

MEASURING A COMPANY'S PERFORMANCE IN THE CSR SPHERE

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In today's world characterized by ever-increasing production and consumption, the overuse of natural resources, the growing inequality, and other quickly accumulating social and environmental problems, a sustainable future of societies and the planet itself heavily depends on social responsibility of business. At the same time, modern business better than ever understands its integration with the society and increasingly perceives corporate social responsibility (CSR) as a prerequisite for a long-term success and even survival.

CSR has long become one of the major concerns of modern business. However, management of CSR remains a challenge for many companies, in particular due to the CSR measurement problem. The goal of our research is to identify major causes of this problem and summarize approaches to measuring performances in the CSR sphere.

The roots of the CSR measurement problem are multiple, although interrelated. First, the question "how should it be measured?" is preceded by the question "what should be measured?" And the answer to the latter depends on how CSR is perceived by a company's management. The difference in the perception of CSR can be due to objective reasons related to the cross-industry differences, both in kind and in magnitude, in the impact companies make on their environment and stakeholders. Besides, the definition of the boundaries of CSR, i.e. the degree of the company's involvement in solving social and environmental problems can differ across companies based on the subjective views of companies' leaders. Second, CSR, at least in its modern interpretation, is a multidimensional phenomenon, which implies the use of numerous metrics. Third, there is no one-size-fits-all approach to embedding CSR in corporate activities and business models. Does a company's management draw a dividing line between economic responsibility and CSR or consider economic responsibility a subset of CSR? Is CSR treated as a cost center or there is a way to create an economic and social value simultaneously? Recent models of CSR point out the possibility of aligning the corporate (economic) and societal (social and environmental) interests. All the above accounts for the difficulty in developing a universal set of measures for evaluating CSR performances.

The difference across companies in defining the place and role of CSR in a company's business model affects the choice of the long- and short-term goals related to CSR as well as key performance indicators (KPI), metrics that are used to measure and track a company's progress in achieving its goals. The choice of KPI's can be solely based on the company's strategic goals and linked to its business model, but can also be inspired by the industry standards and competitors' performances (benchmarking) or more general guidelines provided by international standards, such as SA8000, ISO14001, EMAS and others. Of special interest are CSR reporting standards, e.g. the Global Reporting Initiative and Integrated Reporting frameworks, which are essentially comprehensive reporting guidelines that not only help companies structure their sustainability reports but also are useful for setting their KPI's in the CSR sphere. Last but not least, the UN sustainable development goals are commonly used as a guidance for systemizing and structuring a company's CSR-related goals, and then generating KPI's as a basis for measuring the achievement of those goals. Generally, the use of international standards is conducive to convergence of CSR metrics and unification of approaches to measuring performances in the CSR sphere.