



CSR in Ukraine – Western Fad or Real Necessity?

Though businesses in Ukraine realize the need for social responsibility, the range of CSR practices they use is limited by country economic development, tax regulations, public CSR awareness level, and quality of relations within local communities.

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Attitude of Ukrainian business to social responsibility is determined, on the one hand, by the company origin, size, field, geographic scope, degree of consumer interaction, competition level, and top management views. On the other hand, in-country economic situation, level of cooperation with other sectors (media, authorities, NGOs, etc.), and extant legislation come into play when businesses actually get to practicing CSR in a particular way. Considering all factors and limitations combined, CSR in Ukraine, frankly, should not exist – but it does. Why, how, and who benefits from it – was explored through www.Marketing-Mix.ru research involving over 100 information sources on CSR, including responses of 14 companies and organizations in Ukraine, totally representing experience and interests of over 150 companies from Ukraine, Europe, Asia, and the USA.

Having changed its political elite, Ukraine has been working on providing attractive investment climate and adequate law enforcement to achieve market economy status and progress in WTO and EU integration efforts. Being realistic about its capabilities of implementing economic and administrative reforms, Ukraine's new government regards EU membership as an instrument to attain adequate living and economic standards, rather than a goal in itself. Given the chosen paradigm, the only way for Ukraine to achieve the mentioned goals is to maximum degree possible participate in all European processes related to developing favorable business and social climate in member and affiliate countries. According to www.Marketing-Mix.ru research, CSR can be used as effective approach to increasing business transparency and developing multi-sectoral cooperation along with legal regulations. To achieve the necessary level of CSR understanding by Ukrainian businesses, it was necessary to find out how they currently view CSR and to what extent they know and use this concept in their work.

1. CSR – the Ukrainian way

When it comes to CSR, it is logical to wonder what such responsibility includes and towards whom it exists. Assuming that business has certain responsibility before the community it operates in, what community groups should be considered responsible before business? Finally, is CSR really a practical necessity in Ukraine today or is it another 'fashionable' business trend, imported from the West, but not applicable in a specific market? To answer those questions, it was necessary to turn directly to businesses working in Ukraine (including branches of multinationals), for CSR concept has not been fully studied in Ukraine, except for several aspects: social branding, charity, and sponsorship.

What exactly is CSR in the eyes of Ukrainian business and how does it differ from internationally accepted CSR definition? Given over 50 international organizations and companies, including The World Bank, UN, Business for Social Responsibility, Caux Round Table, Corporate Citizenship International, European Academy for Business in Society, European Association of Communication Agencies (EACA), International

Business Leaders Forum (IBLF), Market Opinion Research Institute (MORI), Social Accountability International, World Business Council for Sustainable Development, CSR as business approach can be characterized as follows:

- **Strategic approach to business, rather than sporadic, non-systemized activity, involving only company's PR function.**
- **Largely voluntary, though necessitated by competitive environment and declining trust to business.**
- **Goes beyond legally instated business responsibilities of profit-making, paying taxes, creating jobs, etc.**
- **Involves all community groups (business, civil society, government, investors, media, population) in constant information exchange for decision-making purposes.**
- **Positions business not as a 'universal problem-solver', but as a community member with rights and obligations.**
- **Approach to sustainable development with direct, though often delayed, impact on the bottom line.**

Following the above characteristics, CSR apparently goes beyond marketing and PR activity; it rather involves company as a whole and determines the way it does business, invests, and maintains partnerships. It is also obvious that CSR cannot concern only business, for it is impossible to be responsible in 'irresponsible' environment. The following factors shaped views of business on CSR in Ukraine:

Historical Tradition. Main difference between CSR evolution in the West and in Ukraine was that in the West, CSR evolved mainly through organization of public associations and informal unions of businesses practicing community involvement and of workers/civic organizations in need of social assistance. Though prominent individuals were engaged in socially beneficial activities, the main catalyst for CSR development in the West was organized communication of business, labor, and civil society 'collective voices'. In Ukraine, CSR has always been mainly connected with prominent benefactors' (patrons') sharing their resources out of religious or philanthropic beliefs (Committee on CSR Development et al. 2004). Traditionally, decisions regarding company participation in social initiatives were made unilaterally by a wealthy patron (today – top manager), based on personal values and beliefs. Because such decisions were purely personal, patrons mostly avoided wide publicity that, in their view, could discredit the act of social participation.

Similar approach to CSR is peculiar to most companies in Ukraine, especially small and medium-sized regional ones. CSR in Ukraine is predominantly viewed as help to the needy (charity) and sponsorship, with the former being done 'humbly' with hardly any publicity, and the latter being done with sole purpose to expose the company to as large of a target group as possible. However, the effects of such approach are rather dubious, for, as most respondent companies indicated, sponsorship in Ukraine is more and more often viewed as another form of advertising and is treated with a degree of skepticism.

Soviet Past. Historical tradition is not the only factor determining views of businesses in Ukraine on CSR. Sponsorship and charity are merely the most obvious and simple ways for a company to participate in the local community life. Another strong influence factor is communist rule Ukraine has been under for 75 years that most Western countries either escaped or experienced for significantly shorter time. The regime when all resources officially belonged to everybody (meaning, nobody really was responsible

for how effectively they were used) has been hindering philanthropic culture in Ukraine, leading to its widespread elimination, and only with independence in 1991 this culture received a chance to be restored.

After the collapse of the USSR, most big businesses were left with specific 'heritage' – hospitals, kindergartens, schools, and boarding institutions legally attached to and financially dependent on them. Naturally, management of such companies did their best to separate from such financial burden and considered top of their social responsibility survival of the attached institutions with the help or at the account of the business. In their turn, regional communities that have been witnessing such dependency of social sphere institutions for decades still take social sphere being funded by business for granted.

'Pressure Philanthropy'. Another significant factor that defined views of business in Ukraine on CSR is excessive 'attention' of local control authorities (tax inspections, various commissions, etc.) to socially active businesses. Such 'effect' of CSR in Ukraine was confirmed by 41% respondents of 2002 joint UNICEF and National Academy of Sciences of Ukraine research, as well as most of Wwww.Marketing-Mix.ru respondents. Often, contribution of business to social projects, especially in monetary form, is viewed by the local control authorities as tax evasion schemes. Such attitude results in extra inspections of the company's financial state, documents, and accounts, as well as direct requests to support specific projects/organizations, indicated by control authorities. Consequently, businesses either stop funding local social projects, or do it undercover, without any publicity or even reporting, thus, hindering the development of business case for CSR in Ukraine.

Respondents of Wwww.Marketing-Mix.ru research indicated that 'pressure philanthropy' phenomenon also reflects the style of doing business, frequently practiced in Ukraine and the degree of local business' transparency. Most of the respondents stated that if company activity is legal and transparent, and CSR activities logically fall under its strategy, control authorities will rarely have any questions to that company. On the contrary, when social initiatives of the company were barely connected to its strategy and activities, not only it will experience 'pressure philanthropy', but will also spend double or triple the money invested in social cause to adequately promote it.

2. Business Case for CSR in Ukraine

Given the popular view of CSR through sponsorship and charity, business case for CSR is a new concept to Ukraine that has not yet gained wide popularity. The last thing CSR is considered to be – is effective business approach. All Wwww.Marketing-Mix.ru respondents believe such attitude to CSR is primarily caused by the economic situation in the country. Having new President and Government with drastically different approach to economic development of the country, Ukrainian businesses consider survival in the new 'rules of the game' their first priority. Swift and Zadek defined three stages of CSR development, first of which predominantly characterizes Ukraine:

STAGE 1	STAGE 2	STAGE 3
Low-level philanthropy	Strategic product/process innovation	Remolding multi-stakeholder standards and partnerships
Sought short-term risk reduction and publicity	Business and governance models considering community needs	Competitive institution-building
Industry business case developing	Long-term sustainability aims	CSR-oriented advocacy
Tax regulations negotiated	Tax incentives in place	Advantage public policy

		development
Consumer and employee compliance rights negotiated	Consumer and employee policies developed	Corporate citizenship/corporate community involvement concepts introduced
Environmental regulations debated	Environmental regulations developed	

Most Western countries, including EU candidates are between 2nd and 3rd Stages, Ukraine is clearly at 1st Stage, with rare exceptions represented mostly by branches of multinational corporations that are at a mix of 1st and 2nd Stages. Encouragingly enough, businesses in Ukraine recognize the need for broader CSR interpretation and more strategic approach to it, admitting the dominant short-term motivations to practice CSR, such as short-term publicity and PR (Hojensgard et al. 2005).

Research shows that 50% of Ukrainians experience distrust towards and skepticism of local and international business' ability to be socially responsible, while main motivation factors for businesses to practice CSR are reported to be commercial success (81%) and consumer loyalty (83%) (CSR: Public Expectations 2004). Apparently, general public is not convinced local business is responsible. To an extent, such views are shaped by the prevailing goal of Ukrainian businesses practicing CSR today – brand enhancement and short-term publicity, largely without cohesive strategic connection. Cause-related marketing is often taking place, rather than CSR, and no distinction is made between the two.

The other reason for much confusion taking place in the field of CSR in Ukraine is absence of clear and concise business case for CSR that is being formulated today in the international community. According to the 2004 research of the Russian Association of Managers, 81% of businesses and 86% of consumers confirmed the feasibility of investing in CSR practices. This means that business case for CSR in Ukraine and Russia exists, it just needs to be collected, analyzed, and popularized.

According to the business case matrix by SustainAbility 2004, the developing markets (of which Ukraine is one) can benefit from practicing CSR in the following ways:

- **Improving environmental processes** – productivity and revenue growth, cost savings when using environment-friendly and purifying equipment.
- **Building up company reputation/brand enhancement** – raising the level of consumer loyalty and brand value, savings when solving regulatory matters and building partnerships.
- **Human resources** – savings on attracting and retaining qualified specialists.
- **Accessing new markets** – standardization, according to the international requirements (ISO. etc.).
- **Effective risk management** - timely and efficient access to information from a variety of competent sources and ability to quickly react to the most critical issues in the region.

Certainly, business case for CSR involves much broader range of benefits, but those above are most appealing specifically to the developing markets. Ukraine is no exception, for the local business is currently concentrated mostly on survival and is not always able to relate to all CSR benefits, most of which are long-term. CSR awareness level in society remains low, complicating rational judgment regarding CSR tangible and, especially, intangible benefits. Primary research by [Www.Marketing-Mix.ru](http://www.Marketing-Mix.ru)

demonstrated that in certain industries (mobile communications, banking, electronics) properly publicized CSR activities impact sales directly, given adequate product price/quality. Brand value and company reputation are proven to be enhanced by CSR practices in Ukraine, though, low stock market development level limits the financial potential of those success measures.

Because of strategic, i.e. often delayed, effect of most CSR activities, in the West, and certain CIS¹ countries, tax incentives are provided to socially responsible businesses, mainly in the following forms:

- Tax deductions (reduced amount of taxable income): USA, Western Europe and most of CEE², including Bosnia, Croatia, Czech Republic, Serbia, Montenegro, Macedonia, Lithuania, Uzbekistan, Kyrgyzstan.
- Tax credits (reduced amount of tax owed): Latvia, Bulgaria, Slovakia.
- Tax designation schemes\percentage laws (fixed percent of donation up to certain amount is designated to qualified organizations): Hungary, Slovakia, Lithuania, Poland, Romania.

Though tax incentives serve as important motivation factor, studies show they are not the main factor for practicing CSR, of which Russia and Ukraine are vivid examples. The volume of corporate giving has been growing since 2002, even though neither country had feasible tax incentives for business (Kaczmar 2003).

No tax incentives for responsible businesses exist in Azerbaijan, Belarus, Georgia, and Russia (Moore 2003). In Ukraine, taxation system provides such limited application of 5% tax deductions that even businesses officially declaring profits hardly consider it an incentive. For every 1 hryvnya of legal donation businesses must pay 4 hryvnias of profit tax. Experts believe such deduction has more fiscal than stimulating purpose and should not be regarded as stimulating CSR in Ukraine (Vinnikov 2005). At the same time, 43% businesses show active interest in local social projects, 25% - in social projects involving their target audience, and 21% - in national-level social projects (All-Ukrainian CEUME and Ukrainian Women's Fund Survey 2005).

Apparently, business in Ukraine is interested in being responsible and does practice social responsibility to the extent extant economic conditions allow. CSR business case in Ukraine is applicable to highly competitive markets, when product price/quality competition resources have been used up and new intangible company characteristics gain weight in battle for consumers. As for less competitive markets, the need for CSR is less obvious and is outweighed by other priorities, such as business stability, relations with regulatory authorities, and survival. To ensure CSR applicability to Ukrainian business environment, several conditions need to be met in addition to solving regulatory and tax issues. First of all, reliable partners are needed to implement joint social projects. Second of all, adequate media attention is required to demonstrate the importance of CSR for Ukrainian business development.

3. Partnering with NGOs in Ukraine – hidden threats

Even though most of Ukrainian consumers believe CSR is good for business, 50% of Ukrainian population actually doubt the ability of business (local or international) to be socially responsible, and 74% believe that company's contribution to the local community must go beyond paying taxes and creating jobs. At that, 60% of businesses believe that business can be and, in fact, is, socially responsible (Russian

¹ Commonwealth of Independent States

² Central and Eastern Europe

Association of Managers 2004). Such polarity of opinions regarding CSR is peculiar to countries where the concept of CSR is still in the process of being shaped and fully realized by business and other local community members.

In Ukraine today, businesses and local population often relate to different things when talking about CSR. Particularly, social priorities of businesses usually involve product/service quality, solving regulatory issues, corruption minimization, care for and training of employees. Other social issues, such as assistance to the needy, solving regional infrastructure problems, projects for youth and children, are often in the middle to low part of business priority list at the survival stage. Local community members (population, NGOs, etc.), on the contrary, are largely preoccupied with regional social issues, rather those of business, even though all mentioned issues – directly or indirectly – influence the quality of local community life. Research in Eastern Ukraine indicates that priority issues of Ukrainian businesses and local communities generally are the same, but specific issues are given different priority level by businesses and by general public (Public Initiatives 2005):

Business CSR priorities	General public CSR priorities
Addressing corruption / bribery	Adequate pension/assistance to the elderly
Dealing with excessive taxation	Assistance to homeless children and beggars
Increasing competence level of control authorities	Assistance to young and large families
Increasing level of employee qualifications	
Operating under fluid/unstable legislation	
CSR priorities shared by both businesses and public	
Fair employee compensation	Addressing public transportation problems
Improving utility services quality	Assistance to the addicted (drugs, alcohol)
Assistance to the disabled	Assistance to people with HIV/AIDS
Social support to youth	Improving health care quality
Addressing social needs of the disadvantaged	

After the USSR collapsed, practically all infrastructural ties were broken and the Ukrainian government was unable to fulfill all its obligations, especially social ones. This is why, for over 10 years, social sphere in Ukraine was by large beyond the government's priority span, thus, giving a push to the third sector development. Practically, such spheres as assistance to the needy, orphans, people with special needs, and other vulnerable community groups were left to NGOs' attention.

NGO sector development in Ukraine was significantly expedited by the international donor organizations. Thus, according to Liga BusinessInform data, consulting works aimed at social needs are being done in Ukraine largely at the cost of grant-giving organizations and foundations. Considering that international foundations annually provide millions of dollars in grants to Ukrainian NGOs, it is reasonable to say that today there are NGOs in Ukraine today, compatible with businesses in their professionalism and communication skills. Given the skill level of certain NGOs, joint social projects with local businesses will not only lay the foundation for multi-sectoral cooperation, but will allow business to leverage their resources by delegating significant volume of project responsibilities to NGO partners.

Currently, cooperation of businesses in Ukraine with NGOs is at its infant, if not fetal, stage, due to the following problems businesses encounter when communicating with NGOs on CSR issues:

- **Lack of relevancy in NGO cooperation offers to business' activity and development priorities;**
- **Inability of NGOs to present their cause as social investment project – with transparent reporting procedure, clear budget, and measurable outcomes;**
- **Perception of business by NGOs merely as source of financial aid, rather than strategic partner.**

On top of the stated problems, many businesses, especially in the regions of Ukraine, regards CSR as a theoretical concept, though, on the intuitive level, top managers feel the need to be involved in local community life. Additionally, the respondent NGOs say, there are not many NGOs in Ukraine able to offer compatible cooperation opportunities to businesses. The image of third sector in Ukraine still lacks cohesiveness and very few organizations can say that cooperation with them will, actually, enhance the company image. www.Marketing-Mix.ru respondents also say that, given the limited resources, businesses are cautious when it comes to cooperation with NGOs and often choose the simplest ways to spend those resources – charity and sponsorship. Obviously, Ukrainian businesses and NGOs are currently at the beginning of the long way to active cooperation as a tool to solve local problems, enhance business image, and regularly practice CSR on strategic level. To further progress in those areas, both businesses and NGOs need to realize what they can offer each other. The issue of an adequate offer is especially critical for NGOs, for business' cooperation opportunities are mostly clear: resources, respectable company image to share, and NGO's ability to enhance its reputation in the region.

NGO respondents in www.Marketing-Mix.ru research state that NGO cooperation benefits are less obvious, but often compatible with those of business. NGOs can offer relevant and timely information on the existing societal trends and local problems that business can adequately address by its products/services/public activities. Such information is important, but often costly for businesses to collect themselves or with the help of research agencies, while NGOs constantly receive this information by nature of their work. When business is aware of the local critical problems, the range of tools to address them instantly widens – from charity and sponsorship to more complex and effective social projects with multiple partners. Among those partners almost always are local government and control authorities, whose cooperation is key to doing business in any region of Ukraine.

Top managers who make decisions regarding the distribution of the company funds are constantly short of time for activities beyond those related to business, such as various social projects for local communities. NGOs could make effective use of the company funds in the following ways:

- **Managing jointly developed and approved social projects with transparent reporting procedures and impact measures;**
- **Monitoring local social needs to develop effective CSR strategy involving company public statements on the most critical social issues;**
- **Involving company in and its association with social initiatives in line with its business activities in the eyes of the local authorities, media, and general public.**

4. CSR public talk – are mass media interested?

Media attention is key to successful CSR strategy, for it is the general public's decision whether to consider the company socially responsible or not. However, such decision can only be fair and well-rounded if the company's social involvement is adequately highlighted in the local media. On the other hand, media attention, if drawn to the company's social activity inappropriately or excessively, can have negative impact on the company image in the eyes of the local community.

According to the Ukrainian Educational Reform Center, information on charity, assistance to the needy, delivery of free services/goods is not 'newsworthy' enough to be interesting to mass media, mainly preoccupied with business and politics. Such attitude of the media does not at all mean that the mentioned CSR instruments are ineffective. It means that businesses and NGOs in Ukraine need to take a different approach to communicating CSR practices – from merely describing joint good deeds of businesses and NGOs to talking about solving local social, economic, and political problems.

Most www.Marketing-Mix.ru research participants mentioned the lack of quality social projects in Ukraine that would coherently fit the company strategy and the local social needs. Communication agencies working in Ukraine stated several problems companies face when trying to publicize their sporadic CSR practices that often lack strategic approach:

- **Public perception of sporadic social activities as businesses attempting to compensate for the external damage from their activity or products (e.g. alcohol, tobacco, industrial companies).**
- **Reluctance of mass media to publicize activities which, appearing socially-oriented, in reality are obviously aimed purely at popularizing the company products, rather than supporting social causes.**
- **Lack of understanding on behalf of the local community of the company's social role due to the shift in emphasis in information materials from community problems solved to funds spent by the company in the course of social initiatives.**
- **Lack of understanding on behalf of employees, media, and general public of social initiatives based on top managers' inner desires/beliefs with no connection to the company values/strategy.**

It is important to note that some CSR activity is always better than none, and sporadic social initiatives with no relevance to the company strategy are better for the community than no initiatives at all. However, the impact of such initiatives on the company image and their long-term community benefit and resources leveraging are, as a rule, insignificant, compared to those of strategically thought-out CSR partnership projects.

The fact that mass media reluctance to publicize Ukrainian business' CSR efforts is largely caused by inadequate description of those efforts, and not only by the widespread practice of paid 'media placement', is confirmed by Overbrand Agency 2005 research. According to that research, 63% of Ukrainian consumers are interested in knowing about social initiatives of businesses, 91% - would like to work for a socially responsible company, and only 18% - were able to state socially responsible businesses.

When it comes to trust general public and businesses hold towards information on CSR in Russia, Ukraine, and five more European countries, according to Russian Association of Managers research 2004, 60% of companies believe information on CSR is somewhat trustworthy; 70% - believe that there is a lack of information about local CSR activities. General public either to some extent trusts information on local CSR practices (52%), or does not trust such information at all (40%), while 59% of respondents believe there is enough information on CSR and 31% - find information on CSR lacking.

Based on their experience with over 150 companies from various countries of the world, www.Marketings-Mix.ru research participants offered the following solutions to providing the adequate public perception of the company CSR practices:

- **CSR projects – public and private.** In the existing economic situation, rare Ukrainian company can afford regular social activity without active publicity for the benefit of company image. PR is essential and natural activity for all aspects of company activity, including CSR. What is important to consider is the primary motive for social activities – is it pure publicity for activity irrelevant to the company strategy or is there a worthy social cause coherently supporting what the company is doing in the market? Studies all over the CSI, including Ukraine, have proven that CSR 'organized for the Kodak moment' does not appeal to the public that through the years gained experience distinguishing real motives behind social projects of companies.
- **CSR as foundation for business.** When the company activity is based on social responsibility (besides job creation and paying taxes), traditional conflict between business and social interests is eliminated. Top management and shareholders of such company are actively interested in its social activity. This is especially true for local banks, insurance companies, and other businesses involving/supporting/serving human health, welfare, safety, and life.
- **CSR as company 'face'.** CSR goes beyond the traditional assistance to the needy and social sphere overall. Depending on the type of business, the company can practice social responsibility before local people by taking part in their life, education, or entertainment. Ukrainian public expects from business much more than charity and sponsorship that more and more often are being perceived with a degree of skepticism. Large Ukrainian corporations start building their business strategy on social responsibility principles by cooperating with college graduates on internship/scholarship programs, supporting festivals/contests/cultural events, and actively participating in public discussions on the most critical issues, such as PR and advertising ethical codes and Ukrainian Corporate Governance Principles.
- **CSR as unifying force.** Company reputation is formed on the basis of all its open decisions and action, including social ones. The more coherent company reputation is, the easier it is for the company to relate to its consumers and partners – for reputation provides a set of distinct characteristics and values peculiar to the whole company, and not only its products. Participants of www.Marketings-Mix.ru research indicated that effectively implemented and communicated CSR initiatives can serve as unifying force and source of motivation for employees, as well as loyalty factor for partners and consumers.

Studies show the following CSR practice impediments peculiar to Ukraine and Western countries:

Ukraine	Western countries
CSR recognized growing business priority – local media and investors more interested in finances and management quality (Committee on CSR Development 2004)	Concern of CSR beginners with negative stakeholder feedback regarding practices due to level of competence or circumstances beyond control***
Lack of public governance/transparency and fear that less responsible businesses take over the market due to lower expenses***	Concern with lacking knowledge of CSR specifics and need to build capacity or buy in expertise***
Low local skill capacities (education and health system, infrastructure, authorities and employee competence level)***	Lack of coherence on CSR within multinationals***
Lack of adequate partners for social projects (low transparency, inability to justify causes and report on resources spent) (World Bank 2002)	Language and cultural differences for multinationals***
Support of specific causes or affiliated structures under pressure from local authorities (Rogalin 2004)	
CSR perceived through sponsorship, considered advertising, and distrusted (Petrenko 2005)	
Lack of inter-sectoral information exchange – less than 10% NGOs successfully cooperate with business (Volyn Public Portal 2005)	
Excessive taxation and lacking tax incentives (Appendices #3-7)	

Impediments common to Ukraine and Western countries
Difficult/insufficient connection between particular CSR practices and company strategy***
Media reluctant to publish company name when highlighting social initiatives (Kaczmar 2004)
Businesses missing opportunities to use media for CSR publicity (CSRWire 2004)
High implementation costs for small businesses***
Contradictory priorities of business and stakeholder groups and partners under social projects (World Bank 2002)
Fear issue is too big to be influenced by particular company CSR practices***
Lacking empirical evidence of CSR benefits (exemplary business cases)***
Large scale sponsorship and corporate giving, rarely strategic approach to CSR (Franova et al. 2003)
Lacking set of generally accepted CSR principles, measures, and practice terminology***
Lacking involvement in CSR on all hierarchical levels – mostly top management***
Additional work integrating CSR into routine business procedures***
Understood reputational and risk-reducing value of CSR and low integration of findings/opportunities into assessment strategies (Sottish Business in the Community 2004)

As seen above, numerous impediments to CSR practices exist in Ukraine and in the West, many of which are shared. Impediments peculiar to Ukraine mainly stem from limited interpretation of CSR through sponsorship and charity, lack of communication between and distrust between business and other community groups. Another significant impediment is Soviet 'inheritance' and outrageous taxation, making

*** European Multistakeholder Forum 2004

businesses feel robbed and already giving enough to the community to be demanded to give more.

Significant concept evolution is recorded from CSR being regarded purely as charity and sponsorship in 1999, having widened to long-term social programs and overall re-consideration of business' role in the community in 2004-05, as research results have. Even though the conceptual importance of CSR as strategic approach is recognized by Ukrainian businesses, the range of applied practices is still limited due to the low awareness, insufficient tax incentives, and short-term, non-strategic expectations from CSR.

Insufficient tax incentives and social activity of business still existing in Ukraine (though in limited form) can and is being used as exemplary demonstration of the fact that effective CSR primarily stems from business mindset and history, with regulatory incentives being a catalyst, not a reason for practicing CSR (Vinnikov, 2003). Further evolution of CSR in Ukraine will largely depend on economic development, tax regulations, and business engagement in local and international multi-sectoral dialogue.

Ukrainian businesses recognize the need to contribute to the local community, often on the intuitive level, at least, through charity – at a stage when survival stage is behind and public reputation issues gain importance. When it comes to CSR practices, actions of Ukrainian businesses are determined by primary interest (survival, in most cases) and country's economic situation. Though mainly driven by personal values or peer pressure today, Ukrainian business leaders contribute to the local community to the extent economic and regulatory environment allows them, without threatening business functionality.

Currently, Ukrainian businesses view CSR (as defined and practiced within the existing regulatory limitations) as something business should – though not must – do. Full-scale CSR, as defined and practiced in the West, is considered a luxury (fashionable trend) most Ukrainian businesses currently cannot afford, but must work towards achieving.