

Influence of Corporate Social Accountability on Activities of Modern Enterprises

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Abstract: The article defines reasons and impact factors of corporate social accountability implementation. Experience of corporate social accountability implementation in Russia and other developed countries is contemplated. The authors developed the model of interaction between the company and objects and subjects of corporate relations taking into account interactions with the established nonprofit organization. Based on this model the authors proposed the model of interaction between small companies with a corporate social accountability object by means of participation of a nonprofit organization and the government.

Key words: Corporate social accountability % Corporate management % Board of Directors % Corporate Social Accountability Committee

INTRODUCTION

Relevance of the topic of research is that the need for development of social accountability emerged along with development of economic and production spheres of companies' activity. Companies try to pay attention to environmental protection problems, social protection of civil society. Scientists of the world community made the contribution to development of corporate social accountability, for example, H. Taghizadeh and M. S. Z Kermani [1] determined interrelation between corporate social accountability and financial results of activities in 2011. Two years after I. Morozova and I. Britvin [2] investigated the main forms of corporate social accountability display in 2013.

Reasons of corporate social accountability implementation: responsibility for natural disasters; responsibility for mineral production; responsibility for resettlement of the local community; responsibility for use of child labor; responsibility for violation of human rights; listing (London stock exchange); creation of potential audience's positive opinion; responsibility for unethical business behavior; corruption fact; "ego" of heads; creation of authorities' positive opinion; electoral company of the enterprise's representative; pressure from the third parties (green-mail); entry of the company into the new markets, including international ones.

Social and ecological factors are outlined from the above-mentioned reasons of corporate social accountability display. Ecological factors include: responsibility for natural disasters; responsibility for mineral production. Therefore, two types of corporate accountability are outlined: corporate ecological accountability (CEA) and corporate social accountability (CSA). These types of corporate accountability contribute a brand as an intangible asset. Corporate social accountability appears as a contribution to society development, corporate ecological accountability appears as environmental protection. Therefore, the concept of corporate social accountability is interpreted on a global scale and includes social (training of students, graduate students (as potential workers and directors)) and ecological accountability.

Material and Research Methodology: The works of following authors were used for this research paper: A.B. Carroll [3], R.E. Freeman, S.R. Velamuri, B. Moriarty [4], K.A. McElbaney [5], M. Porter [6], who defined the influence of corporate social accountability on society and company's operation. The authors have pursued an investigation of Russian companies' consolidated reports, joint-stock companies, AA1000 standard and the GRI standard. They used the method of expert interview with nonprofit organizations' and government institutions' representatives. Applying the brain storm method the

authors developed the Model of interaction between small companies and a CSA object by means of a nonprofit organization with participation of the government.

RESULTS AND DISCUSSION

Corporate social accountability in Russia is in a formative stage. The companies which plan listing on the London stock exchange pay attention to issues of corporate social accountability.

According to K.A. Polunin [7, p. 18], system of corporate social accountability is following the principles of corporate management, social policy concerning the society, good relations with suppliers, buyers, the personnel, local and government authorities, creation of the favorable ecological environment by means of ecological safety.

According to the authors, corporate social accountability cannot constitute the whole corporate strategy, but only its part. This condition represents corporate strategy as the business purpose. It should be noted that corporate social accountability can be not only a voluntary part of general corporate strategy, but also an enforcement power from the government, public organizations and labor unions.

Corporate social accountability can be determined as influence of the companies on society. Corporate social accountability operates under ethical principles, careful attitude to environment and society. Therefore, the following conclusion can be stated: "the end does not justify the means".

The optimum means for business goal achievement (profit maximization) can be the ones which promote infrastructure and ecology optimization.

When corporate social accountability is considered as company mission, there will be a purpose of corporate social accountability in the form of result - the products, rendered service, sales of goods of optimum quality.

Profit earning is a business target and satisfaction of demand is a social target of the company. It brings corporate social accountability display in satisfaction of consumer demands to light.

In the course of corporate social accountability implementation in small business there is a number of barriers, such as lack of available funds and the temporary space, insufficient understanding of advantages of corporate social accountability implementation, undeveloped legislation, inefficient state policy in the sphere of socially important objects support, lack of experience and personnel.

Along with shortcomings there is a number of advantages which are expressed in image forming due to following the business ethics in interaction between government institutions, socially important objects and partners (the commercial organizations); corporation activities become more transparent and reliable; more qualified personnel structure is created. It is necessary to underline the quality improvement of business management by means of high-quality goods creation on production capacities, the loyal set of customers will be formed, this company aimed at. The level of investment attractiveness will rise: when the system of corporate social accountability is developing, the administrative personnel can claim for expansion into the international markets where financial reporting exists. The new horizons of business operations will bring the company to new investors.

Corporate social accountability has voluntary and binding character. Within studying of corporate social accountability it is possible to outline three levels:

The 1st Level: salary payment, tax payment, prevention of negative consequences from company activities.

The 2nd Level: development of infrastructure which is necessary for society and for the company.

The 3rd Level: charity, sponsorship and patronage.

To that end the companies using the third level pay equal attention both to the first and second levels.

There are two kinds of corporate social accountability display: internal and external.

Internal corporate social accountability includes favorable impact on elements of the internal environment of the organization:

- С on time salary payment;
- С labor safety performance;
- С medical and social insurance of workers;
- С continuous training;
- С loyalty to workers in case of force majeure situations;
- С legal and psychological assistance when necessary;
- С loan granting to employees on favorable terms.

External corporate social accountability includes favorable impact on external environment of the organization:

- С environmental protection;
- С implementation of socially significant projects;

- C sponsorship, charity, patronage;
- C readiness of resources provision in case of force majeure situations;
- C sale of high-quality products and services.

Advantages of corporate social accountability implementation:

- C forming of positive general opinion due to involving of mass media;
- C tax privileges;
- C products advertising;
- C fence-mending with public authorities;
- C forming of investment attractiveness;
- C satisfaction of demands.

There are following types of social programs:

- C social budget for implementation of social programs;
- C corporate code which represents fundamental standards and the principles of business relations under ethic norms;
- C social program represents voluntary company activities directed on optimization of social groups of society. Social programs may have some reference points: support and environmental protection, in this case harmful effects on natural objects are reduced, the methodology and practice of utilization of dangerous harmful wastes is created and the economy processing industry is created [8].

Personnel development and training are directed on increase in profitability of the company by means of disclosure of intellectual and professional potential of the personnel. This activity is aimed at candidates' pool creation and deduction of talented employees by various methods of motivation. E.V. Ponosova and M.M. Kustovoy [9] note the greatest importance of reproduction of the innovative leaders which activity is directed on implementation of innovative strategic prospects of the enterprise. Researchers approve that today there are no efficient mechanisms of reproduction of innovative leaders and traditional ones are inefficient as low-adaptive to dynamic environmental conditions. Authors consider a problem of creation, development and reproduction of innovative leaders of the organizations as complex, being a task for not only the enterprises, but also the government and the education system because only common efforts can lead to desirable synergy effect in the course of reproduction of human potential.

The projects aimed at the development of society are socially significant tasks. During implementation of project data new public utilities are constructed, non-commercial researches are conducted; education is got by talented and capable, but socially unprotected people and their children.

For the results measurement and evaluation of the efficiency of corporate social accountability implementation there is the social reporting of some types:

- C the AA1000 standard is the tool of the social reporting directed on measurement of results of company activities.
- C social and ethical audit - research and check of corporate social accountability implementation with plan indicators. Along with social audit there is a general audit which is directed on comparison of public influence and expectation.
- C the GRI standard, standards on provision of the corporate social reporting, Sunshine State standards on provision of corporate statements for stakeholders. All above-mentioned standards are directed on optimization of relations between business structures and society as a whole. [10] Many foreign and domestic companies are interested in increase of business competitiveness. Corporate social accountability implementation acts as an indicator of competitiveness. The role of positive public opinion as an intangible asset increases. The management realizes the need of investments not only in elements of internal, but also of external environment of the organization. The public opinion dramatically influences the company viability and employees in non-office hours are sources of public opinion forming.

Business reputation of managers and the company as a whole directly depends on corporate social accountability, which is more offered with increasing demand and transforms into more perfect system of corporate social accountability. This evolution means emergence of traditions and gradual improvement of the system implementation.

The government plays an important role when forming practice of corporate social accountability by administrative, economic and psychological impact. As such, development of sufficient institutional management tools for these processes [11] is necessary.

It should be noted that implementation of the corporate social accountability system is held in large companies associated with natural resources and heavy industry at different levels.

I.V. Avadayev [12] outlined corporate social accountability at micro, macro and meso levels. Corporate social liability at microlevel corresponds to intra corporate interests: benefits packages, corporate culture, personnel advanced training, subsidized loans for workers. Corporate social accountability at mesolevel corresponds to the regional level: cooperation with authorities for general social strategy implementation, fundraising. Corporate social accountability at macrolevel corresponds to federal level: development of labor unions, creation of funds.

R.V. Sharifov [13] developed the institute of social partnership where social accountability between business - corporate social accountability and the government - public social accountability is distributed. The author of the institute of social partnership found companies' social activity where the essence of the institute of social partnership is substituted for the institute of corporate charity to create positive public image. There is a problem where not the program of social accountability, but the program of corporate charity is implemented, where resources and real assets return to the company property by means of various schemes.

R.V. Sharifov revealed informal governmental requirements to companies, implemented in the form of social partnership: the conclusion of agreements with public authorities for preserving favorable relations; creation of funds; direct financing. Strong informal communications between the companies and the state are obvious. The government delegates public social accountability to corporate social accountability, eliminating private companies' freedom. On the other hand, when there are no obligations concerning corporate social accountability, the companies, implementing corporate social accountability within general social strategy, will disappear.

The personnel, as an element of the internal environment during production process, is identically equal to the person as to an environment element before and after production process. The person is the subject of civil society and a part of the personnel of the company. It should be noted that along with development of corporate sector of economy the system of corporate social accountability is developing in Russia, being the indirect instrument of attraction both Russian and foreign investments.

Corporate social accountability in Japanese model of corporate management is the integral basic part of strategy of the company where there are all above-mentioned subsystems of corporate social accountability.

Corporate social accountability creation is directly connected with enhancement of the institutional environment, harmonizing the relations between the company, a business environment and civil society as a whole.

In the course of corporate social accountability research in the countries with the continental model the detailed government control of medical insurance and pension contributions was revealed. The public trust among workers, potential investors and other stakeholders increases in case of knowledge and experience transfer from the countries with the continental model of corporate management to Russian business.

In the course of the analysis of corporate social accountability in the Anglo-American model the liberal relation to medical and other insurance by the principle "a liberty of choice in everything" was revealed. When a citizen of the USA accomplishes official duties he or she receives a salary and chooses whether to spend money on medical insurance or to save them at his or her own discretion. It is important to pay attention at the USA government influence on charity development, by enacting of privileges for the income tax. The cumulative amount of charitable investments is subtracted from the taxable income. This operational method of corporate social accountability is economic.

American experience of implementation of this operational method of corporate social accountability to the Russian economy witnesses that it involves growth of tax avoidances by creation of artificial models of charity, which means that implementation of the American practice to the Russian economy is inadmissible.

Implementation of elements of corporate social accountability creates potential and real personnel loyalty to the company. It is necessary to consider some managers' and members of boards of directors' view of corporate social accountability as the low-priority direction distracting from real affairs of the company. It leads replacement of corporate social accountability by the public social accountability.

The opinion of ordinary citizens consists in integration of social accountability of corporations and the government. This brings us to the conclusion that corporations and the government shirk social accountability.

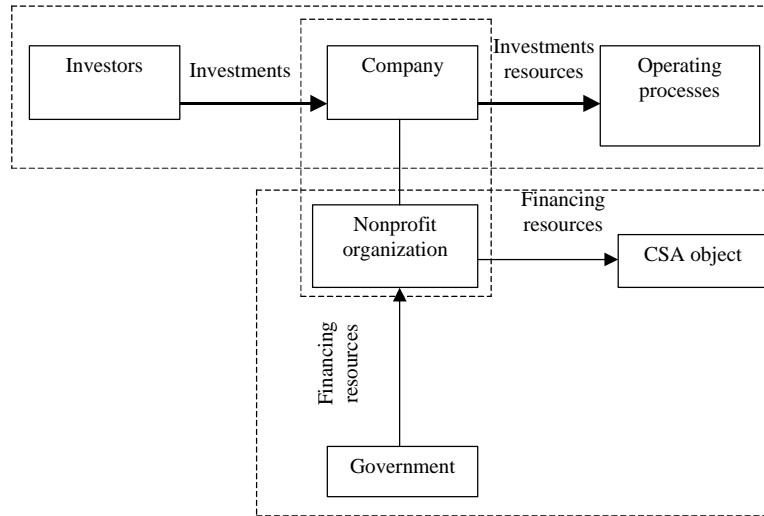


Fig. 1: Model of interaction between the company and objects / subjects of corporate relations

Practice of voluntary implementation of corporate social accountability emerges in need of changes of business environment. The infrastructure can act as an object of business environment. Infrastructure enhancement due to repair of roads, carrying out telephone communications and improvement in related business is corporate social accountability. These actions provide benefit for society and develop infrastructure for own motives: construction of roads going to the company, installation of a water supply system which will be used by society and the company.

Corporate social accountability has a negative impact on production cycle of the company. Resources are implemented on corporate social accountability, the production system remains without providing with resources. Investment attractiveness of the company increases along with implementation of corporate social accountability.

For enhancement of implementation process of social accountability the effective model of interaction between the company and objects / subjects of the corporate relations is offered. In the offered model of interaction investors directly put investments into the company, passing expenses on implementation of corporate social accountability. The government finances directly non-profit organization for implementation of social projects. Public funds do not anyway belong to productive activity of the company. The non-profit organization represents a brand of the head company that further influences the image and investment attractiveness of the company.

Performance of the public social accountability shall give support to non-profitable or unprofitable social and economic companies.

Problems of forming of effective corporate management model in production companies cannot be resolved in short terms by any method [14].

The model of interaction between business structures, the government and banks, in which the company can apply for taking out a loan on favorable terms after the actual implementation of corporate social accountability.

The mechanism of the model operation consists in the following:

- С The company needs a considerable loan on advantageous terms for business expansion. After identification of this requirement the company with the disposable capital (insufficient equity for business expansion) satisfies the corporate social accountability object' requirement.
- С There is communication relation between the object of corporate social accountability and the government through which the object of corporate social accountability represents interests of the company, thereby motivating the company to petition for taking out a considerable credit on advantageous terms.
- С The government is the owner of the major part of Sberbank's shares. It sends the petition for proving a loan for the company on advantageous terms.

C The bank gives the opportunity of a loan on advantageous terms.

All stakeholders' interests are satisfied by implementation of this model. The company will take out a loan on advantageous terms; the corporate social accountability object requirements will be met. Due to implementation of corporate social accountability strategy the company helps the government to satisfy requirements of socially significant objects. The bank gets the large customer.

The government's influence on business processes and authority delegation to business companies for implementation of social accountability and on the other hand, interest of commercial structures in relation to socially significant objects contradicts the principles of competence. In this situation there can be risks of low-quality performance of corporate social accountability and the company's primary activity. Based on the above stated in the companies where there is no special department, the committee and managers on implementation of corporate social accountability it is not recommended to implement corporate social accountability because it shall benefits the company.

For the effective corporate management model it is necessary to create a subsidiary company affiliated with the production company in non-commercial sector. The main function of this company consists in implementation of corporate social accountability by means of interaction with regional authorities and participation in grant projects.

Advantages of creation of a non-profit organization:

- C economy of main company's means on corporate social accountability;
- C optimum implementation of social projects;
- C general employment;
- C creation of effective communications between the company and local authorities;
- C creation of positive public opinion;
- C use of competitive means;
- C increase of investment attractiveness;
- C possibility of involvement of sponsor's means;
- C assistance to the government in implementation of social strategy.

In the course of the organization of actions it is necessary to reveal the companies with low capitalization and to exonerate them from implementation of corporate

social accountability. If to take the complex approach to the problem of corporate social accountability creation, it is possible to develop the scheme where in concurrence with participants entrepreneurial units will be able to solve a number of social problems. Following recommendations will assist not only to enhance society loyalty, but also to improve business performance that will influence the income of founders, managers, members of boards of directors.

In the course of establishment of a non-profit organization due to economy of mother company's means on implementation of corporate social accountability there will be decrease in prices of manufactured goods, services. As a result the company will have a competitive advantage-low prices in comparison with competitors.

In this model the authors considered small companies' operations by means of creation of the small companies' representative for implementation of corporate social accountability. With the help of this representative the company will implement only production processes; consequently this model operates only by the principle of division of labor. For more perfect model among the small companies it is necessary to create communication between the companies and the government by means of creation of a non-profit organization.

In this model investors take the rational decision concerning investment in the business socially oriented companies.

The non-profit organization implements corporate social accountability satisfies socially important object's requirements. The non-profit organization is the independently organized agency which is carrying out the main function on implementation of corporate social accountability and the public social accountability.

The non-profit organization works in two systems where companies and the non-profit organization are elements of the first system; the government, corporate and public social accountability objects are elements of the second system.

Business companies will implement corporate mission of the company, thereby being focused on satisfaction of consumer's demand, increasing in sales volume, goods quality optimization, introducing of new goods with considerable lifecycle duration.

The government influences corporate and public social accountability objects by financing and provision the non-profit organization with necessary material and personnel resources.

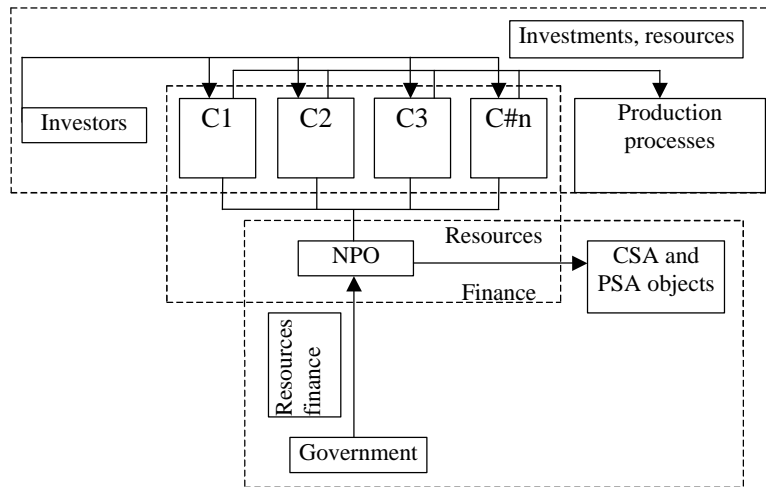


Fig. 2: Model of interaction between small companies and CSA object by means of a nonprofit organization with the government participation.

NPO-a nonprofit organization;
C-company.

Development of certain principles of business, division into strategic and current management cannot guarantee efficiency and optimization of companies. Creation of not only economic, but also a social and ethical orientation will help to avoid problems in the future. The list of affiliates in Russia is very detailed, but, despite this fact, they sometimes present in corporate bodies. If authors of management decisions place a priority on the company's mission and purpose, trust level to this category of people will raise. Strategic and current corporate bodies will take into account not only legality of actions, but also an ethical component in case of acceptance of management decisions, the quantity of corporate conflicts thereby will decrease.

Any principle and law can be imperfect when searching of decision methods within a legislative framework. In other words, officials, without breaking the law, can make the decision, breaking ethical standards. Consequently, the rights of subjects and objects of corporate relations directly are not violated. Considering that a manager has access to confidential commercial information, he or she using it in personal interests is able to cause damage to the owner of the company, without violating legal rights. From there it is necessary to create the optimum ethical environment and to employ on a contractual basis properly checked workers with the high principles of personal ethics.

CONCLUSIONS

It is necessary to carry out constantly monitoring of performance of subjects and objects of corporate relations, to specify contractual commitments with board members to enhance corporate management efficiency in industrial economic enterprises. Carrying out the trustworthy analysis of business planning, forming of controlling agencies including auditors, financiers and analysts is necessary in the company. Forming and enhancement of corporate standards regulations will entail general increase in efficiency of corporate management and results of the company as a whole. Coordination of the plans developed by committees affiliated with the board of directors will help to choose the approved vector of operations and business development. Research of general and business functions of management will demonstrate weaknesses and strengths of the company, consequently risks will be minimized. Enhancement of strategic corporate bodies' and the current management's standards will automate optimization of these bodies' activities. Creation of the motivation and stimulation system, depending on results of activities, forms highly skilled structure of bodies where their interests will match interests of the company owners. Disappearance of some conflict situations happens next.

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