

Introduction of Corporate Social Responsibility into Armenia

21st Century Business Challenges

It is already 15 years that Armenia has transferred to a new economic system. Development of the private sector has been among the numerous significant and drastic changes. The beginning of the process was marked with considerable state support: the government did what it could to support the establishment of the private sector. What was happening was actually a redistribution of roles and responsibilities. If previously it had been the government that carried the responsibility for the economic development of the country, now it was the private sector that was to take the lion's share on its shoulders. Survival was the only priority at the beginning of the process: the private sector had to prove itself as a strong and competitive 'species'. However, today it can be claimed that this is no longer an issue: the private sector is able to act as a distinct species. Still, in order to fully carry out the mentioned responsibility, there is a need for well-established, rather than developing structures, whereas in Armenia the development process of the private sector still goes on.

Where is the dividing line between the public and private sectors in regards to taking the responsibility for public issues? The functions of the state and the private sector are already quite clearly defined in Armenia. However, it is well-known that if any development process is to continue naturally, it should move on to the perfection phase and today the Armenian private sector needs to refine its functions and define them more effectively. Business being a profit oriented entity cannot be continually self-sustained. To ensure long-term sustainable development within the parameters of our reality, it is crucial to adopt a wider vision and engage in more comprehensive actions. The international experience, in particular the UN Global Compact which enlarges the framework of business activities to include the spheres of human rights, labor standards, environment and anti-corruption, suggests how one should go about this. This idea which was proposed by Kofi Annan in 1999 is based on the concept of Corporate Social Responsibility (CSR), which the Business Council for Sustainable Development defines as "the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large."¹

Thus, the Armenian businessperson has in fact stepped into another phase of development, when s/he has to take the responsibility for the employee, their family, community and as such, for the wider public. At first sight these seem to be solely state responsibilities. However, if yesterday the short-term profit gain was supporting the businessperson's struggle for survival, today to ensure his/her future profit gains, s/he has to think of the maintenance and development of the workforce. This is the challenge the business has to face in the 21st century.

¹ CSR: Meeting Changing Expectations, 1999

UN Global Compact

Proposing the idea of Global Compact, the UN Secretary-General invited business leaders to join this international initiative that would bring companies together with labor and civil society to advance universal social and environmental principles. The Global Compact asks companies to embrace, support and enact, within their share of influence, a set of core values in the area of human rights, labor standards, the environment and anti-corruption.

The Global Compact is not a regulatory instrument. It does not “police”, enforce or measure the behavior or actions of the companies. Rather, the Global Compact relies on public accountability, transparency and the self-interest of the companies, labor and civil society to initiate and share actions in pursuing the principles upon which the Global Compact is based.

Shall we start?

In this case who will be responsible for the enactment of this principle in Armenia: the state or the private sector? Not matter how challenging it is for the Armenian reality and mentality to grasp the practice of cooperative responsibility, it should be accepted that in this case such a practice is an imperative if any progress is to be recorded at all. Only a top down or a bottom up movement will not work here. In order for a businessperson to be socially responsible in a country where a transition from an authoritarian to a democratic system has taken place, s/he should be able to clearly realize the new democratic rules of the game, i.e. his/her responsibilities should be defined legally. Moreover, in order for the state to propose fair rules of the game, the understanding of whole settings should be realistic and at the same time possess certain perspective. Thus, in order to have CSR define the new working relations, it is necessary to start with a “corporate”, i.e. united actions.

The classical definition of CSR states, “business sector needs to embrace, support and enact a set of core values in the area of human rights, labor standards, the environment and anti-corruption”. This is a simple, concise definition, the enactment of which requires enormous efforts in a country where the institutes, legislation, private sector and labor relations are still being developed.

It seems that given all the abovementioned conditions, all one can do is to rely on the sensibility of the local business people and their ability to see things in perspective if the cart is ever to move forward.

This paper is elaborated based on the opinions passed by the participants of the discussion “Corporate Social Responsibility: Where Does Armenia Stand?”. It was organized by ICHD on February 27, 2007. The round table was attended by businesspeople, independent analysts, government officials and representatives of international organizations.

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