade that weaken Ukrainian companies' compliance with CSR policies. This is emphasized but the following statement:

'Businesses play a significant role in providing social values as well but in austerity times it is very challenging and sometimes impossible to be socially responsible and not to reduce social expenditures because businesses have to solve other urgent problems, i.e. to save working places and production'.

An interesting finding, that shows a counterpoint, is that some Ukrainian companies see political instability as an encouraging factor for CSR implementation during difficult times. This is underlined by the following statement:

'Our assistance to society is enormous in these instable times...We come up with new and effective decisions – we invest in building new houses, schools and improve infrastructure even in such difficult times. Our loyalty to the principles helped us to save the most valuable – trust of our employees and society in general. Our employees have stayed with us and have not left for other cities. Trust between company management and employees influences the town and societal development'.

A number of interviewees stated that many Ukrainian businesses face heavy tax burdens and poor funding, which are considered to be the constraints for businesses to commit to CSR principles in the country. The advancement of CSR initiatives in Ukraine is therefore challenged by the unwillingness of the government to pass legislation that will incentivize businesses to implement CSR by offering tax exemptions. Some of the respondents stated:

'We do not find it necessary or beneficial to implement CSR policies because we have heavy tax burdens. We would be interested in adopting CSR if there were any legislated tax preferences or other kind of material benefits for those companies that actively engage in CSR practices'.

Moreover, some businesses consider exemption from tax audit that regulatory institutions conduct as a stimulating factor for adhering to CSR policies. As one representative of a national company reported:

'Our business is regularly subject to tax audit on a regular, consistent basis by the tax authorities. Some of these checks are sudden and unscheduled, and they seem to be intentionally performed in order to fine the business and 'grab' our money to the state budget. Thus, we find it difficult to work in such weak institutional environment when the rules of the game are not defined clearly'.

Ukrainian businesses also find the Tax Code of Ukraine unclear and challenging which leads to ambiguous interpretations by tax payers and tax authorities. Unclear wording in the clauses of the Tax Code results in disagreements between them. The Tax Code has been repeatedly changed over the years and a number of different amendments to tax rules have been made. One of the respondents stated: *'The problem is that the tax system is undergoing significant alterations each year and it is challenging to understand it in detail and keep up with all these developments and changes in the Tax Code. Let's imagine – a middle-sized business has to make around 28 tax payments each year, and it requires much time to be compliant with its tax requirements. How can we be transparent in terms of our activities and CSR engaged if the Tax Code is not transparent?'*

Almost all the respondents stated that they are concerned with transparency issues. They reported that transparency issues are required to be addressed at the institutional levels for CSR to be established in Ukraine. As an example one of the respondents mentioned: *'Transparency at all levels will definitely help the development of CSR activities and initiatives. First of all, the government should work on this issue by adopting special transparency regulation and being transparent itself. Only this can enable much more businesses to adhere to CSR policies'*.

Ukrainian companies are investing their resources in addressing different aspects of CSR. For instance, leading Ukrainian industrial companies have started to restructure their processes in order to decrease the negative impacts of industrial activities on the environment. The reason for this is mainly government regulations and assistance from international institutions and organizations. In terms of environment, local companies are using different indicators to measure the emissions produced by their activities. One of the interviewees from an industrial enterprise stated: *'Leading industrial enterprises have implemented CSR in terms of reducing the negative effect on the environment and the main reason for this is the support of new government regulations in place. Thus, to a large extent our actions in terms of CSR are linked with environmental efficiency and that's all'*.

However, Ukrainian industrial businesses cover environmental issues in their reports in different ways. Some businesses disclose environmental issues in detail providing detailed

information on how much they invest in pollution prevention and reduction programmes, whereas other companies only show their compliance to the environmental protection without making any details public.

All interviewed multinational corporations located in Ukraine that have international corporate strategies, with requirements for all countries to contribute to sustainable development, seem to be the strongest proponents of CSR and all their Ukrainian affiliates are implementing CSR practices. Almost all representatives of multinational corporations report that they do not face any institutional challenges with regard to CSR implementation. For example, the representative of a world-leading corporation stated: *'Yet we have not faced significant problems while implementing our CSR strategy. We choose trustworthy mechanisms and institutions within our CSR activities to be sure the desired result will be achieved'*.

4.1.2 Socio-economic factors

It is often argued that CSR in emerging economies is most directly shaped by the socio-economic environment in which businesses operate (Visser, 2008). The nature of socio-economic systems can disincentivize businesses from integrating social and ethical issues. In order to figure out if the socio-economic context shapes or constrains CSR development in Ukraine, the businesses were asked what external institutional pressures – socio-economic factors affect or drive CSR development in their companies.

Economic recessions and instability taking place in Ukraine results in the limited capability of companies to plan their activities over the long-term period. These factors are found to shape the CSR development in Ukraine. Ukraine is therefore characterized by an unhealthy economic environment that prevents national businesses from acting in socially responsible ways. Ukrainian businesses are less likely to adhere to CSR policies when they have relatively weak financial performance and when they are operating in an unhealthy economic environment where inflation rates are high, and productivity growth is low. This can be underlined by the statement of a representative of a consulting firm:

'We have recently experienced a decline in demand for our services due to economic and political events taking place in the country. Our budget for the next year was significantly cut. Our management has decided to decrease expenses for CSR. We think that if the situation does not stabilize, we will have to invest resources in more problem areas'.

A representative of a domestic company mentioned the high rates of inflation that affect CSR in their company:

'Due to recent political events in the country it is estimated that the loss of the Russian market has resulted in a 6% decline in Ukraine's GDP and it affected our company as well in regards to financial issues. Unfortunately, we are not able to invest in human capital and invest in CSR areas or provide social services because of rapidly changing inflation rates. We have to refocus our strategy in order to survive in a constantly changing environment. But we hope that with government's assistance and better economic environment, CSR activities will take place again in the nearest future'.

Another respondent from an international company posed: *'Since 2015 our headquarters has begun to dismiss personnel in Ukraine. The employees that are still with us have to work overtime. So we have not planned any CSR activities for 2016. Our key current issue is to cover current operational expenditures in order to survive'.*

An interesting finding, that shows a counterpoint, is that some Ukrainian companies can survive or do business successfully even in an unhealthy economic environment.

'Any crisis is always a possibility to find additional opportunities to expand any business. We have discovered that adhering to CSR policies and implementing different CSR activities help us to find new customers. Assisting volunteers that deal with military issues or provide homeless or refugees with food improves the company's brand image. It is not ethical to advertise and promote such our activities, however, on the other hand, it provides us with new loyal customers'.

CSR has not yet taken hold in the mind of Ukrainian consumers. Ukrainian customers have a very low and limited level of awareness about CSR, the benefits that CSR brings and are concerned most with core product attributes such as price and quality. Whether a business implements CSR practices or not is not yet a determining factor in consumers' buying preferences in Ukraine, and compliance or non-compliance with CSR strategies is not taken seriously by consumers. The interviewed companies reported that conditions under which CSR issues attract consumers are, unfortunately, not reality and furthermore there is no necessity to adhere to CSR under such conditions.

'We mainly focus on providing quality products at a reasonable price to our customers as these aspects are the main triggers of success. We act according the Law of Ukraine 'On Protection of Consumer Rights' so we provide true and complete information about our products. We face a risk of losing customers only in case of bad quality products or high prices for them, but non-compliance with CSR policies cannot serve as a ground for losing customers'.

'We had no customers today which have paid their attention to our engagement in CSR practices'.

This indicates that Ukrainian society does not put enough pressure on businesses that would incentivize companies to adopt CSR policies because they are unaware of the importance of CSR policies and their benefits and achievements in CSR implementation. Thus, there is no demand for CSR from society that constrains CSR development in the country.

There is also a lack of awareness and understanding over CSR concept among some Ukrainian businesses. Every business knows at least something about CSR, but understands and interprets it in different ways. Management of Ukrainian companies does not always understand CSR as it is understood in developed countries. Some local companies consider the fact of compliance with legal acts, e.g. paying taxes as 'a socially responsible behavior'. Local businesses tend to ascribe the actions as CSR events which are, in fact, compliance with national legislation, for example, compliance with labour or environment protection norms. Two statements of representatives of domestic companies demonstrate such an understanding of CSR: *'We are fully committed to the Ukrainian legislation and adhere to it. We comply with all national laws on areas such as health, labour conditions and wages. For example, we do not demand all our employees to work overtime without compensation'.* *'Within our CSR activities we have special programmes related to environment protection. We minimize negative environmental impact of our activities'.*

These examples are about how Ukrainian companies could understand CSR and use their actions as CSR engagement in order to benefit from it. At the same time this illustrates that there is still confusion existing about the term CSR among Ukrainian businesses.

In Ukraine the understanding of the role business plays in the country is slowly built in the minds of citizens. After a number of attempts to improve cooperation with government for solving effectively social and environmental problems, Ukrainian business has recognized that the Ukrainian civil society that is getting stronger can also be an ally in a dialogue with the government and local authorities. Many Ukrainian businesses actively implementing CSR programmes understand that the state and society have their own opinions and it is of great importance to elaborate mechanisms of cooperation for solving socio-economic and ecological problems. It resulted in a number of initiatives for development of CSR in Ukraine. For example, under the Parliamentary Committee on entrepreneurship and industry police, the Council on CSR Strategy concept development was established, where various stakeholders were invited to participate. This was followed by the Presidential decree in 2013 and

establishment of Working group on development of the National CSR Strategy in Ukraine under the Coordination Council on support of civil society development at the Administration of the President of Ukraine which were the key milestones (Kurinko, Filosof, and Hollinshead, 2012). The document is aimed at institutionalizing a dialogue between the government, business and society for enabling more businesses to implement CSR. However, it is not implemented because of the beginning of the confrontation between society and government in Ukraine, which later grew into a revolution.

Links between Ukrainian businesses and civil society organizations have been found to have two main forms: businesses support independent civil society organizations, or businesses themselves establish smaller business associations, which are formally registered as civil society organizations, implementing marketing and training programmes, international cooperation and so on (Ghosh, 2014).

As Ghosh (2014) notes, ‘despite the resilience in the crisis, however, Ukraine’s civil society is yet to develop sustainable interaction in policy dialogue and to have the desired impact on changing people’s quality of life’ (Ghosh, 2014). The Ukrainian’s civil society is considered to be the most vibrant according to international standards. There is a great number of organizations involved in different activities despite non-enabling institutional environment and irregular funding. In the current economic crisis in Ukraine the civil society has yet to become a systemic tool in policymaking. In such weak institutional environment still there is the need to strengthen the institutional capacities and role of civil society and civil organizations that can demand for and monitor CSR practices in the face of governmental failure. Moreover, there is an urgent need for consolidation of efforts of the government, business and society by establishing an arena for a constructive dialogue between stakeholders. This is underlined by the following statements:

‘If NGOs in Ukraine were aware of the CSR areas and priorities Ukrainian companies adhere to, these organizations would be able to address these companies for assistance in particular areas and get it from businesses. It would definitely boost the institutionalization of activities in the field of CSR in Ukraine’.

‘In my opinion it is very important that there are some indicators of the dialogue between the government, business and society in Ukraine because its development leads to strengthening of democratic and civil institutions. This dialogue is effective when there is no pressure from the government, for example... The government, business and society should understand areas of their responsibility’.

'NGOs provide social initiatives and it is very important for our company since we are limited in time and are not always aware of the problems that need to be addressed in the first place. NGOs always come up with significant projects for society. We both benefit from cooperation – NGOs usually lack adequate resources but we lack expertise and time. Thus, interaction between business and NGOs is of great importance and should be continuously developed'.

One of the respondents reported that the company experienced difficulties in implementing one of the CSR projects because of the underdeveloped NGO sector in the country:

'One year ago we have implemented a CSR project. It was not that easy as it seemed first. We have met lots of challenges. It is a pity that NGO sector is not developed in Ukraine that we can approach them for assistance in realizing our social projects. The project was not that successful as it was supposed to be'.

CSR manifestations in Ukraine are invariably shaped and molded by the socio-economic environment. Institutional voids continue to slow down the progress of CSR development in Ukraine.

4.1.3 Cultural factors

Many authors have argued that CSR is intricately tied to cultural traditions and norms (Visser, 2008). In relation to the impact of cultural factors on the adoption of socially responsible behaviours and adherence to CSR, more than half of the respondents indicated that cultural factors do have a role in influencing the engagement in responsible business practices within the businesses in Ukraine. Many of the companies mentioned distrust in the society towards businesses and social value they can provide as a major cultural factor shaping CSR development in Ukraine. In particular, one respondent pointed out that:

'Cultural norms and stereotypes do have significant influence on CSR development. Unfortunately, people in Ukraine are incredulous and the fear to be deceived prevents them from participating in CSR activities. Within our programs we do our best to make people see the results of the work performed / use of money collected to encourage them to participate in future events'.

A negative balance of trust in government, business and public institutions as well is observed in Ukraine. A paradox that exists in the social consciousness of the Ukrainian

citizens: a very high level of social expectations from the state is combined with the extremely low level of trust to the state and its institutions. Ukrainian society demonstrates distrust towards businesses' social initiatives and thus CSR adherence does not play a significant role in choosing products and services for Ukrainian customers. According to a report, only 21 % of consumers have been found to be conscious customers that choose products and services of the company that is implementing social projects. Thus, most Ukrainian consumers are skeptical to the general notion of CSR of Ukrainian companies. This can be underlined by the following statement:

'We find ourselves in a difficult position. We voluntarily adopted a CSR strategy and implement CSR projects regularly. But the society demonstrates distrust towards business and everything that is related to its initiatives, in particular social initiatives. Older generations have Soviet ideology through which they regard business as a source of inequality and unfairness. Social distrust is rooted in wild capitalism of 1990s'.

Another respondent from a domestic company pointed out to the same problem:

'Unfortunately, the Ukrainian society regard CSR as PR activities or an element of business's marketing policy in order to escape regulations from the government or to hide its real goals under CSR activities'.

Thus, a culture of distrust in corruptive public services and unfair business activities dominates in the Ukrainian society that directly shapes the development of CSR in the country.

4.1.4 Sub-conclusion

The data collected gave us insight into the institutional factors, i.e. political, socio-economic and cultural that are reported to have significance in shaping the companies CSR activities in Ukraine.

The findings indicate that many Ukrainian companies regard the same factors as hindrances for CSR development. However, there are several opposed views with regards to institutional voids, i.e. some companies find specific external factors as challenging for CSR implementation, whereas other businesses consider these conditions as motivating and CSR drivers.

4.2 CSR motives in the Ukraine's weak institutional context

This section is organized to capture the “why” aspects of our research model. It contains a presentation of the findings regarding the rationale of local Ukrainian businesses to pursue CSR and achieve responsible business practices in a *non-enabling context and weak institutional arrangements*. Our aim is to contribute to the understanding of CSR implementation by local companies in challenging and non-enabling institutional contexts through institutional explanations of CSR activities. In order to disclose what drives and motivates the Ukrainian businesses to implement CSR, the company representatives were asked about their motivations to adhere to CSR policies. The findings below are overwhelmingly from domestic companies because all representatives of international companies operating in Ukraine claimed that adoption of CSR was forced by the parent headquarters abroad.

Ukraine is an emerging economy with a challenging institutional environment characterized by unhealthy economic environment, poor governance, weak public sector, corruption and distrust of the society in government and business. From this context the motives for implementing CSR by Ukrainian companies have been investigated.

The findings suggest that Ukrainian-based companies' CSR engagement is driven by a mix of different drivers. Several progressive domestic companies decided to adopt a CSR policy and implement CSR activities because they understand barriers for long-term development in the market. These companies are interested in legitimization of their businesses in international markets where CSR compliance is a rule. This is underlined by the following two statements of representatives of large domestic companies:

'The key motive for adherence to CSR in our company was to get access and expand to international markets where CSR is considered to be a 'must have'. We aimed at exports to EU so we could not escape from it...Today we have close ties with Germany where we export our production'.

'I think that large export-oriented companies as we have the highest level CSR activities and disclosure because of recognizing the importance of CSR activities to make them attractive to investors. Thus, our management has adopted a CSR strategy'.

Thus, Ukrainian companies offer larger amounts of information concerning their CSR activities to their stakeholders in order to attract foreign investments.

Several Ukrainian businesses pointed that they consider the success of the region where they operate as a necessary condition for successful business development. These

companies' engagements focus on the improvements of living conditions of the society in the areas of assets' location, in particular, for mono-industrial cities. They mentioned that they need to take care about the environment and local communities in order to retain employees because they are the core of their businesses as well as to decrease the outflow of citizens to bigger cities.

'We have come to conclusion that CSR is beneficial for our employees, society and our business as well. We extensively contribute to the community where we operate and gain benefits from CSR activities as well by retaining employees in our town'.

An interesting finding is that there are some opportunistic businesses among Ukrainian companies that increasingly adapt CSR approaches and arrange CSR activities and events which whether are in line with the social demands or not. CSR is regarded as a part of companies' PR strategy and source of increasing company's reputation without aiming to benefit the entire Ukrainian society. The occasional CSR practices were particularly emphasized in relation to the companies' needs initiated by the management. These businesses consider CSR as a trend and their CSR activities are inconsistent and short-term practices since management of these companies aims at attracting public attention to the company and improve company's reputation. One of the respondent proves abovementioned by the following statement:

'In our case the CSR activities in the company are first and foremost business driven and strategic in the sense that they aim to solve a company's needs first, for example, to improve reputation or to win new customers but social benefits go second'.

'We have to show to the public that we are a responsible actor and that we care about societal problems as well. CSR has been a must-have in many western businesses and it was copied by our management some years ago. Therefore, we started to organize CSR events, such as charitable activities from time to time in order to improve the relationship with the local actors that are vital for the company's expansion and future flourishing. The CSR events that we occasionally hold are always covered in media that results in customers' loyalty'.

Apart from the above-mentioned motives, a small number of respondents pointed that they impose CSR activities as a result of the weak institutional system in the country and failure of the government to address societal problems. The limited number of Ukrainian businesses attempt to contribute to filling institutional voids by voluntary adoption of CSR policies and engaging in regular CSR activities which address institutional voids and urgent social problems. This can be underlined by the following statement:

‘As you know, Ukraine faces major problems, such as corruption, bad economic conditions, and challenges such as the enforcement of laws and regulations. In such conditions, unfortunately, the government fails to deliver required social services to the public. That was the main reason for us to engage in CSR seriously. We recognize that we must contribute to the societal well-being in our home country. We have made a lot of efforts to benefit the society by donations, improving infrastructure and fulfilling other activities for public. In addition, our company benefits in turn by loyal customers and employees’.

Accounting for the interview respondents’ answers, in general, they did not face difficulties selecting and explicitly or implicitly specifying one pivotal motive that pushes them to engage in CSR practices regardless institutional pressures in Ukraine. Therefore, the figure below illustrating the Ukrainian businesses’ pivotal CSR motives, is based on information collected from the interviews where respondents were asked to unpack their motives for implementing CSR in weak institutional environment.



Figure 4.2.1. CSR motives of Ukrainian companies

5.0 Discussion of results

In this chapter, the empirical findings will be discussed in order to answer the research questions raised in our introductory chapter based on the outlined empirical findings and analysis:

- 1. What institutional factors shape or constrain development of CSR implementation in Ukraine as an emerging economy?*
- 2. Why might Ukrainian local companies pursue CSR practices in challenging and non-enabling institutional context?*

The focus of analysis and discussion is given to the different institutional factors, i.e. political, socio-economic and cultural factors shaping CSR development in Ukraine and companies' motives of engagement in CSR in the Ukraine's weak institutional environment. The previous chapter on empirical findings gave an overview of the institutional factors facing Ukrainian businesses in implementing their CSR practices as well as drivers and motives for CSR adherence. Based on these findings, the institutional environments in Ukraine will be discussed as influential for companies' engagement in CSR more in detail, linking them to the categories in the theoretical framework – institutional theory.

5.1. The political environment

Ukraine's political environment is argued to have a profound impact on companies' CSR engagement. A number of contextual political characteristics are proven to be of great importance when discussing CSR development in Ukraine. Thus, the political context in which the Ukrainian businesses operate will be discussed in this paragraph.

The findings prove that a political context in Ukraine is characterized by corruption, poor governance, political instability, poor legal frameworks, i.e. a lack of special legal framework for CSR policies that shape CSR development in the country.

Following Fox et al. (2002) we can argue that the government should provide an 'enabling environment' for CSR development in the country (Fox, Ward, and Howard, 2002). These authors explain that by 'enabling environment' a policy environment is meant that encourages business activity that results in minimizing environmental and social costs and impacts while simultaneously maintaining or maximizing economic gains (Fox, Ward, and Howard, 2002). However, our findings show the Ukraine's government still does not play a

role as a regulative actor regarding CSR development in the country and a political context constrains businesses from engaging in CSR.

Following the logic of institutional theorists (Campbell, 2007; Whitley, 2003), companies operating in countries, where there are strong and well-enforced state regulations, will be more likely to act in socially responsible manner and implement CSR practices in order to comply with the laws as well as to obtain legitimacy. There is much evidence in our findings to support this proposition. Ukraine as an emerging economy is a country with weak regulatory framework and lacks a special legal framework for CSR policies. The findings imply that lack of regulation creates substantial constraint on CSR development in Ukraine limiting transparency, disclosure, and incentives to implement CSR standards. In regards to state regulations, the interviewees argued that the absence of mandatory rules, legal acts or standards as regards to the CSR compliance, their implementation, and reporting, acts as a hindrance for implementing CSR. Five companies argued that the lack of a strong governmental control over the social, ethical, and environmental performance of businesses in Ukraine discourage them to engage in CSR.

Despite the regulatory challenges Ukrainian businesses are facing, there are a few local companies that undertake CSR projects without legislative assistance and demonstrate their voluntary adherence to CSR policy. In contrast to Ukrainian businesses which point to regulatory pressures as hindrances for CSR development, a small number of companies do implement CSR practices regularly in order to be a model of transparency compared to government although there are no legal acts binding Ukrainian companies to adhere to CSR practices. It can therefore be concluded that some Ukrainian businesses navigate through the regulative challenges of its weak institutional context. It is in line with Amaeshi (2014) that 'companies can display great informal power to impose activities as a result of the weak institutional system' (Amaeshi, Adegbite, and Rajwani, 2014). These firms can be labelled as 'institutional entrepreneurs' (Amaeshi, Adegbite, and Rajwani, 2014). Based on insights from our interviews, it could be argued that some Ukrainian companies constitute some form of CSR adaptive mechanisms in order to cope with the challenges of weak institutional context. Contrary to the propositions of Campbell (2007), it was found that some Ukrainian businesses act in a responsible way despite operating in a weak institutional context with regulative pressures. However, the theoretical argument of Campbell is supported by the findings considering a number of companies that mentioned lacking of law enforcement mechanisms combined with long traditions of political corruption and intransparency as a substantial hindrance.

In addition, it is noteworthy to mention that some changes with regards the Ukraine's government's attitude towards CSR are starting to take place. For example, the project 'National Strategy of Social Responsibility of Business in Ukraine' has been developed and sent to the government for providing endorsement and facilitation, and legitimating these activities. In addition, current government regulations with regard to environmental protection force Ukrainian industrial businesses to restructure their processes in order to decrease the negative impacts of industrial activities on the environment by reducing CO₂ emissions. Thus, there is a hope that the government will play a normative role regarding CSR in Ukraine, by regulating compliance of businesses with international standards and the implementation of environmental policies. But still Ukrainian legal framework for CSR-related issues, including the treatment of breaches, is currently in an early stage of development.

The findings also indicate that political factors, in particular, signing the Ukraine-EU Association Agreement has pushed certain progressive companies to engage in CSR. As noted by Jamali (2007), nowadays companies face pressure to gain public trust and be competitive in global markets (Jamali, 2007). It can therefore be argued that possible EU membership for Ukraine and the desire to expand business activities in EU markets has been a driver for local companies to implement CSR practices. In their attempt to penetrate new markets, companies need to comply with all the international standards and customers' demands in EU markets. Based on insights from our interviews, local companies, which focus on entering international markets, adhere to CSR policies and undertake CSR practices as a consequence of international market pressures in order to reach EU standards in environment and consumer protection. This finding is consistent with Visser's (2008) proposition that 'more and more companies from developing countries are globalizing and needing to comply with international stock market listing requirements to expand to new markets and be competitive' (Visser, 2008). Thus, it can be argued that there is a direct relationship between international market exposure and CSR adherence.

Following the logic of institutional theorists (Ite, 2005; Jamali, 2014), corruption has serious implications for the advancement of CSR initiatives in emerging economies (Ite, 2005; Jamali, 2014). Not surprisingly, all Ukrainian companies, to various extent, assume prevalence of corruption as a political factor constraining engagement in CSR activities in the country. Corruption in Ukraine is considered to derive from various factors, e.g. a lack of institutional traditions of transparent decision-making as well as low understanding of the Ukrainian society of the necessity and the importance of corporate governance (IBP, 2015).

Our findings support the argumentation of Ioannou et al. (2011), who claim that ‘in environments of high corruption some businesses are more likely to engage in unethical practices to reduce their costs or increase their market share’ (Ioannou et al., 2011, p12). It can therefore be argued that the benefits to ethical businesses may be lower in Ukraine because, as earlier noted, the government does not provide incentives for businesses to engage in CSR in the form of tax exemptions or other support (Ioannou et al., 2011).

As the findings show, certain businesses consider the political instability in Ukraine as a major hindrance to the development of CSR in the country since it weakens the governmental capacity and its influence on the governmental policy and CSR. Certain respondents argued that political instability in public policy implies sharp changes in governmental regulations with regard to taxation and trade that weaken Ukrainian companies’ compliance with CSR policies. In Ukraine, the fact that political instability constitutes a major hindrance for engagement in CSR support the argumentation of Jamali (2014) who states that ‘instability in public policies implies sudden changes in regulations pertaining to taxes that add to the cost of compliance and engagement with CSR’ (Jamali, 2014, p.31). Respondents point out to constant changes in the Tax Code of Ukraine and Code’s ambiguous interpretations by tax payers and tax authorities which makes it difficult to be compliant with tax requirements and, as a result, comply with CSR policies.

In contrast to the abovementioned businesses that suffer from political instability, certain Ukrainian companies consider political instability as an encouraging institutional factor for CSR implementation during times of austerity what underpins Jamali’s (2014) argument. This finding shows that local companies in Ukraine can manage certain aspects of their institutional environment and consider these challenges as drivers for responsible behavior, i.e. CSR implementation. Thus, it can be concluded that institutional voids in emerging economies may present an opportunity for businesses to pursue CSR without allowing weak national institutions to destroy CSR activities.

In conclusion, it has been found that certain Ukrainian businesses consider the failure of the state to address social issues as an incentive to implement CSR in their companies. Matten & Moon (2008) argued that ‘as many developing country government initiatives to improve living conditions fail, companies implementing CSR can assume this role’ (Matten and Moon, 2008, p. 418). Following the logic of Matten & Moon (2008), it can be argued that certain Ukrainian companies in weak institutional context seek to take greater responsibility for social empowerment than the state and can take the lead in CSR, thus, filling the gap left open by the government (Matten and Moon, 2008, p. 418).

All political factors taken into account, this study provides evidence to claim that a number of political factors serve as hindrances for CSR development in Ukraine whereas certain factors are regarded as drivers for responsible behavior.

5.2 The socio-economic environment

Similar to the political environment, differences in the social-economic environment may cause significant variation between businesses in CSR engagement. According to theory (Jamali, 2014), ‘CSR is invariably affected by the socioeconomic environment and socioeconomic constellations of nations and nation states’ (Jamali, 2014, p.31).

Following the logic of institutional theorists (Campbell, 2007, Jamali 2014, Visser, 2008), ‘businesses will be less likely to act in socially responsible manners when they are they are operating in a relatively unhealthy economic environment where the possibility for near-term profitability is limited’ (Campbell, 2007; Jamali, 2014, Visser, 2008). Well in line with these theoretical arguments of Campbell, Jamali and Viser, sufficient evidence has been found to claim that economic recessions and instability taking place in Ukraine result in the limited capability of companies to plan their activities over the long-term period, and, thus, shape CSR development significantly. Ukrainian businesses are less likely to adhere to CSR policies when they have relatively weak financial performance and when they are operating in an unhealthy economic environment where inflation rates are high, and productivity growth is low. In relation to that, the responses obtained from interviews show that Ukrainian companies whose financial performance is so weak that they face risks of serious financial losses and dismissals are less inclined to meet even the minimum threshold of CSR. Many respondents argued that they are experiencing a relatively high number of losses, budget cuts and dismissals due to recent political events which led to the loss of the Russian market as well as due to rapidly changing inflation rates. As documented, there is a strong tendency to refocus businesses’ strategies in order to survive in a constantly changing environment. A shift towards a decline in CSR adherence among Ukrainian businesses provides support to the argumentation of Werhane et al. (2009) who argues that high levels of inflation in emerging economies affect significantly investments in CSR practices (Werhane et al., 2009). For instance, companies are not able to invest in their human capital and invest in CSR activities since their budgets are cut due to financial losses.

On the contrary, certain Ukrainian businesses survive and implement CSR practices even in unhealthy economic environment. As our findings show, certain businesses consider that unhealthy economic environment creates new opportunities to expand businesses and

find new customers. Thus, these companies implement CSR, for example, by providing homeless and refugees with food that, in turn, results in new loyal customers and a stronger company's brand image.

In relation to the impact of outsiders, i.e. civil society, activists and civil organizations in Ukraine, on the adoption of CSR, many respondents indicated that the development of civil society and civil organizations have a role in influencing the engagement in responsible business practices within the businesses in Ukraine. As Visser (2008) notes, 'in emerging economies, four stakeholder groups have emerged as the most influential activists for CSR, in particular, development agencies, trade unions, NGOs, and business associations (Visser, 2008, p. 487).

Furthermore, the findings indicate that there is no platform for dialogue between businesses and other stakeholders. Despite the fact that a number of NGOs, e.g. the Centre for CSR Development Ukraine, have recently emerged in order to establish codes of conduct and monitor the behavior of Ukrainian businesses, they yet play an insignificant role in setting the CSR agenda, monitoring compliance of businesses with CSR and pressing companies to act in socially responsible manners. The reason for this is that NGOs are not adequately resourced to provide strong advocacy for CSR in Ukraine. This largely confirms the theoretical position held by Campbell (2007) according to which 'businesses are more likely to implement CSR if there the independent organizations, including NGOs and social movement organizations do not pressure businesses to engage in CSR' (Campbell, 2007). In this perspective, the Ukrainian business environment seems not to have enough pressure from civil society in terms of CSR implementation. Moreover, some respondents stressed that there is an urgent need for consolidation of efforts of the government, business and civil society by establishing an arena for a constructive dialogue between stakeholders. These findings also support the argument of Jamali (2014), stating that 'absence of string civil regulation as the most common type of activism in terms of CSR implementation in developing countries affects CSR development in these countries (Jamali, 2014, p.3).

However, as the findings imply, certain Ukrainian businesses show an increased consciousness of the potential of relationships with NGOs in terms of CSR implementation and a growing willingness to finance projects relevant to NGOs' activities. Certain businesses consider the possibility of improving their image in the country and making a good impression on society through assistance and support of different civil-society organizations. It is believed that with the development of civil society in Ukraine, cooperation between NGOs and businesses will play a crucial role in CSR development. Certain respondents

emphasized that their companies are strongly committed to collaborating with civil-society organizations in implementing CSR projects as businesses have financial resources while NGOs have expertise and time making collaboration beneficial for both sides.

In the overall perspective, little attention has been given to CSR adoption in Ukraine from the side of civil society organizations as they have recently started to gain more and more role. Thus, civil-society organizations should make efforts in placing both social and environmental responsible business management on the agenda.

Finally, with respect to other socio-economic constraints that might affect the development of CSR practices in the Ukrainian business context, a number of respondents stressed the general lack of commitment to CSR values as well as a limited public awareness of the benefits CSR brings to the society and, as a result, the lack of public initiatives to implement CSR. Consequently, society does not put pressure on businesses which could result in proliferation of CSR in Ukraine. The findings affirm that CSR awareness, CSR development and prevalence of social responsible practices in Ukraine are on the very low level. The insights from interviews indicate that the concept of CSR is fairly new for local communities, even though the social responsibility practices have been in place for many years. This is in line with arguments of Arli & Lasmono (2010) that in emerging markets consumers are often unaware and unsupportive towards CSR practices implemented by companies, whereas in developed countries, on the contrary, most consumers are willing to support CSR initiatives (Arli and Lasmono, 2010).

As a consequence, Ukrainian businesses do not face high risks of losing their customers in case of non-compliance with CSR due to the lack of information about CSR in the minds of customers and absence of experience, and partially due to the distorted approach to CSR as a moral principle rather than an opportunity to gain long-run sustainability of the company. Thus, this is the opposite finding of consumer perception of CSR in developed countries, where most consumers are willing to support CSR implemented by local companies.

Furthermore, the findings reveal that all Ukrainian businesses know at least something about CSR but understand and interpret the phenomenon in one another way. Management of Ukrainian companies does not always understand CSR as it is understood in developed countries. As shown, certain local companies consider the fact of compliance with legal acts, e.g. paying taxes as a 'socially responsible behavior'. It is suggested that further development of CSR in Ukraine largely depends on how efficient CSR communication will be since raising awareness about CSR among the public and businesses is of vital importance. As mentioned

before, civil society organizations as well as government should play a significant role in raising awareness about CSR by disseminating information about CSR practices and benefits it brings to societies.

In an overall perspective, the adoption and development of CSR in Ukraine is currently shaped by the influence of specific socio-economic factors. In this respect, following the logic of Amaeshi et al. (2006), ‘whereas the CSR priorities in developed countries typically focus on consumer protection, fair trade, green marketing, and climate change concerns, CSR in emerging economies, characterized by the socioeconomic challenges, focus on such social issues, as health care provision, infrastructure development, and education’ (Amaeshi et al., 2006, p. 31). Our findings prove this statement since several of the interviewees indicated that the companies deal with specific social issues, including providing assistance of different kind to orphans, refugees, the homeless, military as well as infrastructure development in local communities as economic, social, and health-related crises in Ukraine motivate businesses to address these issues in their CSR strategies.

Finally, our findings have shown that several institutional socio-economic factors do play a significant role in slowing down CSR development in Ukrainian context.

5.3 The cultural environment

According to literature (Amaeshi et al, 2006.; Visser, 2008) cultural factors may determine the level of CSR development by companies in various developing countries. For example, the practice of CSR may be significantly influenced by religious beliefs and traditional norms of ethical practice (Pohl and Tolhurst, 2010).

In Ukrainian society there are significant problems related to corruption, mismanagement, inefficiency, clientelism and the ‘unrule of law’. Accordingly, absence of accountability and transparency of businesses as well as the government dominate in the Ukrainian context and these factors have led to a general public mistrust in the state and businesses.

The findings reveal a paradox that exists in the social consciousness of the Ukrainian citizens, i.e. a very high level of social expectations from the government as the main actor in providing social services is combined with an exceptionally low level of trust to the government and its institutions. Consequently, a strong sense of nationalism and a lack of faith in government and business among Ukrainians have resulted in suspicious public attitude towards CSR activities implemented by companies. Well in line with literature (Dhai,

2014; Whitley, 2003) the findings show that in Ukraine as in most other developing countries there is a culture of mistrust and suspicion. As shown, some of the interviewees gave the impression that they believed that older generations still have Soviet ideology through which they regard business as a source of inequality and unfairness. According to respondents, social unfaith in business is rooted in wild capitalism of 1990s.

Furthermore, following Sen and Bhattacharya's (2001) argument about non-democratic government, 'relation-based government tends to be less concerned with social issues due to the lack of checks in the political system, and, as a result, citizens tend to have less say in social issues and less ability to influence social issues' (Sen and Bhattacharya, 2001). Ukraine serves as a model of relation-based society founded on coercion and corruption where the rules of the game are changed to suit those in office (Governance, 2012). As a result, citizens have a higher level of mistrust in government, publicly available information, such as corporate communication. It is therefore argued that the public attitude towards CSR activities implemented by companies and mistrust in business are likely to change in a positive sense in case of the transition of Ukraine from relation-based model of governance towards a rule-based model that is exemplified by the Western countries. Furthermore, it has been found that a majority of respondents consider the recent signing of the Ukraine-EU Association Agreement as a first stage of the transition.

In conclusion, it is argued that such cultural feature of Ukrainians as to believe in rapid changes explains still low trust towards CSR activities after signing the Ukraine-EU Association Agreement a couple of years ago. However, the reality is that such fundamental changes as a transition from relation-based to rule-based model might last several decades.

5.4 Motives for CSR

Motivations for CSR may be very complex and varied and there are multiple theoretical models to explain why companies engage in creating social benefits (Carroll, 2015; Freeman, 1983). However, all these approaches have weaknesses because of their limited focus on the effects of national specific institutional contexts where CSR is implemented by the companies (Purdy, Alexander, and Neill, 2010). According to Purdy et al. (2010), at the national level different 'institutional factors create fundamentally different contexts in which companies interpret their social responsibilities and consider actions to fulfil those responsibilities' (Purdy, Alexander, and Neill, 2010). Our findings have provided insight into how institutional factors influence Ukrainian companies' motives with regards to

CSR implementation. Institutional environment in Ukraine is argued to have a significant impact on the motives that local businesses have for engaging in socially responsible practices.

Following the logic of institutional theorists (Goodrick and Salancik, 1996), ‘under conditions of institutional ambiguity, companies have greater discretion over their business practices, thus companies can leverage their resources for various reasons, e.g. economic or reputational reasons, as well to achieve legitimacy’ (Goodrick & Salancik, 1996). Ukraine is characterized by weak institutions that result in institutional ambiguity. Overall, our empirical findings support the argument of Goodrick and Salancik. Our findings suggest that motives for CSR in Ukraine can be divided into the five categories: legitimacy, reputation, filling in institutional gaps, staff and community member retention, and pressure from headquarters abroad.

Consistent with Newell & Muro’s (2006) and Jamali (2014) arguments, our findings show that all the subsidiaries of international companies and corporations operating in Ukraine engage in CSR activities pursuing the goals inherent to CSR globally as a result of the high pressure exercised by their headquarters abroad whereas local companies experience pressure to implement CSR due to various institutional factors. All the respondents from foreign-owned companies operating in Ukraine reported that their organizational CSR strategies were influenced by the parent company’s strategy and adapted to the local market conditions. As such, we believe their CSR engagement is primarily shaped by their parent companies.

Further analysis of the interview data showed that certain Ukrainian businesses place greater emphasis on legitimacy motives for engaging in social responsible practices. Large Ukrainian companies seeking foreign markets and investments demonstrated strong interest in legitimacy in the Western countries. Three respondents expressed the desire to penetrate EU markets and signing the Ukraine-EU association agreement is also seen as an enabler for local companies in Ukraine to access EU markets. In their attempt to globalize, businesses need to comply with international standards with regards to CSR and consumers’ demands. This argument is in line with Newell & Muro and Jamali’s logic that businesses in developing countries engage in CSR in order to gain international legitimacy and they face intense pressure to stay competitive in a global economy (Newell&Muro, 2006; Jamali, 2014). Baskin (2006) argues that businesses engaging in CSR acquire a ‘license’ to operate in international markets where CSR compliance is considered to be an entry barrier in foreign

markets. Thus, Ukrainian businesses undertake CSR practices as a consequence of international markets pressures in order to comply with foreign standards and norms.

The empirical findings also indicated that building strong corporate image and strengthening reputation is one of the main motives for Ukrainian businesses involvement in CSR practices. Thus, three companies in the study admitted that they implement CSR practices in the context of ‘civilizing’ their businesses and enhancing their reputation for being a more reliable business to customers rather than because of the intention to make their businesses more responsible for the public. It is indicated in extracts from the following quotes:

‘In our case the CSR activities in the company are first and foremost business driven and strategic in the sense that they aim to solve a company’s needs first, for example, to improve reputation or to win new customers but social benefits go second’.

Therefore, certain Ukrainian businesses promote their reputation by engaging in social responsible practices. Most of these companies describe CSR in an abstract manner and CSR is seen as mainly efficient PR initiatives to strengthen positive corporate image and reputation considering the absence of CSR policies in these businesses. It can therefore be argued that CSR in these cases embraces philanthropy that Ukrainian organizations use to create a positive reputation for company; however, these CSR practices are not sustainable, long-term and directly benefit to the companies.

A positive public image helps local companies to attract new customers through promoting their CSR events in the Mass Media and improve relations with stakeholders. As argued by Gray & Balmer (1998), ‘such intangible resources as corporate image and reputation can influence company competitiveness’ and that is one of the reasons as our findings show why certain Ukrainian companies engage in CSR practices (Gray & Balmer, 1998, p.696). According to Dowling and Moran (2012), ‘there is widespread support for the opinion that companies with better reputations outperform their rivals’ (Dowling and Moran, 2012). Following Friedman (1970) it is possible to interpret these motives as rooting from ‘companies’ self-interest’ and to conclude that certain Ukrainian companies use CSR as an effective way for promoting their own interests (Friedman, 1970). This view is also echoed by Reich (2008), who argues that ‘activities, aimed at improving a company’s position, even if they benefit society are not socially virtuous’. These CSR activities are just good management practices and not more (Reich, 2008). There may be hidden factors pertaining to companies’ self-interest in investing in CSR projects. For example, PR expenditures to cover in the media the company’s contribution may exceed expenditures for implementing a CSR event. Our

findings reveal that certain companies rely on high-costly PR agencies in order to promote their CSR activities.

In addition, the empirical findings indicate that certain Ukrainian companies' motive to implement CSR is tied to the challenges related to outflow of community members and employees from smaller towns where businesses operate to bigger Ukrainian cities. It is suggested that large Ukrainian companies operating in monotowns where they are the only employers, which are closely tied to the local communities due to the nature of their operations, are likely to engage in CSR in order to retain quality workforce and community members. These businesses embraced the idea that CSR practices can be a key driver of employee engagement and they actively use CSR as a powerful tool to engage and retain employees in companies and in the communities. Two respondents reported that they consider the success of the region where they operate as a necessary condition for successful business development. This is underlined by the following extract from the interview:

'We have come to conclusion that CSR is beneficial for our employees, society and our business as well. We extensively contribute to the community where we operate and gain benefits from CSR activities as well by retaining employees in our town'.

However, the study shows that certain Ukrainian businesses engage in social responsible practices for the purpose of filling institutional gaps because of weak national institutions and their low effectiveness with regards to social services. Only one respondent in our study spoke of CSR as a way to improve the well-being of society and fill the gaps left by the government. Closer examination of the interview transcripts suggest that CSR is seen as a form of response to governance challenges not as a form of company's own ambitions.

'As you know, Ukraine faces major problems, such as corruption, bad economic conditions, and challenges such as the enforcement of laws and regulations. In such conditions, unfortunately, the government fails to deliver required social services to the public. That was the main reason for us to engage in CSR seriously. We recognize that we must contribute to the societal well-being in our home country. We have made a lot of efforts to benefit the society by donations, improving infrastructure and fulfilling other activities for public. In addition, our company benefits in turn by loyal customers and employees'

This is consistent with Visser's (2008) argument that 'in developing countries CSR may be considered as a way to plug the 'governance gaps' left by weak, corrupt, or under-resourced governments that fail to adequately provide various social services' (Visser, 2008, p. 483). Thus, low effectiveness of national institutions and as a result weak institutional

environment motivate certain local businesses to elicit CSR responses by making donations, improving infrastructure, and providing urgent social services.

At this point, one can note that except for the filling institutional gaps, all the other motives are in fact self-serving for Ukrainian businesses. Social investments by Ukrainian businesses are generally made to build organizational legitimacy and good reputations or to retain staff and community members in towns. Engaging in social responsible practices for the purpose of filling institutional gaps and benefiting the society by making donations, improving infrastructure and fulfilling other social-oriented activities might be related to collectivism dichotomy from the socialist era within which Ukrainian businesses are embedded. Our findings revealed that a limited number of local companies carry on with the Soviet-time obligations, e.g. maintain social housing and infrastructure, provide health services, organize summer camps for employees and their families.

In conclusion, we can argue that Ukrainian businesses fall into five different types according to the motives for engagement in CSR, i.e. socially responsible ‘daughters’ – subsidiaries of international companies; opportunistic companies that see CSR as an effective way to improve reputation and corporate image in short-term periods; progressive local companies interested in legitimacy in foreign markets; socially responsible industrial companies which are under pressure of the possible outflow of employees and, finally, voluntary companies implementing CSR making a contribution to the society.

Types of Ukrainian companies according to the motives for CSR engagement

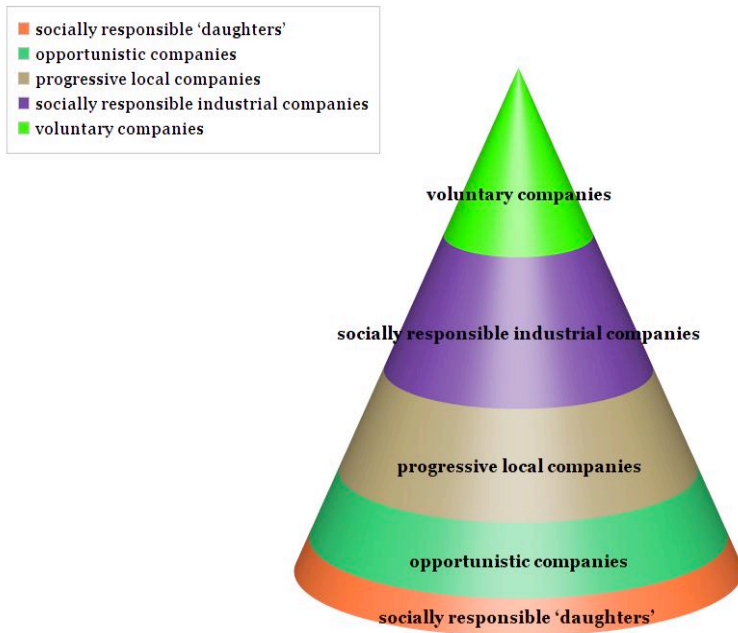


Figure 5.4.1. Types of Ukrainian companies according to the motives for CSR engagement

6.0 Conclusion

In the research I have investigated the institutional environment Ukrainian businesses operate in, and distinguished between three groups of institutional factors, i.e. political, socio-economic and cultural that are argued to influence CSR development in Ukraine as an emerging economy, attempting to answer the first research question: *What institutional factors shape or constrain development of CSR implementation in Ukraine as an emerging economy?* In addition, this thesis provides an insight into the *motives of Ukrainian companies to pursue CSR practices in challenging and non-enabling institutional context*. The overall objective of this thesis has been to investigate institutional factors that influence CSR development in Ukraine as an emerging economy, considering the local context companies operate in as well as the local companies' motives of engagement in CSR in challenging and non-enabling institutional context. Despite the research limitations (that will be discussed in the next section), following an institutional theory approach, the research objective has been reached and the thesis gives valuable insight into the institutional context of Ukraine, i.e. specific institutional factors affecting or encouraging Ukrainian businesses to implement CSR and the local businesses' motives to pursue CSR regardless weak institutional environment.

When linking literature review to the findings of this thesis, it can be concluded that the local institutional context plays a significant role in shaping CSR development in Ukraine. Three groups of factors, i.e. specific political, socio-economic and cultural factors are found to have a substantial influence on companies' engagement in CSR practices. In answering the first research question, this thesis shows that the Ukrainian companies are significantly influenced by the political environment as well as socio-economic environment. The former refers to political instability, passive role taken by the government, absence of strong and well-enforced state regulations and high levels of corruption. The thesis shows that there is no close cooperation between the government and local businesses initiating and supporting CSR in collaboration. In addition, socio-economic factors, such as unhealthy economic environment, insignificant role played by civil society organisations (NGOs), absence of platform for dialogue between businesses and other stakeholders, a limited public awareness of the benefits CSR and businesses' misunderstanding of CSR are strongly embedded in the Ukrainian society and are directly influential in companies' decision-making on CSR.

Although most of institutional factors are found to be hindrances for CSR development in Ukraine, it is necessary to note that several institutional factors, e.g. signing the Ukraine-EU Association Agreement, political instability, the failure of the state to address

social issues and unhealthy economics environment are found to encourage certain local businesses to a strong commitment to CSR. Cultural pressures shape CSR development through the cultural background of Ukraine, i.e. Soviet ideology characterized by mistrust businesses and, consequently, suspicious public attitude towards CSR implemented by local companies.

In conclusion, this thesis has addressed the motives of Ukrainian businesses for engagement in CSR in challenging and non-enabling environment from an institutional perspective. According to Purdy et al. (2010), at the national level different 'institutional factors create fundamentally different contexts in which companies interpret their social responsibilities and consider actions to fulfil those responsibilities' (Purdy, Alexander, and Neill, 2010). Our findings have provided insight into how institutional factors influence Ukrainian companies' motives with regards to CSR implementation. The research has shown that a range of motives encourage local businesses to engage in CSR. In particular, it was found that the motives of Ukrainian companies for engagement in CSR can be divided into the five main categories: legitimacy, reputation, filling in institutional gaps, staff and community member retention, and pressure from headquarters abroad. Furthermore, the study shows that except for the filling institutional gaps, all the other motives are in fact self-serving for Ukrainian companies. Engaging in social responsible practices for the purpose of filling institutional gaps and benefiting the society might be related to collectivism dichotomy from the socialist era within which Ukrainian businesses are embedded.

In regards to the types of companies implementing CSR in Ukraine, it was found out that Ukrainian businesses fall into five types according to the motives for engagement in CSR, i.e. socially responsible 'daughters', opportunistic companies, progressive local companies, socially responsible industrial companies, and, voluntary companies.

In conclusion, all factors taken into account, it was found that there is a strong relationship between political, economic and cultural factors and CSR development as institutional context plays a significant role in commitment to CSR. The findings therefore lead to the conclusion that in analysing CSR practices from institutional perspective, institutional forces in Ukraine substantially constrain or, in some cases, encourage local businesses to implement CSR and influence Ukrainian companies' motives with regards to CSR implementation.

6.1 Limitations and recommendations

All in all, this study faces certain limitations. In this final chapter of the research I will provide insight into the limitations of the thesis, while discussing the thesis contributions and give recommendations for further research.

One of the most obvious limitations in this research is linked to time constraints and availability of resources. These factors limited the scope of this research and a sample of respondents.

Since this is a contextual study, it does not generalize to other emerging economies, although similar findings have been found in other contexts. In addition, the sample is small to make a reliable generalization of all Ukrainian companies engaged in CSR. Furthermore, an additional limitation is shallow knowledge on CSR in Ukraine, i.e. there is a lack of research on CSR in general, and a limited number of publications considering a local institutional context. Still, it is believed that these methodological and scientific limitations do not influence the achievement of the research objective. Although the sample is small it provides enough information to investigate the specific institutional factors shaping CSR development in Ukraine and influence of the institutional environment on companies' motives to commit to CSR.

Another limitation in the study relates to the fact that certain local companies are likely to hide real motives of their engagement in CSR replacing them with more self-serving motives. However, taken the large variation in the nature of the Ukrainian companies' activities, it is possible to generalize about their motives and the influence of the institutional environment the companies' CSR motives.

Despite the abovementioned limitations, the present research has provided a deeper understanding of specific institutional factors shaping CSR development in Ukraine and motives for engagement in CSR in challenging and non-enabling environment. The study objective was reached and the present research has contributed to the current theoretical knowledge on CSR development in emerging economies. Since there is a lack of studies that investigated the institutional factors in Ukraine shaping CSR development, this study significantly adds to the current literature on CSR development and fills the research gap.

In order to deepen the study, further research is needed to concentrate only on national companies since they are the main players in the Ukrainian market and are not forced to implement CSR by foreign headquarters as subsidiaries of international companies. Furthermore, it is recommended to use quantitative techniques to test our findings. Another

recommendation is to select specific industries and companies operating in them that would enable to make inferences regarding the specific institutional factors shaping CSR development in these sectors and motives for engagement in CSR.

Lastly, further research is needed to shed light on how Ukrainian companies use CSR in order to achieve legitimacy, build reputation, retain staff and community members, and to fill institutional gaps left by the government.

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Appendix 1: The Interview Guide

Part 1 - Background information

1. What is your position within the company?

Part 2 - CSR manifestation in Ukrainian companies

2. Do you have a CSR strategy/policy/programme? (Probe: since when)
Probe: What were the motives for you to implement a CSR policy?
3. What do you consider as the benefits of having a CSR strategy/programme?
4. What is the focus of your CSR strategy?
5. What results have you achieved from the beginning of CSR implementation? (For example, an increased customer base or loyalty, increased willingness, more motivated employees, more profitable investments, etc.)
6. Do you have a Code of Conduct? If so, is it adjusted to a Ukrainian context and in what ways?

Part 3 - Institutional factors shaping CSR development in Ukraine

7. In your opinion, what are some of the factors that have contributed to facilitating CSR implementation in your company?
8. What would you consider to be the drivers for your company for CSR development in Ukraine?
9. Which institutions (e.g. government, NGOs; capital market) have you considered as the most influential for you to implement your CSR policy? And which institutions do you consider as the most influential for you to achieve CSR growth?
10. What are the challenges your company encounters in the implementation of CSR programme/strategy? What are the external institutional pressures: political and socio-economic environment (f. ex., political embeddedness, economic instability, social unrest, activist groups, members of local communities and legislation) that constrain CSR development in your company?
 - a) How have these challenges been addressed?
11. In your opinion, do cultural norms have influence on CSR development in Ukraine? If so, what are those cultural elements?
12. In your opinion, what needs to be addressed at the institutional levels for CSR to be established in Ukraine?
13. Is there anything you would like to share with me?