

Basic Forms of Corporate Social Responsibility in Russia

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Submitted: Aug 16, 2013; **Accepted:** Sep 25, 2013; **Published:** Oct 3, 2013

Abstract: The article analyzes a current level of the development of corporate social responsibility concept in Russia; reveals and analyzes main forms of CSR manifestation in the current economic environment; and concludes that the development and deployment of reasonable and effective policy of corporate social responsibility is the instrument for increasing competitiveness of the Russian companies.

Key words: Social responsibility of business • CSR • Reputation • Image of the company • Volunteering • Charity

In the Russian Federation as well as in other countries, the economy and institutional environment are currently experiencing dramatic changes. The financial crisis, which started in this country in autumn 2008, grew into the crisis of partial overproduction and the collapse of credibility and controllability. The main factors provoking the crisis and its further exacerbation dealt with significant diminution in demand, reduction in prices for products of the Russian export and an unexpected forced stoppage of cheap external credits [1].

In the modern interdependent world, Russia's economic difficulties aren't exceptional; mostly owing to a large-scale utilization of financial reserves accumulated by the state, this crisis has neither provoked a chain reaction or, moreover, a collapse nor led to the bankruptcies of product and financial companies and banks.

The Anti-Crisis Program of the RF's Government as well as the measures specified in the decisions of G20 London Summit predictably played a positive role in normalizing macroeconomic situation in both the whole world and Russia in particular. More than one-third of the assets of the Reserve Fund and the National Welfare Fund have been spent on the anti-crisis measures.

We think one of the most urgent issues under contemporary economy for both Russia and the whole world is to develop socially responsible business being a passport to success of the current social and economic policy of the state. In this process charity plays a significant role, being a factor of corporate PR information policy and that of forming reputation corporate assets and increasing their market values.

Mainly large nationwide companies and divisions of international companies are interested in a policy of social responsibility and a strategy of participation in social life [2]. Medium-sized business, with few exceptions, works as it used to work. Only few small companies think about a professional business planning, management; business is done following a "toss-up" principle. Business is considered mostly as a way to earn money and not as a professional activity having its own features. Social programs are approached the same way; hence, a social activity comes to a one-time charity.

Nowadays incomes of modern corporations deal with the increase in price of the share at the stock market rather than with production of goods or services. Moreover, share price is determined by the company's reputation rather than the use value of goods or services. Therefore, in post-industrial economy commerce is associated with image. Reputation characteristics of corporation are directly connected to social aspects of business performance and a level of corporate social responsibility. Presently, for large businesses social and charity programs are becoming an essential part of their corporate strategies as far as no corporation can be isolated from the society and work only for the benefit of its share holders. By active participation in social life and creation of favorable conditions for social prosperity, the company creates conditions for its own long-term successful development. Charity is one of the main directions of social policy.

In Russian practice, charity is often associated with any fact of funding and product transfer, which don't deal with commercial activity of the company [3, p. 34].

This also includes aid to retired employees of the company, financial aid to third parties applying for financial assistance and free services to its employees. In this context, charity functions as compensation to socially unprotected people rather than performs as a tool for affecting a future social climate. Undoubtedly, such charity can be explained – business reputation and image of the company is built mainly by people being the company’s strategically important resource. A quality of this resource is closely associated with a quality of business reputation of the company. Developing a human resource and transferring it into intellectual capital is the most important task in forming reputation capital of any company – united by common corporate spirit, professional, discipline, creatively thinking employees able to develop and realize creative ideas build business image of the company, simultaneously being a condition for maintaining and developing reputation capital. Besides, investments into the human capital are justified as far as the improvement of the quality of consumer services is concerned. According to the conducted research, in banks, where the employees are satisfied with their positions, the clients are also 15% more satisfied [4, p. 9]. On the contrary, problems with personnel relations can provoke great losses amounting to hundreds of millions of dollars.

In developed countries, corporate charity has intrinsically become an element of strategic management, marketing, PR and, as well as other measures, is well-planned and well-organized. This approach is absolutely justified since for the consumer the company’s social position plays a really significant role. For example, at the end of the 1990’s of the last century 76% of American consumers noted that all other things being equal, they would have chosen the brand associated with social responsibility [3, p.35]. No doubt, social activity as a competitive advantage isn’t able to conquer a perfect quality and lower price; but for those companies that perform under a more severe competition, social aspect can play a greater role.

Charity differs from other forms of activity since it conceptually deals with a mutual cooperation. In fact, this is realization of a joint project satisfying mutual interests. The interests of the society are clear – a person receives aid for realizing his idea and enlists the support of a powerful company, its name and reputation. Companies take part in such projects for the following reasons. First, this gives additional opportunities in advertising the company, its products or services. From this point of view, charity is a component of integrated marketing communications, one of promotional strategies. The

second reason for the company’s involvement into socially important programs deals with building a favorable image in minds of general public.

Social responsibility of business (Corporate Social Responsibility - CSR) used to be and still continues being an important factor of business reputation, social image, stability and capitalization of the company [1]. The crisis has provoked a significant reduction in the scale and funds of CSR measures, which deal with voluntary initiatives of social and charitable character in particular. Nevertheless, under really reduces funds for implementing CSR measures, a significant part of them obtains actual and even critical character for successful recovery. This deals with not only those companies able to continue with their activity but also absolutely new venture and innovative ones being conceptually different from our traditional businesses.

The available CSR tool-kit makes it possible to solve the problem of trust by traditional and new innovative instruments. Furthermore, the issue of trust is directly associated with the company’s transfer to a strategy of stable development being one of the most efficient CSR forms, concerning a “three-element basket” of economic, ecological and social responsibility.

The key CSR measures can be divided into the following directions [1]:

- Quality, safety and availability of products and services (CSR economic “basket”).
- Ecological properties of production and products (CSR ecological “basket”).
- Active cooperation with all stakeholders, especially with clients and investors (CSR social “basket”).
- Clear property and capital for the society and potential investors.
- Socially responsible restructuring including legal and clear procedures of personnel optimization.
- External corporate and programs on additional training and occupational retraining of free labour force in close cooperation with authorities.
- New forms of cooperation with authorities and the society. Here, we mean agreed priorities of territorial development which should help business to add reputation capital either at an allowably low level of financial expenses or on a non-monetary basis. These ways deal with voluntary work, various forms of work with young people, cooperation with noncommercial organizations, religious organizations and associations of aboriginal population in realizing voluntary initiatives.

An important thing of CSR building is associated with creating and implementing nonfinancial risk management systems based on the system analysis and cooperation with the company's stakeholders. In Russia, nonfinancial risks (political, social, ecological, legislative, etc.) are significantly higher than in developed countries. Therefore, in the RF CSR and nonfinancial risk management are playing a greater role due to undeveloped Russian market as well as weak legislative and practical provision of proprietary rights and fair competition. This means that for corporate stability all parties of the corporate management should pay a great attention to implementing CSR principles and instruments in corporate management practice on the basis of systemic analysis, dialogue and constructive cooperation with stakeholders. This requires introduction of executive and independent directors for these directions into board of directors, creation of committees on SCR (nonfinancial risk management, corporate stability) and further introduction of public social reporting (on stable development).

Movement vector of current companies is obvious – they tend to the development of full social relations, social partnership. More than 70% of domestic firms bankroll charity. According to the RUIE's data, business of this country annually spends approximately 150 billion RUR on social projects. According to the estimates of the Russian Association of Managers, a share of social investments by domestic companies amounts to 8-30% of their profit after taxation [1]. According to the data of the Russian office of the Charities Aid Foundation, our companies allocate 17% of their profit, as the average, for charity, compared to 2-3% allocated by western companies [1].

In spite of all abovementioned fact and the popularity of the CSR concept in the USA and Western Europe, Russian large companies still doubt if it is reasonable for business to build complex policy, to print declarations, principles and other applications, to discuss it with the society and mass media and to develop a strategy of social programs. Undoubtedly, if Russian companies want to stay at the periphery of global economy and satisfy their interests with only a couple of regions of their presence, such an approach will be in practice for a long period. But for the companies willing to enter the international market and developing stable business relations with western partners, the old habitual approach will bring losses. Moreover, events and numerous researches prove these losses will deal with not only reputation but also sales and profits [5].

We believe Russian consumers and clients will soon evaluate companies judging by not only prices of goods or services, location, etc. but also its social responsibility having a set of essential *advantages* [6]:

- Improved finance indicators. Well-developed social policy, clear attitude of the company towards environment protection and personnel relations may affect finance indicators.
- Reduced operating expenses. Beside improved finance indicators, a well-developed policy of social responsibility allows the company's operating expenses to be lowered. In particular, initiatives aimed at improving ecological production safety – e.g. reduction in gas emissions, cut in toxic chemicals in agriculture – also lower expenses.
- Improved image and brand reputation. Plenty of goods and great choice at the market create conditions, in which the consumer's choice of this or that goods is affected by not only its price and quality but also many other factors. According to numerous researches, one of such factors is reputation of the company as a socially responsible corporation, popularity and recognition of its social activity.
- Gain in sales and loyal consumers. A successful and well-developed policy of social responsibility may essentially affect the company's sales and consumers' loyalty. Russia hasn't experienced large-scale researches of relations between companies' social responsibility and their sales so far, mostly owing to the fact that a majority of companies keep their social policy "a secret". However, even related researches show occurring relations between the consumer's behavior and reputation of the company as a socially responsible corporation.
- Reduced fluctuation of personnel, improved personnel loyalty, improved personnel motivation. Those companies having a well-developed policy of social responsibility easier attract professionals, reduce personnel fluctuation, cut expenses on personnel training due to a low fluctuation. In 2001 more than 50% of MBA graduates (Master of Business Administration) gave their reference to those companies which were famous for their social responsibility, essential social programs. As we can see, corporate reputation plays a particularly important role in searching and attracting highly qualified personnel – top and middle employees who not only estimate a salary level but also take care of their own reputation and prestige.

- Reduced pressure of inspecting bodies. In other countries, a well-planned policy of social responsibility may even result in reduced pressure of inspecting bodies. Published principles and policies dealt with personnel, environment, relations with suppliers gives the state bodies an answer to the question what approach the company uses in solving these questions. Regularly conducted social auditing also plays an important role. In Russia, unfortunately, correlation between corporate social responsibility and favorable attitude of the state is difficult to observe. Nevertheless, we can say those companies following the principles of open and clear performance and investing resources into social programs have more stable positions in relation with the authorities.

Thus, we can see a well-planned policy of social responsibility affects all key indicators of corporate success. In Russia, this correlation isn't obvious, yet; but there exist stable tendencies to a shortly coming situation when Russia's socially responsible companies will get more market advantages than the companies following a traditional approach to social relations. In particular, this will deal with a highly competitive sector of consumer goods and services as well as the companies working with natural resources, where a "location" of the population and authorities of a definite area will play an important role in making contracts on reservoir exploitations.

Russia's contemporary socio-economic situation, reinforcement of the business sector, higher ambitions of Russian companies at the international market have become prerequisites for system changes in their society-oriented activity. In the Russian business community of the latest years, typical tendencies deal with legalization of companies, their deeper specialization and engagement in international integration processes. There occur large town-forming product companies, which obtain not only business opportunities but also all social problems of the region of presence.

Need of Russian business in obtaining public recognition and securing stable positions at both domestic and foreign markets does stimulate changes of the company's approach to social relations. Large Russian companies start a wide discussion on the corporate social responsibility, initiated by professional association of entrepreneurs. Some corporations are restructuring their activity and management bodies in the area of corporate social policy. First corporate programs using new social technologies are currently occurring.

Now it is possible to distinguish the following characteristics of new corporate approaches to the development of socially responsible business [7]:

- Presence of well-planned priorities in a corporate social policy, clear conversation with audience.
- Combination of policy and treatment of the corporate product or business.
- Competitive selection of programs for social investment.
- Relations of corporate social programs with corporate reputation and brands.

We believe an important thing in the development of socially responsible business deals with reinforced integration processes – the fact that the company shouldn't struggle alone for social responsibility. They can join a *partnership* engaging both other companies and some nonprofit organizations for gaining success. This trend includes the following components:

- Partnership with other companies for working out a common approach to various aspects of social responsibility. Attempts to join this partnership are currently being made in Russia. In particular, these are attempts of the Russian Association of Industrialists and Entrepreneurs on working out a single code of corporate ethics; activities of the Russian Association of Managers on determining principle of social responsibility, which would deal with the features of Russia and business in Russia [5]. Thus, one of the variants of partnership is the partnership for determining priorities and working out common rules. Participating in such forms of partnership allows the company not only to cut the expenses on phrasing its own documents and policy (agreed previously developed materials can be used); such participation improves business reputation of the company without any heavy expenses.
- Partnership with nonprofit organizations. It includes ecological and legal advocacy organizations, associations of consumers - i.e. those nonprofit organizations which should protect rights and interests of ordinary people and which activity deals with corporate interest. Unfortunately, companies considered traditional ecologists and advocates as enemies both in Russia and abroad. But in the last decade, western companies have significantly changed their approach; so are Russian companies currently changing their attitudes. Instead of struggling, a common issue for the dialogue can be

found in many cases. This may be cooperation in working out legislation or voluntary rules on ecological safety; ecological education of children and teenagers; common support of conservation areas and preserves. These may also be attempt on increasing legal literacy of the personnel. There exist hundreds of variants of partnership depending on the company's business occupation, its geographic location and strategic interests.

- Partnership with charitable granting funds and international organizations. This is one more perspective form of partnership, which allows companies not only implement their social programs in cooperation with the professional of recognized funds and international organizations but also save resources receiving additional finances for their projects. There are several examples of this partnership, including the program "Novy Den" by AKB "Rosbank", 30% of which budget is funded by UNICEF; the program of social grants by NK UKOZ, carried out in cooperation with CAF; the UKOZ's program on developing small businesses within the territories, carried out in cooperation with Euroasia Venture Fund (to meet these goals, the company has already spent more than 30 billion RUR) [1].

Thus, Russia's business, on the one hand, seeks to develop individual and general approaches to development of social responsibility, tends to introduce the international principles of transparency, ecological safety, labor relations, society supports [8, p. 52]. On the other hand, it has to maintain collapsing social establishments in territories, to keep a large number of the "Soviet" privileges for the personnel, to assist municipalities in budget planning, struggling against "charitable racket" of local authorities. In this situation, the solution deal with the development of such approaches to social responsibility of the companies which would be based on common international principles of social responsibility, but on the other hand, would offer forms for implementing a policy of social responsibility, taking into account the environmental features of Russia.

Summing up the fact mentioned above, there is a wish to tell once again that the development and implementation of reasonable and effective policy of corporate social responsibility is a step to recognition of Russian companies - recognition not only abroad but first of all in Russia; this will trigger changes in reputation of the Russian business in the minds of partners and its citizens for the better and finally will result in improvement of life quality in our country.

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