



CORPORATE SOCIAL RESPONSIBILITY IN RUSSIA: SPECIAL FEATURES AND MAIN PROBLEMS

Tatjana Sudova, Saint-Petersburg State University, Russia¹;
Olga Kanaeva, Saint-Petersburg State University, Russia

The main purpose of the paper is to analyse main particular features of corporate social responsibility (CSR) in Russia; reveal important problems and outline possible ways to solve them.

The investigation of the CSR phenomenon is based on modern theories and concepts, such as corporate social responsibility, corporate social performance and sustainable development.

Main characteristics of corporate social responsibility in Russia are given in the paper; main problems are exposed and ways to overcome them are outlined.

Practical implication: the results of the study may be used in the operation of Russian companies. The conclusions and recommendations are based on empirical study.

Corporate social responsibility is not “terra incognita” for Russia. There were a lot of philanthropy traditions in Russia in the 18-19th centuries. So it will be better to attribute contemporary processes in this sphere as a renaissance. There are certain reasons for Russian business to pay special attention to CSR phenomenon, i.e. economic crisis, international activity, demographic and social problems etc. Besides, states (governments) try to redistribute social responsibility – in favor of business.

There are certain results of CSR renaissance in Russia in 2003-2012:

- There are a lot of companies, which demonstrate (or at least declare) their social responsibility in the non-financial reports (327 reports in 2000-2012);
- Society is now interested in domestic and transnational responsible companies;
- CSR is a sphere of scientific interest, moreover, it’s now an academic discipline.

But at the same time there are certain problems

- the ideas and principles of are not widely known (in comparison with Europe and USA), especially among domestic companies;
- corporate social activity is a result of non-market pressure, so it is “re-active”, but not “active”;
- CSR is not treated as a factor of sustainable development of companies.

It’s impossible to receive the benefits of CSR beyond market mechanism. Thus, it’s difficult to overestimate the role of government in the process of creation and restoration of the institute of CSR.

¹ Corresponding author – e-mail address: s_tl@mail.ru, telephone: +812 2735225



New Challenges of Economic and Business Development – 2013

May 9 - 11, 2013, Riga, University of Latvia

Key words: *corporate social responsibility, corporate social activity*

JEL code: M14

Introduction

Social market economy is the model of economy most extended among the developed countries. For this model it is typical not only a high level of the income of the population, but also a system of institutes which allow to provide social justice, securities, high quality of life. "Sociality" of market economy is supported not only by the state activity (for example, expenditure on education, health care, provision of pensions), but also coordinated actions and responsible behavior of economic agents both on micro- and macrolevel.

Corporate social responsibility (CSR) is a form of corporate self-regulation integrated into a business model. The term "corporate social responsibility" came into common use in the late 1960s and early 1970s. Generally, CSR is understood to be the way firms integrate social, environmental and economic concerns into their values, culture, decision making, strategy and operations in a transparent and accountable manner, and thereby establish better practices within the firm, create wealth and improve society. In working definition of the scope of "social responsibility," the ISO 26000 Working Group on Social Responsibility identifies organizational governance, environment, human rights, labor practices, fair operating practices, consumer issues and community involvement as core issues (Hohnen P.,2007).

Corporate social responsibility, according to the classical definition of European Commission, – the concept reflecting the voluntary decision of the companies to participate in improvement of society and environment protection The history of CSR shows that social responsibility was not a voluntary initiative of corporations - in the proper sense of the word. It was (and is) the reaction to society and state pressure. Corporate social responsibility is now a subject of both scientific and practical interest. A significant result of researches of corporate social responsibility in the 2nd half of the XX-th century is it's understanding as a factor of a sustainable development of the company. Corporate social responsibility and sustainable development form an integral part of our business decision- making process and contribute to companies' competitiveness and reputation.

Companies take into account the interests of their stakeholders: staff, shareholders, local communities. It is obvious that social responsibility of business is a reaction to financial, political and moral irritants. No doubt, companies want to derive certain benefits from their social activity. The scale and nature of the benefits of CSR for an organization can vary in dependence of the nature of the enterprise, and it's difficult to quantify them.

Corporate social responsibility has different forms in dependence on time and a scene of action. Historically the first form of social responsibility of business there was philanthropy. The long history of charity of Russian merchants is associated with the Morozovs, Soldatenkovs, Mamontovs, Hludovs, Guchkovs, Konovalovs, Ryabushinskies. There is a variety of explanations of this phenomenon in scientific literature – but no standard point of view. Now businessmen are also engaged in this process. For example, 50 largest Russian banks in 2012 spent for charity 6.8 billion rubles in total (www.soc-otvet.ru)

Revival of interest to charity in particular and to socially responsible behavior of business as a whole at the beginning of the XXI century has a variety of reasons. In our opinion, the main reason is the growth of general cultural level of people and the corresponding understanding of consequences of decisions made by them. Responsibility demands the corresponding socio-cultural values and behavioral norms.

Research results and discussion

The development of the corporate social responsibility in Russia in our days is determined by both negative and positive economic, social, political processes both in the country and the world.



New Challenges of Economic and Business Development – 2013

May 9 - 11, 2013, Riga, University of Latvia

On the one hand, there is a demographic crisis, deep social disproportions and contradictions, neglect of the social sphere, backwardness of social infrastructure. Many researchers fairly specify that interest to a problem of socially responsible behavior of the companies is caused by need of formation of new model of interaction between the state and the business; new model of the social policy assuming redistribution of burden of social responsibility from the state to business.

On the other hand, we see an exit from long transformational crisis of the 90th years, macroeconomic stabilization, economic growth, an entry of the companies into the world markets.

Originally CSR in Russia was perceived as set of voluntary social efforts of the Russian companies directed on formation of full-fledged social infrastructure in the country (Social responsibility, 2003). In 2003 the Association of managers of Russia published results of the first research social activity of the Russian and international companies working in the Russian Federation. Approximately that time series of the books, allowed to acquaint wide audience of managers and businessmen with ideas and CSR practice were published. In 2003 the Association of Managers of Russia presented a series of the books prepared in a framework “Social program of the Russian business”: “Social responsibility of business: actual agenda”, “Management of social programs of the company”, “The corporate social report”, “CSR: public expectations” (AMR, Moscow, 2003). Now CSR is considered as the long-term corporate strategy directed on formation of steady competitive advantages, by means of forming of the mutually advantageous relations with company stakeholders.

It is necessary to carry to the main results of development of CSR in Russia in 2003-2012:

- growing of number of the companies showing socially responsible behavior, growth of a variety of social activity, formation of institute of the non-financial reporting;
- important documents were developed and accepted, such as “The Memorandum of the principles of corporate social responsibility” (AMR, 2006) and “A social charter of the Russian business” (The Russian Union of Industrialists and Entrepreneurs – RSPP). In 2007 the second document was updated and it was recognized as conforming to the environmental and social standards stated in the Global Compact of the United Nations Organization (UNO). By 2011 the Charter joined 230 companies and organizations in which 5.5 million people were engaged (www.rspp.ru)

In 2008 UNO opened the Russian national network of the Global Compact which joined 28 Russian organizations, including RSPP;

- maintaining the National register of corporate non-financial reports and formation of institute of public assurance of non-financial reports (RSPP);

In total 111 organizations published 327 non-financial reports in 2000-2012. At the same time, it should be noted that for the period 2008-2012. The number of the companies issuing non-financial reports doubled (State-of-the-art reviews of RSPP, 2008, 2010);

- formation of Library corporate activities (RSPP, is realized since 2008);
- carrying out competitions of public recognition socially responsible companies (RSPP) (www.rspp.ru);
- approval of the International standard on CSR IC CSR – 26000-2011 (The international committee on CSR, 2011) (ICO CSR standard – 26000-2011);
- formation of public request for socially responsible business, on the one hand, and formation of inquiry of the companies on researches in the field of KSO, on the other hand. The great attention is given to research of problems of corporate social responsibility, problems of formation of the CSR national model by the Association of Managers of Russia (AMR), the Russian Union of Industrialists and Entrepreneurs (RSPP), other professional associations; university research centers;
- actively growing interest to CSR in the academic community, reflection of that is constantly growing number of publications, dissertation researches, conferences and "round tables";



New Challenges of Economic and Business Development – 2013

May 9 - 11, 2013, Riga, University of Latvia

emergence of several authoritative research centers of problems of CSR (university, professional, corporate). There are the Higher school of management of St. Petersburg State University, Economics department of St. Petersburg State University, Financial University under the Government of the Russian Federation etc.;

- specialized periodicals (Business and Society magazine, Internet editions: Mezenat <http://www.maecenas.ru> magazine, site Social responsibility of business <http://www.soc-otvet.ru> etc.);
- large-scale researches of social activity and policy in Russian companies, in particular social investments.

From 2003 for 2012, in Russia a number of researches (international, national, regional) were carried out. Their task was to understand how society, business, public authorities perceive CSR; to reveal their expectations concerning socially responsible business; to carry out the analysis social activity of Russian and international companies working in Russia; to give an assessment of a condition and dynamics of social investments. The researchers conducted at the initiative of AMR may be considered as most significant (2005, 2008); The Economist Intelligence Unit agencies on an initiative and together with OK RUSAL and with support of PricewaterhouseCoopers (2008); researches of Independent institute of social policy (NISP, 2008), and also a number of local and regional researches (The Report on social investments in Russia, 2005, 2008);

- academic courses are included in curricula (Kanaeva O. A., 2012)

As it is emphasized in the conclusion of “The report on social investments in Russia-2008”, development of corporate social responsibility in Russian business “as a whole corresponds to a universal tendency of gradual integration of the principles of CSR in corporate strategy, transition to ideology of the social investments which are equitable to long-term interests and business and society”. (The report on social investments in Russia, 2008).

At the same time, it is impossible to ignore existence of certain contradictions in formation of corporate responsibility of business, existence of barriers on the way of formation of socially responsible thinking and socially responsible behavior of the Russian companies. In our opinion, it is possible to note the following main problems.

Ideas of socially responsible business didn't gain the same wide circulation, as in the USA and the countries of Europe; the number of the companies, applying the principles of socially responsible behavior in practice, is rather insignificant; as a rule, there are mainly large companies, first of all international. Small and medium business limits the responsibility to periodic charitable actions.

There is no standard approach to estimation of the contents and possible forms of realization of corporate social responsibility; high variability of forms of social activity and corporate social activity takes place. Dominate neoclassical (liberal), traditional (traditional charity) and socially oriented approaches to understanding of social responsibility. Research of AMR (2008) confirmed that the companies are traditional committed to the model of “reactive” (not active) CSR. As a result, there are no clear ideas of the purposes and the directions of social corporate activity, of procedures of elaboration of social policy and the mechanism of its realization, of its influence on primary activity of the company.

Social activity of the companies carries, as a rule, compelled (non-market) character imposed by external (administrative) pressure; inducing motive to corporate social activity is not seldom attempt “to pay off”, improve the image and reputation; there is no understanding of objectivity of process of socialization of business, increase of its social responsibility. The public inquiry concerning socially responsible business only is formed, and the understanding of the content of social responsibility of business by representatives of business community considerably differs from society expectations.

In the majority of the companies system and administrative approaches to the corporate social activity (CSA) are absent, the companies concentrate attention on the CSA different elements which, with rare exception, aren't considered as independent object of management; CSA of many companies is focused on the solution of internal problems of the companies (first of all, connected with training of the



New Challenges of Economic and Business Development – 2013

May 9 - 11, 2013, Riga, University of Latvia

personnel of the company, granting social packages, creating favorable work conditions). In the companies, as a rule, there are no structural divisions and the employees responsible for realization of social policy of the company, at the same time many recognize need of training of specialists for this area.

The relation to social investments as to the undesirable expenses which are negatively affecting financial results of activity of the company is widespread.

The position according to which socially responsible behavior of the companies is considered as a factor of corporate stability and a sustainable development of society as a whole (an exception didn't gain a wide circulation make the large international companies).

Despite tendencies of growth of number of the Russian companies which are carrying out the non-financial reporting on a regular basis, opening information in reports on a triple bottom result (economic, ecological and social productivity); expansions of branch structure of the reporting companies; improvement of quality of reports, the total number of the companies publishing reports, is rather insignificant.

In the National Register of non-financial reports 122 companies and 392 reports are registered, which are issued since 2000. Among them are the ecological reports (ER) – 40, the social reports (SR) – 195, reports in the field of a sustainable development (OUR) – 116, the integrated reports – 24, industry reports – 17 (see Table 1 below). In the CorporateRegister.com we may find 46,628 reports given by 9,833 companies (www.corporateregister.com).

Table 1

Non-financial reports (February 2013)

Productive industry	Number of companies	Number and kinds or reports				
		Integrated reports	Sustainable development reports	Social reports	Ecological reports	Sum total
Oil and gas	15	0	55	7	21	83
Energy	34	19	26	35	5	85
Metals and mining	14	2	16	27	0	45
Chemical, petrochemical and perfume	6	3	1	19	0	23
Woodworking, pulp and paper	4	0	0	4	12	16
Transport	3	0	2	7	1	9

Source: <http://rspp-rf/simplepage/157>

In Russia the reporting of the companies is voluntary, however, for example, in Denmark, Sweden, Norway, Holland, France, Great Britain is obligatory for the publication. Process of the corporate social reporting in the Russian oil and gas sector is most continuous – this interest was dictated by transparency requirements at an exit to IPO. RSPP notes that in ecological reports the Russian companies, unlike foreign ones, don't open such important indicators, as the volume of burned gas in torches, oil spills or number of the contracts cancelled because of non-compliance with the business principles.

Protection of the capital of the organization is the conventional business principle. However firms not always extend this concept to natural and human resources. The accounting of the ecological factor promotes a sustainable development of the companies. Increase of degree of ecological responsibility of business demands improvement of system of indicators which can be used by the companies by drawing up the non-financial reporting

Various approaches to ecological reporting were developed in different countries. So, in Western Europe and Great Britain such indicators as dumping and emissions, a ratio of production and raw



New Challenges of Economic and Business Development – 2013

May 9 - 11, 2013, Riga, University of Latvia

materials are specified; in Canada and the USA – the volume and nature of toxic emissions. It is possible to consider the following indicators as the general parameters of the reporting of the company: 1) main impacts on environment; 2) emissions and dumping; 3) ecological activity of the companies, its eco-efficiency and benefits from carrying out nature protection actions.

Though the population of our country considers business as the main source of environmental problems, not but people don't believe that business can solve such problems. Poll of 1255 respondents (February, 2008) showed that, according to 57.19% of respondents, the problems connected with ecology, have to be solved by business, the state and society together; 40,37% consider that the state by means of retaliatory measures has to resolve these issues and only 2.45% believe that business has to resolve them (Ecological responsibility, 2008).

Existence of the ecological report yet isn't obligatory in Russia and many other countries, but for investors, clients, suppliers and local communities such reporting – a marker of socially responsible behavior of the companies. The companies use social (first of all ecological) reporting to receive the international certification and advance in the global markets. However, as practice shows, these reports and projects are often intended to increase ecological budgets of corporations.

It turns out that the ecological policy doesn't achieve the object, and sometimes not only doesn't consider, but, probably, and breaks interests of the population. The social reporting about which the main target group – local population doesn't know; projects which don't conduct to observed improvement of an ecological situation – all this affects image of the Russian corporations.

Table 2

DJSI Supersector Leaders (2012-2013)

Company	Supersector
Bayerische Motoren Werke AG	Automobiles & Parts
Australia & New Zealand Banking Group Ltd	Banks
UPM-Kymmene OYJ	Basic Resources
Akzo Nobel NV	Chemicals
GS Engineering & Construction Corp	Construction & Materials
Itausa-Investmentos Itau SA	Financial Services
Unilever NV	Food & Beverage
Roche Holding AG	Healthcare
Siemens AG	Industrial Goods & Services
Swiss Re AG	Insurance
Telenet Group Holding NV	Media
Repsol SA	Oil & Gas
Koninklijke Philips Electronics NV	Personal & Household Goods
GPT Group	Real Estate
Lotte Shopping Co Ltd	Retail
Alcatel-Lucent SA	Technology
KT Corp	Telecommunications
Air France-KLM	Travel & Leisure
Iberdrola SA	Utilities

Source: http://www.sustainability-index.com/images/120913-djsi-review-2012-e-vdef_tcm1071-343064.pdf



New Challenges of Economic and Business Development – 2013

May 9 - 11, 2013, Riga, University of Latvia

Therefore, formation of feedback mechanisms with the population has to become one of priority tasks in the field of ecological policy of the Russian corporations. The ecological policy pursued by the companies aims at violation of positive dependence between the economic growth and negative impact on environment that is a condition of a sustainable development of corporations and societies as a whole.

In the conditions of the high competition in the world market level of environmental friendliness of production becomes one of the main factors of competitiveness. Introduction of policy of the corporate social responsibility is recognized as a factor increasing profitability of the companies, ecologically responsible behavior becomes the admission in world business community.

Degree of compliance to the international standards has to be size measured. Therefore on September 8, 1999 at the initiative of business community the world share Dow Jones index on a sustainable development was introduced. This index pays off on a large number of indicators by filling with the companies of special annual questionnaires. The calculated and checked indicators (about 50) are grouped in three directions: economic, ecological and social activity of the companies.

The DJSI follow a best-in-class approach, including companies across all industries that outperform their peers in numerous sustainability metrics. The largest world's 2,500 companies (by free-float market capitalization) from the 58 sectors were invited to report annually on their sustainability performance. The result of the assessment provides an in-depth analysis of economic, environmental and social criteria, such as corporate governance, water-related risks and stakeholder relations, with a special focus on industry-specific risks and opportunities.

The top company is annually identified in each of the 19 supersectors derived from the 58 sectors The 2012-2013 Supersector Leaders are (listed alphabetically by supersector, Table 2).

Unfortunately, Russian companies aren't present in the list.

Conclusions

1. Studying of corporate social responsibility and activity of the companies in the Russian Federation testifies that there was a practice, differing a huge variety and testifying to different approaches to understanding of the maintenance of CSR, different degree of an involvement of the companies in CSA, about use of different forms, methods and instruments of realization of CSR. The listed above features of perception of ideas and the principles of CSR, modern level of awareness of the importance of socially responsible business, characteristic for Russia, once again emphasize relevance of the theoretical researches directed on identification of problems (restrictions) and features of formation of social responsibility of the Russian companies, on elaboration of the standard approaches to treatment of the contents and forms of realization of corporate social responsibility, on development of motivational mechanisms of increase of social responsibility of the companies, and also methods of an assessment of efficiency of corporate social activity.

2. Corporate social responsibility development in Russia goes in accordance with the world tendencies, but meanwhile slowly; small and medium business is not involved yet. CSR-development can be complicated by a number of factors: the overestimated expectations of the population and authorities; the underestimated ideas of the company of opportunities to carry out social policy.

3. A task of the state is a creation of conditions for a contribution of the business working at its territory to a sustainable development. Two variants are possible here: 1) development and improvement of legal base and 2) formation and advance of ideology of responsibility, and not only at the level of business, but also certain people (for example, socially responsible consumption) and the state itself.

4. Business is committed to creating of economic value, but it shouldn't be indifferent to how they do it. Progressive sustainable businesses are gaining competitive advantage by responding to societal signals. In the long term corporate social responsibility has to become basic ideology of business.



New Challenges of Economic and Business Development – 2013

May 9 - 11, 2013, Riga, University of Latvia

Bibliography

- Ecological responsibility of the Russian business.* [Online] Available at: <http://2info.ru/index.php?dn=article&to=art&id=25> [Accessed 18 March 2013].
- Hohnen, P. 2007. *Corporate Social Responsibility: An Implementation Guide for Business.* 5 p.
- Kanaeva O., 2012. *Corporate social responsibility: problems of integration into educational programs of education of economists.* Messenger of St. Petersburg State University Economy Series 5. Iss. 3, pp. 157-171.
- [Online] Available at: <http://www.corporateregister.com/stats/> [Accessed 12 March 2013].
- [Online] Available at: <http://www.rspp.ru> [Accessed 12 March 2013].
- [Online] Available at: <http://www.soc-otvet.ru/> [Accessed 5 March 2013].
- Social responsibility of business: actual agenda.* AMR, M, 2003, 8 p.
- State-of-the-art reviews of RSPP according to the non-financial reporting.* 2008; 2010.
- The international ICO CSR standard – 26000-2011,* Social responsibility of the organization. Requirements.
- The report on social investments in Russia, 2005-10.*
- The report on social investments in Russia-2008. Integration of CSR into corporate strategy.* M, AMR, 2008, 8 p.