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Social Investments as a Tool for Increasing the Social Capital of the Company

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ABSTRACT. The attention is focused on issues of social capital enterprises as part of the post-Soviet space required to improve management and innovation, sustainable development and economic security. Reveals that social capital reduces turbulence, risk and uncertainty within the company and partially in the environment.

Found that at the present stage of social investment of domestic enterprises their investments are more aimed at implementing internal programs that aim to develop their own human capital, resource and needs of employees. The lion's share of them occupy the program "baseline" level of social investment, covering the payment of contributions for compulsory social programs and private health insurance spending to ensure proper working conditions, training and educational programs for employees. However, in post-Soviet countries are still lacking professional business associations with social responsibility.

The necessity of strengthening social investment modern enterprises to build social capital, and outlined challenges for the development of the social investment in Ukraine such as the lack of a common awareness of social investments, unsystematic approach to social investment, lack of generally accepted standards of public social reporting companies.

In terms of permanent changes in the economy post-Soviet countries there is a need to develop effective methods of evaluating the impact of social investment on the development of social capital in domestic enterprises and finding ways to optimize the management of all components of social capital.

1. INTRODUCTION

Contemporary stage of society development requires the enhanced attention to the social investing as the aimed investment of resources in the development of social sphere in order to obtain a useful effect for society in the future. The deficit of social capital is worth noting among the main reasons that prevent most enterprises to receive significant benefits from the using of available resources. However, European integration processes deployed in Ukraine require increased attention to problems of social investments of the companies to take account of the social standards of developed countries and global best practices in this area.

F.Fukuyama is convinced the world of the XXI century will largely depend on the informal norms, and "neither the government nor corporations will not rely solely on formal, bureaucratic rules to organize the people over whom they have power" [1, p.16]. Instead, they will have to resort to the decentralization and to distribution of power and rely on self-organization of the people. But informal rules for the regulation of public relations should be shared by all members of society the only question is how to do it if the old rules were destroyed and the new ones are optional which are enshrined in law.

Globalization and the spread of social responsibility defines the role of social capital as an element which is necessary to improve for the improving of the efficiency management and innovation activity sustainable development and economic security. Special significance for the study of social capital as a manifestation of the level of social responsibility of the business acquires

in enterprises of the former Soviet Union characterized by deficiency of the values which were established and mutually conformed of workers the values of rational work ethic and responsibility, the corporative unity and dedication that somehow curbs the formation of trust between the employer and the employee, between the business partners, between environment.

The obligatoriness to study social investment as an instrument of increasing social capital takes particular relevance in such circumstances.

2. MATERIALS AND METHODS

French sociologist P. Bourdieu introduced in science the concept «social capital». In the article "The capital forms" he explained the need to refer on the determination of social relations allowing to obtain the benefit from the group which has been rich by the capital [2]. Bourdieu's attention is focusing on the explanation of «work» ties and on their reproduction. Pierre Bourdieu distinguish investments in communication as a distinctive feature of social capital in order to maintain long-term relationships forming «power» and «notional» contacts which are called social capital. American sociologist and economist John Coleman continues development of ideas «notional» relations. Paying attention to the forms of expression of social capital Coleman in article «social and human capital» concludes that social capital not is the subject of strict definition but has a countenance which distinctive from all other forms of capital which is expressed as a public good. However, a public good him is understood from economic terms as receiving only a portions of the produced goods. The scientist defines the essence of social capital (characteristic which is inherent to the most forms of social capital which distinguishes it from other forms of capital) lays in its expression as a public good: the author or authors that create social capital usually obtains only small of it portion. And this leads to underinvestment in social capital [3, p.138].

The situation with the definition of the idea about the essence is complicated by the fact that on this conclusion challenges the American philosopher F. Fukuyama and according to his notion social capital is not a public good [1, p. 348]. He determines in his work «a large gap» that social capital will actually be produced by private markets in the selfish interests of individuals. Scientist emphasizes the need to reconstruction of the social order in defining the concept of social capital as norms, informal norms and values consisting in decentralization and distribution of power on self-organized group of people. In Fukuyama's understanding the main difference between the normative regulation of social relations from social capital is that the social capital proclaims only those norms and values that contribute to development business and economy.

Social capital as a resource of economic development began to be seen in the post-Soviet space just 15-20 years ago.

To the problem of social capital are devoted to the works of contemporary Russian scientists - philosophers, sociologists, political scientists, historians and educators. It is difficult to select an area of science that do not relate to the issues of social capital. Scientists focused on the practical importance of social capital defining its special role in the country's development and the possibility of obtaining certain benefits and profits from its using.

Among academic economists who are actively engaged in research of the economic nature of social capital is worth noting Buzgalin A. [4], Demkiv A. [5], Dluhopolskiy A. [6], Lyebyedeva T., Tatarko A. [7], Sydorina T. [8]. By researching of social policy investments implementation in the practice of companies are engaged authors such as Gerasimenko G. [9], Ivlev S. [10], Rymar I. [11] and others. At the same time less understood and needs further researches is the determination of instruments of social capital including social investments. Currently there are no universally accepted approaches to the interpretation of the concept of "social investments" and remains not developed sufficiently theoretical and methodological principles of research problems of the social investing and is a scarce of empirical studies and estimates future as on the overall economics so and on intersectoral levels. That identifies the necessity for further research in this area.

The main objectives of the article are outline the theoretical and methodological principles of research of social investment enterprises as one of many tools that affect the formation of social

capital organization, analysis features of formation of social investment at the enterprise level and assessment of the prospects of the development in post-Soviet countries.

3. RESULTS FINDING AND DISCUSSION

For decades in the Soviet Union were formed the basis of socialist corporatism the so-called "moral economy" with strong ideological component and the slogan of unity of interests of all participants "big" corporations - Soviet society and "small" corporations enterprises. The socialist corporatism was industrial and socially oriented. Top cadres were involved in the industry and received housing from the companies, referral to education, recreation and treatment. The workers appreciated the workplace and the special atmosphere in the workplace in such enterprises. All this contributed to the reproduction of stable labor relations and human resource capacity and was an important element of management and integral part of labor relations is known as the paternalism. The company with ample social opportunities was the center of urban life, forming around a particular society, particular social field [8].

Currently, there is that the most important social links of post-Soviet citizens, entrepreneurs, state and municipal employees are becoming more informals under the influence of corruption and "the level of regulation of social interactions the rule of law and even morality is constantly decreasing." "Evaporation of morality" is fixed and as a consequence the lack of positive resources development of society it's the social capital. In countries emerged an urgent need have to develop new common requirements governing relations in society. The foundation on which were built social relationships in the Soviet Union was destroyed [12, p. 102].

The transformation of the national economy requires the formation of the universal "rules" of a new type oriented towards creating a favorable business climate which stimulates investment and innovation activity of the business. In basis of this approach is the understanding of the need for creating»right« incentives of the company and minimization its transaction costs. In developed countries the dominance of the universal "rules of the game" in the market-oriented type reflects the achieved a high level of "density" of economic space through the development and strengthening of social capital what creates a national "radius of trust."

The main purpose of social capital it's ensure the most accurate and plausible interactions, reduce transaction costs and barriers in relations with contractors. Social capital reduces turbulence, risk and uncertainty within the company and partially in the environment. Social capital at the level of individual in the form of relationships, personal achievements, confidence within the group, participation in civic organizations, connections with influential persons contributes to maximizing individual utility. At the level of business organizations, companies' social capital in the middle of company helps to solve the problem of integration and coordination interactions.

However, despite the high social significance of increasing social capital in industrial enterprises there are problems of its development:

- The absence of the term "social capital" in the post-Soviet square;
- Absence of socially recognized samples of models of increasing social capital, lack of positive experiences in this area in modern conditions of economic development;
- Low degree of acceptance the values of social solidarity and tolerance and the existence of barriers to entry in a particular social net.

Social investments are bringing significant benefits to the core activities of the company. To them largely are applicable the same requirements and that to the investments in basic activity of the enterprise this is conforms to the strategy of development business, presence of concrete indicators of social impact and the influence on the basic activity of the company and methods of making decisions.

Social investments there are material, technological and managerial and other resources and financial arsenals of companies which are sent on the realisation social programs developed in the interests of internal and external stakeholders. Based on the foregoing it's possible to suggest that in strategical regarding company would have certain a social and economic effects [13].

The subjects of social investment are public authorities, state and municipal enterprises, commercial and non-profit organizations and individuals. For the state the purposes of the social investments may be increasing of national income and standard of living. For the business corporations, foreign investors and individuals their aim is profit. For for-profit organizations it's improving the level and quality of life population by assistance of satisfaction material, spiritual and social needs [14].

The economic benefits of social investments are determined by how reduced production costs, increased productivity, reduced costs in consequence of temporary disability of employees, increasing amount of qualified workers, reduced sanctions and punitive payments due to environmental impact. For example, investments in environmental safety of production which require local communities to be reimbursed by the reduction of occupational diseases, increasing labour productivity, improving political and social stability in the territories of presence, strengthen the reputation and other conditions.

Corporate social investments can ensure a long time social effect through improved quality of life for employees on the other hand create a positive image of the company as a strategic perspective and the introduction of resource-saving technologies.

Scales of corporate social investment are now growing worldwide. According to the Social Investment Forum data if the 1995 corporate resources focused on social goals in the US were less than 640 mln USD; in 2013 on the investment market of the country they reached 3290 bln.USD [15; 16].

Market socially responsible investment in the US nowadays is the largest industry segment in volume of socially responsible investments or 33% of world market of socially responsible investments (refer with: Table 1) [16]. Thus to socially responsible investments include 13.5% of assets under professional management in the US or every ten dollars of these assets (refer with: Table 2) [15].

Table 1

The structure of the world market socially responsible investment in 2013 [bln USD USA]

Socially responsible investment	USA	Canada	Europe	Australia	Japan	Emerging Markets	Worldwide
Assets socially responsible investments	3290,0	148,63	6437,6	5,36	3,4	2,7	9887,69
Specific gravity	82,22%	1,75%	15,71%	0,19%	0,03%	0,1%	100%

Table 2

Market socially responsible investments in the US [bln USD USA]

Year	2008	2009	2010	2011	2012	2013
Assets socially responsible investments	1639	2185	3159	3323	3164	3290

Social investments of enterprises may be internal, external and universal according to their purpose. As a universal social investments can be considered investments companies in the development and maintenance of fair business practices and business ethics.

If internal social investments are aimed at developing and improving politics of life the personnel then the external are targeted on the development of local communities including supporting unprotected groups or talented young people and the development of institutions of

culture, art and sport, social infrastructure, implementation of educational projects and community initiatives, environmental protection and so on.

Some of these programs have exclusively charitable character but recently more and more companies are considering projects and programs in the social sphere as investment.

Unlike sponsorship and patronage which are sole and spontaneous social investments regular and strategic and are being planned in the budget campaigns in advance.

At the present stage of development social investment of domestic enterprises their investments are more focuses on implementing internal programs that are aimed to develop their own human capital, resource and needs of employees.

The main share of them occupy the programs "base" level of social investment which covers the payment of contributions for compulsory social and private health insurance costs to ensure proper working conditions, training and educational programs for employees.

However, in Ukraine are still missing professional business associations with social responsibility which are created and managed exclusively by companies on transparent and generally accepted conditions and that were typical stage of development of corporate social responsibility in other European countries.

According to the study "Business which guided by values" [17] only 10.7% of companies in Ukraine declared their own values and priorities on Web pages of corporate brochures and self presentations and from them 8% - Ukrainian companies and 2% - international companies with head offices located outside Ukraine.

A significant number of companies it's over 30% declared principles, norms and principles of operation. However if the core values of international companies have such priorities as care about all interested market participants, social responsibility and the environment as well as the dominant value is considered personal development but the declared values of domestic companies is somewhat different. First places in the rates occupy positions such as customer orientation, team, professionalism, responsibility and quality. Obviously, this distribution reflects the priorities not only in problem areas of development companies (product quality/services and the responsibility for the outcome to customers) but overall the market of the country including data about lack of qualified staff.

A study conducted by the Association of Russian Managers found that social investments companies made for implementing internal and external social programs are priority direction of social spending. The main directions of social investment are development staff 44%, resource conservation and environmental protection 21%, healthcare 9.3%, local community development 9.1% ensuring fair business practices 5.1%. Shift in social investments towards the local community is being remarked. That means that business interests are transferred more from company personnel to external social environment [13].

We can distinguish along with that social investments "expanding" or corporate level, which covers not only providing employees with adequate working conditions but also adequate living conditions such as preventive treatment and promotion of physical development, housing, development of social infrastructure, recreation and entertainment . The highest level of social investment involves the social programs that are beyond the company scope and aimed at solving problems of the local community and the territory on which the company sited or of regional and national importance.

According to the matrix of business opportunities of social responsibility which was composed by international non-governmental organization «SustainAbility International» [18] future benefits from the introduction of social investment corporations include improving production process (increasing productivity and income, saving resources if to use environmentally safe equipment) creating a positive image and reputation, human resources stability and improving their skills, attraction of financial resources of specialized funds "social investment" under socially-oriented programs.

That is the more widespread practices adoption of socially responsible business domestic companies will promote the development of existing and creation of new markets in the country,

solving social and environmental problems, making greater access of Ukrainian companies to international markets and increasing their capitalization, promoting sustainable development in general.

Overseas studies have found that if other things being equal person chooses a company that in his opinion is socially responsible. These benefits in the future are transformed into actions such as purchasing shares of goods and services. The direct benefits of social investments is creating the stable business environment, reduced operational risks, rising financial indicators, increasing sales, improving productivity, reducing costs, expanding market, increasing the market value of the company in the long term [19].

Social investments are the company resources which are directed for the implementation of socially responsible behavior what is the factor of socially responsible investment in the enterprise from investors.

Socially responsible investment is the process of investing funds investors considering factors of social, environmental and ethical considerations along with traditional financial analysis [20].

At the basis of socially responsible investing lays studying and selection of objects for investments that meet certain criteria of social responsibility which includes the open and transparent activity based on ethical values, respect for its employees, shareholders and consumers as well as concern for the environment.

The main objective of socially responsible investment is a combination of economic efficiency of investments funds with the ethical values of the investor.

Evolution and dissemination of social investment associated with the understanding that corporations affect the quality of life. The growth of socially conscious investors makes a good influence to the business practices of companies and stimulates positive changes in society.

There are three strategies of social responsibility in the world practice [21]:

1. Screening or choice for investment portfolio securities those companies which match specific social or environmental criterias. "Screening" can be carried on the exception principle "negative" or "avoidance" of screening what involving the removal from the list of considered investment companies whose products or business practices are conflicted with ethical or moral values of investors. "Positive screening" or "sifting" recently finds increasing popularity and involves searching the target securities of companies that are characterized by a positive impact on the development of society and contributed to the environment protection.

2. The second strategy for socially conscious investors is called "active shareholder" what means shareholder activism or shareholder advocacy. Investors acting co-owners of companies, in which shares they have invested their money, and with the status of shareholders derive their rights and obligations. More socially oriented investors use their role as owners in order to ask questions arising regarding activities or business practices of the company. Shareholders may focus on social or environmental issues in dialogue with company's managers, speeches or voting at the shareholders meetings or can express their protest through deprivation of investments.

3. The third opportunity to participate in social investment is a "local investment programs" or local investing programs. The costs provided by investors in these programs in the form of the low-interest rate financing are allocated to people belonging to the poor who are in unfavorable economic conditions and living in poor urban and rural areas of the US and developing countries. Without the existence of such programs these people would not have the possibility to access to borrowing from traditional financial institutions.

The subjects of socially responsible investment are the investing funds, professional managers which manage assets of private and institutional clients and financial institutions of public investing that give investors the opportunity to invest according to their personal beliefs and principles regarding socially important issues and they use three basic strategies such as selection of companies, proactives and public investing [22].

Under protection of the UN Secretary General and the international group of institutional investors were developed principles for Responsible Investment taking into account the growing

importance of environmental, social and corporate governance (ESCG) for investment policy. The principles of socially responsible investment are presented hereinafter [23]:

1. The inclusion of issues relating to environmental, social and corporate governance (ESCG) in the analysis of investment policy and decision-making.
2. Obtaining relevant information of ESCG from organizations which have invested money.
3. Assistance in the adoption and implementation of principles in the investment policy of enterprises.
4. Cooperation in improving the efficiency of the Guidelines, participation in networks and databases to exchange experience.
5. Providing reports on activities and achieving progress in Principles implementation.

Investors evaluate the efficiency of the Guidelines and subsequently have improved their content by signing these principles. Investors believe this will help to increase the ability of obligation performance before beneficiaries and will fully bring the process of investing in line with the wider interests of society. Principles for Responsible Investment (PRI) received the supporting of 190 members managing assets worth over 9 tln USD. As the number of participants increases and influence Principles on the financial sector and in the whole economy is increasing.

PRI initiative's impacts on business through the creation system of reduce investment risks associated with environmental issues, social and corporate governance [21].

In partnership with Swedish International Development Agency Financial Initiative of UNPE (United Nations Program for the Environment) have lead a two-year project on promoting the principles of responsible investing in developing countries. The objectives of the project are [21]:

- PRI promotion on developing markets and create a database of program participants;
- The organization of training, support implementation PRI into practice and assist program participants;
- Encouraging cooperation and creating networking information exchange;
- Work with all PRI participants for resolving issues of corporate responsibility, corporate governance and other issues of ecology, social and corporate governance in developing countries.

An active policy of social investments is presented by such Russian and Ukrainian companies:

- in Russia: OJSC "Gazprom", OJSC "Tatneft", OJSC "Severstal", TNK-BP, RUSAL, OJSC "MMP" Norilsk nickel ", ROJSEE "UES of Russia";
- in Ukraine: the company "SCM", corporation "ISD" and "Scientific-production investment group" Interpipe ".

For programs of the external social investments are being sponsored reconstruction and construction of roads, power lines, bridges and large health programs , implemented environmental measures and aid in the preservation of historical and cultural values, equipping with modern medical equipment urban hospitals, supporting disabled veterans and local communities, fund programs of integrated development of cities.

However, there are problems for the development market of social investment in Ukraine:

- The lack of a common awareness about social investments;
- Haphazard approach to social investment;
- The lack of generally accepted standards of publication social reports of companies.

Successful development of socially responsible investment market largely depends not only from investors and market participants activity but also how the government realizes the importance of socially responsible investment ideas and uses them on practice.

In Russia there is Agency "Social Investment" [22] that since 1994 professionally dealing with social activity of business and social investments. The Agency supported by funds C.S. Mott Foundation, DFI, Tacis, European Commission and Eurasia, by the Russian corporate donors.

The organization provides:

- Development of "external" and "internal" social policies of companies with account their objectives;

- Creation the departments of corporate social responsibility;
- Correction of the business philanthropy, development and examination of social projects;
- Develop and promote the company's image as a "corporative citizen";
- Creation the ultimate promotional production that reflects the social activity of the company;
- Development and implementation of training courses for personnel on social investments and work in the local communities;
- Production and placement of print and television materials about social activity of companies.

In Ukraine at the state level is engaged by the social investments non-profit organisation Ukrainian Fund Social Investment (USIF) [24] which was organized at the initiative of the Cabinet of Ministers in 2000 to prepare and performance developed by the Government of Ukraine jointly with the World Bank Project "Social Investment Fund" (hereinafter - the project) with implementation period 2002-2008.

USIF considers microprojects aimed on improving the quality of preschool and basic education, quality and access to services in the field of culture, quality first aid in rural areas, access to drinking water and improving its quality, the environment by the planting of greenery, takes measures to cleanup and prevention of soil erosion.

The principles of micro projects financing are the next: total cost of a microproject shall not exceed 150 thousand USD and USIF finances up to 90% of the microproject cost and community contribution should be at least 10%.

The main objectives of the project:

- Improving the living conditions of the poor and vulnerable in some communities;
- Empowerment citizen and vulnerable groups in solving local social problems;
- Promoting to reform the social security system by creating the models of the addressing the provision services.

The total budget of the project is 77 mln USD including the expected contribution of the Government of Ukraine 9.97 mln USD and expected contributions of local communities about 6.9 mln USD grants and help from international donors. Responsible for the project is the Ministry of Labour and Social Policy of Ukraine and the main Executor is the Ukrainian Fund Social Investment.

This project is the most ambitious in the social sphere of Ukraine on lines of activity and funding.

The expected effect of the project is that benefits gets 1 mln citizens of Ukraine in 50 the most socially troubled areas of Ukraine will be made a significant contribution to the improvement of social and economic infrastructure, increasing the economic activity of the population, increasing community participation in solving their own social problems, improves access to existing and create new social services, will be introduced transparent and effective mechanisms for funding social services, and experience gained within the Project will contribute to the reform of the social sphere of Ukraine.

The social responsibility inclusion in basic functions of business today is an urgent task. The dominant trend in corporative policy is solving problems such as adjustment of feedback from investors and consumers, consideration their complaints and suggestion, the account of environmental risks. All this is a direct consequence of the fact that the corporate sector became to understand its obligations before the community and became to apply in business practices social responsibility principles, became to recognize that the presence of its public position is its plus.

4. CONCLUSION

On the domestic enterprises dominates the low level of social capital and social responsibility that is a significant obstacle to the successful modernization of industrial enterprises. Transition for industrial enterprises to a new stage of development requires responsible behavior of the individual, group, enterprise with aim to create and implement effective socio-economic policy of the

enterprise, the constant presence of social communications company based on the company effective feedback with key stakeholders, non-profit organizations, trade unions and media. It is also important to ensure a high level of openness to the public policy of the company, existence of mechanisms of control and adjustment company's operations from public side, sustainability socio-economic and political system.

Therefore, regular monitoring and evaluation of social investment enterprise is a prerequisite for rationalization of the entire system of social investment either for individual companies and sectors and at national level. Analysis of social investment condition and its priorities will not only increase the effectiveness of using resources for social purposes but also to identify current problems in this area and to draw public attention to the practice of socially responsible business.

The positive side of such practice is already understood by many domestic companies as investing in social programs is subject not only to the achievement of specific "image" target but also acts as part of a long-term strategic development. Thus, the policy to promote corporate social investment should become a particular, independent direction of regulatory functions of the state.

The most important result of the study can be considered conclusion that an effective instrument for accelerating the process of accumulation social capital is the development of corporate social investments as a tool for social capital growth. Their role is increasing due to the new requirements of sustainable development how to improving the competitiveness of domestic enterprises and to reduce environmental stresses and threats to the environment, compliance to international standards of security and quality of labor. This determines the relevance and practical importance of research problems of social investment in enterprises at the present stage of the post-Soviet countries.

Future research in this area may be related with the evolution of effective methods of evaluating the impact of social investments on the development of social capital in domestic enterprises and finding ways to optimize the management of all components of social capital in organizations of different sizes or types of economic activity.

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