

## Promoting of CSR Principles in the Conditions of Unstable Development of the Russian Economy

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### Abstract

Private business plays an important role in solving the acute problems arising in the social, economic and environmental areas of the Russian society. The scale and social importance of the activities of modern companies require them to be more socially responsible. Corporate social responsibility (CSR) is becoming one of the basic principles of entrepreneurship. The aim of the article is to analyze the state of business CSR in the modern Russia in the conditions of unstable economic development. On the basis of a comprehensive comparative analysis of the results of theoretical research of domestic and foreign scientists, the author settles scientific statements about the nature of CSR and its main characteristics. The trends and major issues of CSR are defined. The effect of the economic crisis on the development of CSR principles in Russia, including the "fair pricing" principle, is analyzed. The study substantiates the main directions of cooperation support in the form of intersectoral social partnership. The conclusion about the necessity of state support and encouragement of business CSR development is made.

**Keywords:** business social responsibility, corporate social responsibility, principles, fair pricing, economic crisis, state regulation.

### 1. Introduction

One of the issues of scientific discourse in both domestic and foreign economic literature is the question of the moral (ethical) responsibility of corporations. Profits and ethics today are considered by researchers as the two main indicators to evaluate performance of the organization (Grace D. and Cohen S., 2009). Issues that have traditionally been studied in the framework of business ethics also include business social responsibility (hereinafter – CR). The obligation of business to bear responsibility to society by performing a number of social functions is called corporate social responsibility (CSR).

The value of CSR for society is the ability to minimize the negative consequences of the production process, solve the problems of development, and create an atmosphere of trust and shared values in society.

The need for business participation in solving social and environmental problems in times of crisis was repeatedly noted at the state level in Russia. Support and promotion of CSR in this context is regarded as one of the important tasks of the state policy, which should be solved with a view to sustainable development. However, according to most experts, in spite of the ongoing development of CSR principles in Russia, business CSR is still very low. This updates the need to find theoretically reasonable directions of business CSR development in Russia.

### 2. Theory

As a result of the analysis of the prerequisites for the transformation of views on the essence of the CSR concept, as well as the business SR models, carried out within this study, the author concluded that:

1. In numerous publications of both Russian and foreign researchers devoted to the study of CSR, as well as in existing documents of various public institutions, a variety of approaches to its treatment can be found. The CSR concepts range from purely theoretical to completely practical (managerial accounting). The reason for this seems to be that the contradictions in the views on CSR are often essential and reflect the real situation in this practice area (management, marketing, sociology, psychology, political science, and others.). Variety of existing approaches reflects the expectations of society with respect to the roles and responsibilities of business in social development, but none of them can claim to develop a precise definition of CSR (ORSE, 2014). It should be noted, however, that after the release of the International Standard ISO 26000 "Guidance on Social Responsibility" in 2010, most experts agreed that the definition given in this particular standard is currently the most accurate and complete.
2. The definitions of CSR concept (Bowen, 1953; Frederick, 1960; Friedman, 1962; Davis and Blomstrom, 1966;

Sethi, 1975; Carroll, 1979; Jones, 1980; Wood, 1991; Baker, 2003; Strizhov, 2007; Andreev, 2010; Belyaeva and Eskindarov, 2008) we analyzed illustrate some of the emerging trends in the conceptual approaches. The most important for this study seem to be the following key elements in the definition of CSR expressing its essence: (1) objectives of CSR – sustainable development and support of society through the social orientation of the business; (2) responsible use of the state power; (3) integration of social demands; (4) promoting positive change in the society, including improvement in the quality of life; (5) implementation of ethical standards in choosing tools for activities.

3. The study of foreign materials on CSR leads to the conclusion that now is the time of evolution and paradigm shift of the organization and the development of business: from shareholders to a broad coalition of stakeholders (Mrost, 2015). The integration of CSR concept into the architecture of the business model is followed by the participation of businesses in CSR programs, social networks on CSR, establishing continuous cooperation with civil society institutions and other stakeholders.
4. The society considers it necessary to impose some ethical restrictions on the freedom of business to set prices. The society's ideas of the pricing ethics are reflected in the CSR principles, including the "fair pricing" principle (RSPP, 2007). There are five levels of ethical norms that are taken into account in price setting: the desired price is paid voluntarily; the price is set on a reasonable basis and corresponds to the product quality; the seller does not profit from the need for the buyer to satisfy the vital needs; the price is justified by cost; the price is set in a way to ensure equal access to a product for consumers with different income levels (Nagle and Reed K., 2002).

### 3. Findings and Discussion

#### 3.1 Major trends in the development of CSR in Russia

The main role in the development and popularization of the concept of social responsibility in Russia belongs to the business community. According to various estimates, more than 90% of large companies in Russia have CSR strategies or develop CSR programs today.

The reaction of the business community representatives to global trends is somewhat ahead of government measures to support CSR in Russia. It can be noted that more and more entrepreneurs realize the need to build internal social-oriented business strategy (Karaseva and Petrov A.V., 2010; Astapovich et al., 2007), as well as the need for informal consideration of the staff requirements, for example, by working with the trade unions (Petrov, 2008). However, the conclusion of some researchers about the desire of Russian companies to "voluntarily undertake social obligations" seems not quite correct to us. The role of government institutions in Russia remains high, and according to the Association of managers, administrative pressure becomes the main motivation for CSR companies (73% of respondents), while the voluntary action of the top managers in the CSR field is relatively low (55%) (Belyaeva and Eskindarov M.A., 2008).

The Association of Russian Managers prepared a report "On social investments in Russia in 2004: The role of business in social development", which provides an expanded definition of the concept of the corporate social responsibility with regard to Russia. This definition of CSR is in full accordance with international standards, according to which neither the market nor the government action determined the philosophy of CSR. However, a nationwide survey conducted in 2014 by the Association of Managers within the project of the UN development program on promoting the Global Compact with participation of the SPSU Higher School of Management showed greater fragmentation of evaluations and interpretations of the CSR meanings in the environment of large Russian business and the extremely low level of CSR in small and medium enterprises (Blagov, 2010).

The culture of CSR in Russia is only beginning to develop. It can be assumed with high probability that the modern CSR of Russian companies became an economically rational response to the instability of the external and internal operating environments. Against this background, many researchers share the view that Russian companies intentionally don't seek to develop CSR and act in accordance with the established practice of management.

The following basic contradictions of the modern Russian state policy in the field of CSR and problems with CSR formation in business serve as the foundation for socially irresponsible behavior of the Russian business and call for development of the design concepts of the formation of an effective state policy paradigm to support and promote CSR (Kostin, 2013; Yarovoi, 2010):

- 1) lack of a clear, institutionalized state policy in the field of CSR and sustainable development;
- 2) lack of the CSR system – fragmentation of CSR instruments and practices of large, medium and small

enterprises, dependence of the CSR on the impact of the crisis, low level of non-financial reporting in the area of CSR;

- 3) low level of coverage of small and medium-sized businesses with the CSR movement;
- 4) low level of theoretical training of executives and managers of Russian companies – for majority of companies, an answer to a question about the content of CSR and its role for a modern company is still not obvious.
- 5) companies do not actually use GOST R 26000 - 2012 "Guidance on Social Responsibility", which is advisory in nature; and
- 6) low level of information transparency of Russian business in the face of the continued corporate reform.

The continued corporate reform is an important condition for further development of CSR. The strategic goal of the legal regulation of corporations' operations should be to ensure the protection and security of property rights (the rights of investors, shareholders' rights) by the corporate governance practices, while ensuring the balance of the interests of society, government and business in corporate relations. The priority objectives of corporate reforms in Russia are the following: improving the financing of companies; de-bureaucratization; protection of the interests of market participants; flexibility; and clarity and transparency.

The main requirement for the development of corporate governance today is to increase the responsibility of the company before stakeholders. Quality governance also includes CSR. This, in turn, will require effective management of social and environmental opportunities and risks.

Proactive CSR policy should become an integral part of the company's strategy. It will help to create long-term values and reduce risks for shareholders and other stakeholders. CSR has already become one of the principal elements of corporate governance in developed countries and directly influenced the corporate governance mechanisms (Aguilera et al., 2006). Companies are increasingly focused on the company's activities in the social and environmental field. The concept of the "value of the enlightened shareholder" worked out by the British practice, where investment activity is focused on the longer term perspective of solving social and economic issues raised by the company, is of particular interest in this context.

Whether Russian companies will follow a similar way will depend on many factors, including the availability of incentives and encouraging mechanisms. It can be assumed with high probability that modern CSR of Russian companies has become an economically rational response to the instability of the external and internal operating environment. Against this background, many researchers share the view that Russian companies intentionally don't seek to develop CSR and act in accordance with the established practice of management.

### *3.2 Impact of economic crisis on the development of CSR in Russia*

Development of the Russian business CSR is affected by a variety of factors of global and national character related to the business environment, development of the theory and practice of corporate social performance (AMR).

The global economic crisis has been the most important factor that had a direct influence on the formation of CSR in Russia in the past six years. Under these conditions, CSR, which is a non-productive and non-financial component of any business, unfortunately, also falls under the "cuts", which is evident (Kostin, 2015).

Primarily, this decline affected charitable programs. The crisis has accelerated the transition from traditional "chaotic" charity to social investment. Thus, today social investments are the most common form of realizing corporate social responsibility. Yet, according to the data from the Reports on Social Investments (2008, 2014), most companies are cutting their budgets for social projects.

On the one hand, the reduction of social spending is a natural reaction to the crisis, adapting to which necessarily implies a reduction of costs. This is evidenced by the results of the study "Charity in crisis" conducted in April-May 2009 by the research group "Zircon", PricewaterhouseCoopers, Donors Forum and CAF Russia. According to the results, 65% of 440 surveyed non-profit organizations said that funding from enterprises has been reduced.

By analyzing the characteristics of business CSR development between 2008 and 2014, several conclusions can be made.

Firstly, a new round of crisis has highlighted the accumulated problems in the field of CSR – declarativity, opacity, optionality, lack of sufficient relationship with the business strategy, mentioned focus on PR effect, including in the area of social reporting. CSR programs, often developed only as a tribute to Western fashion, are economically unjustified and inefficient.

Secondly, in recent years, business gives priority to programs that are relevant for the development of the company, close to its core business and bring tangible results (e.g. the use of energy-saving technologies). A trend to replace traditional social programs for volunteer help emerged in times of crisis. Aside from volunteering, social

partnership, socially oriented marketing, projects in the joints of marketing, joint programs and activities (CSR creation of industry media, forums and round tables (Vinogradov, 2014)) help companies to save CSR programs in difficult economic conditions.

Thirdly, the significant scale of costs reduction in CSR (by some estimates, up to 35%) shows the way chosen by top managers to adapt to the crisis at the expense of the most vulnerable stakeholders of the company – employees. In general, the complexity of the situation in the economy, both on the global and regional levels, has forced Russian companies to tighten their policies on relationships with their stakeholders and parties in interest and contributed to more selfish, sometimes aggressive behavior.

The crisis intensified the internal motivation of the company's CSR focus. CSR has become part of a business strategy aimed at restructuring activities, including the review of pricing strategies. Business prefers not to reduce the profit, without trying to find a consensus between its interests and the interests of society, which can lead to a significant reduction in the level of confidence in a company. At the same time, the company's management does not take into account that the loss of the social image of the company may be more unprofitable in the long term than the short-term profits derived from high commodity prices in the economic crisis.

#### **4. Conclusions**

The issue of CSR is relevant in Russia like never before. For the formation of the CSR system, it is important to understand the theoretical aspects of the issue, namely:

What is the nature and characteristics of CSR business?

What are the CSR models?

What is the mechanism of formation of the CSR of small and medium-sized enterprises?

Russia can use international experience to form CSR. Undoubtedly, mechanical transfer of the one, even developed and successfully functioning model of SR (American, European, Asian) in terms of another country is not possible. However, in the context of globalization, all members of the international community have to solve similar problems related to the protection of fundamental rights and interests of the individual. SR business model, architecture and development trends of social and labor relations, mechanisms and instruments of social partnership in Russia must comply with the basic challenges of sustainable development.

Formation of CSR system involves the expansion of cooperation of large, small and medium-sized businesses, the state and society through a variety of mechanisms to support and promote the development of CSR.

CSR promotion is closely associated with the activation of partnerships and the integration of multiscale businesses potential. Cooperation of large, medium-sized and small businesses in CSR projects allows to combine specialization and cooperation to enhance the effectiveness of corporate social activities, and has a number of organizational and management advantages to be derived from the integration of multiscale businesses potential. At that, cooperation of the large companies and small businesses (including in the framework of the supply chain) plays a particular role.

The government, by creating the institutional infrastructure and stimulating social investment through tax breaks and subsidies, should act as a "referee", establishing the rules of doing business through the development of legislation, where certain social standards are originally incorporated.

Areas of cooperation support in the form of intersectoral social partnership can be divided into three main categories:

- Developing the current regulatory framework supporting social investment. This can be achieved by legislative measures enhancing the possibilities of representatives of large and small businesses to effectively benefit from CSR and get their share of the profits from realization of CSR programs. The main regulatory mechanisms traditionally include tax and anti-monopoly regulation;
- Offering incentives that aim to increase the public benefits from the social activity of the business, ensuring the growth of the company's profits and increasing its effectiveness. These may be government grants, government contracts, subsidies, targeted tax incentives;
- Creating open areas of interaction between business, society and government (regional social forums, the purpose of which is the definition of social and environmental priorities).

Implementation of the proposed directions of the state support and encouragement of CSR will create conditions for increasing the formation of an adequate institutional environment for effective economic cooperation between business, society and government, will improve the efficiency of using the potential of the business CSR, and will ultimately ensure a reliable supply of sustainable economic development and growth of the quality of life of the

population.

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