

**CDSSES 2020****IV International Scientific Conference "Competitiveness and the development of socio-economic systems" dedicated to the memory of Alexander Tatarkin****COMMUNITY DEVELOPMENT IN RUSSIA: THE ROLE OF SOCIAL PROJECTS OF INDUSTRIAL ENTERPRISES**

Elena Plotnikova (a)\*, Julia Markova (b), Igor Germanov (c)

\*Corresponding author

(a) Perm State National Research University, 15 Bukireva St., Perm, Russia, plotnikova1958@yandex.ru

(b) Perm State National Research University, 15 Bukireva St., Perm, Russia, julyamarkova@gmail.com

(c) Perm State National Research University, 15 Bukireva St., Perm, Russia, germanov1973@yandex.ru

**Abstract**

Over the last two decades, industrial enterprises in Russia have actively engaged in various Corporate Social Responsibility (CSR) programs and community development projects at the local level. The research aims to understand the role of social projects funded by industrial enterprises and to reveal their role in community development at the municipal level. This explorative case study examines social projects supported by 'Lukoil-Perm' in four municipalities in Perm Krai. The data collection methods included document analysis and interviews with the corporate representatives, local government, NGOs, and community members. This paper argues that while the improvement of the social infrastructure remains one of the immediate effects of social projects, there are wider implications. These include the evolvement of collaborative relationships between the company, local administration, and local communities, where community members take the initiative and responsibility for resolving local problems and becoming 'part of the solution' rather than a passive recipient of social benefits.

2357-1330 © 2021 Published by European Publisher.

*Keywords:* Community development, enterprises, social projects

## 1. Introduction

Historically, industrial enterprises in Russia have played an essential role in developing municipalities and local communities, particularly during the Soviet period. At that time, industrial enterprises' substantial economic and social resources allowed them to invest heavily in the development of social infrastructure and cultural facilities in municipal areas (Germanov et al., 2010, p. 75). In the early 1990s, many industrial enterprises significantly cut back their social investments due to the systemic crisis's economic instability. However, in recent years, there has been a revival of industrial enterprises' 'social role' in community development (Kuzina & Chernysheva, 2016). In many regions, the industrial sector has become a catalyst for socio-economic development (Kosharnaya & Dmitriev, 2017). Industrial enterprises started to implement various Corporate Social Responsibility (CSR) programs, including social and community development projects. Some scholars have questioned the role of corporate community development initiatives and whether such social projects can help to overcome and prevent deprivation and the social risks associated with poor living standards, unemployment, ethnic conflicts, and social fragmentation, and contribute to sustainable development of local communities (McLennan & Banks, 2019). To examine this argument further, this paper presents the results of an explorative case study of social projects supported by one of the largest industrial enterprises in contemporary Russia.

## 2. Problem Statement

The literature on local community development in Russia discusses the role of business actors, and industrial enterprises in particular, primarily in CSR. Analysis of this literature reveals some controversial views on the role of CSR practices in the development of local communities. For instance, some authors (Haryani, 2018; Vittenberg, 2017) argue that business actors share responsibility for local communities' socio-economic development and government institutions at various levels and non-government organizations (NGOs). However, other scholars note that CSR programs often focus on corporate personnel development and are designed as one-time charity projects that do not translate into the long-term commitments due to economic or political reasons (Kopytova, 2017). Some international authors are rather sceptical about the role of corporate social programs in community development (Li et al., 2019). Among the key criticisms are: insufficient consideration of the needs of the local communities (Alabi & Ntukekpo, 2012) and poorly developed public participatory mechanisms which do not effectively involve local communities in the decision making process about what social issues should be addressed (Henry et al., 2016; Kozina, 2005; Tulaeva & Tysiachniouk, 2017).

Some innovative ideas have also been examined regarding "social enterprise" and "social entrepreneurship". Contrary to an existing controversy about the role of CSR programs, scholars have come to an agreement that 'social entrepreneurship' and so-called 'social enterprises' reveal long-term social goals and commitments, and introduce innovative solutions to the social and environmental issues threatening local communities (Estrin et al., 2016; Klimova et al., 2015; Moskovskaya et al., 2017). Such enterprises focus on social innovation, social networks development, and the implementation of social projects (Klimova et al., 2015). The distinctive feature of social projects implemented by these enterprises emphasizes strengthening local communities by establishing and promoting new socio-cultural practices,

behavioural norms and patterns associated with such characteristics as leadership and initiative (Moskovskaya et al., 2017). Besides, to secure long-term and large-scale benefits, such projects involve not only their employees but also other stakeholders from local communities. In contrast with traditional CSR practices, the literature on these innovative social projects are relatively scarce and have primarily focused on small and non-industrial enterprises as either initiators or providers of such projects. Therefore, this paper aims to address this gap in the literature and examine the existing social projects supported by industrial enterprises and identify whether and to what extent social entrepreneurship characteristics are present and integrated in these projects.

### **3. Research Questions**

This paper examines social projects initiated at the municipal level in Perm Krai and is supported by 'Lukoil-Perm' - one of the region's largest industrial enterprises. It describes the types of existing social projects and analyses their role in community development. The research questions are:

- What types of social projects are supported by 'Lukoil-Perm' in four municipal districts in Perm Krai?
- What is the role of these social projects in the development of local communities?

### **4. Purpose of the Study**

This study aims to identify social projects supported by an industrial enterprise at the municipal level in Perm Krai (Russia) and reveal their community development role.

### **5. Research Methods**

This explorative research was designed using a case-study strategy. The research focuses on the social programs funded by 'Lukoil-Perm' which is one of the largest industrial enterprises in Perm Krai and one of the leading companies in the exploration, oil and gas production segment in Russia. It has also been one of the first companies in Perm Krai to implement social projects as a part of its CSR practices. Four municipalities agreed to participate in this research, including Dobryanskiy municipal area, Ilyinskiy municipal area, Permskiy municipal area, and Chernyshenskiy municipal area. 'Lukoil-Perm' has production facilities in all these municipal areas.

The data collection methods were document analysis, including corporate documents, local newspapers, websites of municipalities, and expert interviews with representatives of the local government, NGOs, community members and 'Lukoil-Perm'. Twenty interviews were conducted in total, five in each municipality<sup>1</sup>.

---

<sup>1</sup> This article employs direct quotes from expert interviews and includes them in this paper in italics with references to the relevant municipalities in brackets.

## 6. Findings

'Lukoil-Perm' has a comprehensive CSR program covering a number of areas, including charity, sponsorship, voluntary initiatives, and corporate volunteering. Among these programs, the company invests in the implementation of the local community development projects. These projects are initiated by local community groups and/or organizations who design community development projects, and then submit grant proposals to the local administration and the relevant corporate department.

We identified four types of community development projects which are funded by 'Lukoil-Perm' in the municipal areas in Perm Krai. Based on their objectives, these projects could be divided into the following categories or priority areas: 1) the development of social infrastructures; 2) support to voluntary organisations; 3) cultural projects; and 4) youth development projects.

### 6.1. The development of social infrastructures

The primary focus of projects in this category is the development of social infrastructures in the municipal areas. These projects involve the reconstruction and building of new health care facilities, community centres, town squares, sport playgrounds, nurseries, and social clubs for children.

Typically, the priority areas for corporate investments in these projects are identified by the municipal administration and then discussed with the management of the company. Research participants identified a few examples, perhaps those they considered most important in their municipal areas. For instance, in the Perm municipal area a nursery was built for 250 children (Local Authority, Permskiy municipal area, int. 6). In the Chernyshenskiy municipal area *'thanks to the company, a town square was created and, in many districts, we have now sport facilities and playgrounds'* (Community Development Project Lead, Chernyshenskiy municipal area, int. 19).

As part of their social programme, the company invested in the renovation of local community clubs in the four municipalities involved in this study. These community centres play an important recreation role as well as providing education and cultural activities. For instance, as described by one representative of the local administration in the Permskiy municipal area: *'These centres offer such activities as choreography, gymnastics, choral singing, and other classes'* (Local Authority, Permskiy municipal area, int. 8).

Interviewees identified a number of examples where the company invested in projects related to health and education. For instance, in the Perm municipal area the company built an outpatient clinic in Savinskiy settlement; in the Dobryanskiy area the company purchased equipment for health care facilities and schools. Some of these projects also address basic needs within the local community, such as the provision of drinking water. For instance, in the Ilyinskiy municipality the water pipes were upgraded, and in the Dobryanskiy municipal area the company helped with cleaning local water reservoirs. Finally, as recognised by the interviewees, such projects resulted not only in infrastructure development, but also created healthy and secure environments: *'it is not only about building a playground, but also about making children and their parents happy. It is about social networks and relationships'* (Local Authority, Permskiy municipality, int. 8).

As follows from the above quote, new and enhanced infrastructure is not the only outcome of these projects. One can argue that these projects lead to long-term benefits as they address the socio-cultural needs of local communities and create environments to support healthy lifestyles, personal development, and well-being.

## 6.2. Support for voluntary organizations

Another type of community social projects funded by 'Lukoil-Perm', aimed to support voluntary organizations in municipal areas. These organizations pursue various objectives, including providing care to elderly people, organizing sport activities for children, the development of community areas, and the organization of cultural activities and events. For instance, in the Permskiy and Chernyshinskiy municipalities voluntary organizations support vulnerable elderly people living alone in rural areas: *'Volunteers would come and clean the snow, chop the firewood, bring water; they would also visit care homes'* (Community Development Project Lead, Chernyshinskiy municipal area, int. 19). In the Dobyanskiy municipality volunteers, supported by 'Lukoil-Perm', organize football training sessions for children; in the Chernyshinskiy area these organizations take responsibility for enhancing communal territories, growing trees and looking after playground areas. It should be noted that not only do young people and senior adults living in the community participate in these voluntary organizations, but such initiatives actively involve young employees working for the 'Lukoil-Perm' company. For instance, in the Permskiy municipal area 'Lukoil' employees and people from the local community jointly participated in a project aiming to reconstruct the ethnocultural reserve of St. Tryphon; *'...every year the guys do something, i.e. they built bridges, a whole two-story guest house... and now we are planning the complete restoration of the temple in this area'* (Community Development Project Lead, Permskiy municipal area, int. 24). As noted in some interviews, the company's engagement with voluntary organizations, not only resulted in the effective implementation of ongoing projects, but has also had long-term implications in contributing to the development of volunteering as an established social practice within the local communities and municipalities.

## 6.3. Cultural projects

One of the main priorities of the company's social programs is the development of cultural projects to support the creative potential of local communities and preserve cultural identity and historical memory. Three types of projects could be distinguished: community festivals, educational projects, and the restoration of cultural monuments.

### ▪ Community Festivals

The organization of community festivals is supported by the company in all municipalities. These events encourage the development of people's artistic skills in various fields including singing, theatre, choreography, and arts: *'thanks to the company's support, we have this wonderful festival 'Kamskaya Yrbanika' which provides an opportunity for many groups to participate in performances and create art-objects in the territory'* (Local authority, Dobyanskiy municipal area, int. 5).

The key objectives of such festivals are to: 1) encourage and promote creative development in local communities; 2) support self-employment and create opportunities for additional local income; and

3) organize leisure time. In addition, such festivals help to establish social networks between territories and enhance interregional cooperation.

For instance, in the Ilynskiy municipal area a festival of traditional needlework was organized. It brought together people from the local community as well as from the neighbouring areas. In the Dobryanskiy municipality the 'Festival of Sweets' has taken place for a number of years and attracted participants and guests from other regions.

- Educational Projects

Educational projects aim to enhance people's knowledge of their local history. Such projects involve museum exhibitions and the organization of courses, lectures, conferences, and publications. For instance, one of the community development project leads mentioned an exhibition, organised in the local library, with support from the Lukoil company. This exhibition was dedicated to a local family who played an important role in supporting environmental sustainability in the region. Another exhibition was organized as part of the project 'The Origin of Archaeology in Perm Krai'. It presented a unique collection: *'including Permian bronze casts and other items belonging to fifth or ninth century AD'* (Community Project Development Lead, Ilynskiy municipal area, int. 10). An educational project in the Ilynskiy area resulted in the publication of a book – a collection of local peoples' memoirs about the history of their area.

- Restoration of Cultural Monuments

A number of projects funded by the company were to restore cultural and historic monuments. These included a monument in the Chernyshinskiy area which commemorates the anniversary of the victory in the Great Patriotic War. In the Ilynskiy and Dobryanskiy areas memorials were dedicated to community members who died during local conflicts. As recognised by one of the interviewees, these memorials became important local social areas where community members come together: *'This is one of the favourite places of our residents, it turned to be a very nice public area for children and our veterans to get together, honour the memory and just sit on the benches and talk'* (Local Authority, Dobryanskiy municipality, int. 5). Apart from the memorials, the company also supported the reconstruction of orthodox churches. These projects included the restoration of the Nizhnimulinskiy temple and the building of five small temples in the Chernyshinskiy area. Representatives of the municipal administrations acknowledged the importance of all projects in this group as having a national significance. One interviewee in the Permskiy municipal area claimed that: *'...the role is really significant – culture, here in Russia, is the soul of our communities. If there was no culture, the soul would disappear'* (Local Authority, Permskiy municipal area, int. 9).

#### **6.4. Youth development projects**

These projects primarily aim to support young people from areas with high deprivation levels, children with disabilities, as well as those involved in risk-taking behaviours. The company supports various programs, including sport activities, tourism, summer camps and trips. Some of these programs are jointly organized with the local administration: 'During summer holidays we organize trips, so that children could learn camping skills' (Local Authority, Dobryanskiy municipal area, int. 5). While some projects are initiated by community members and local organizations, many are organized by the church

community. For instance, in the Dobryanskiy municipality a social group for teenagers involved in risk-taking behaviours is organized by a local church and includes sports events, and activities to enhance the appearance of the local territory. For children with disabilities, the company invests in the organization of social clubs, sport facilities, and educational programs. 'These children now have an opportunity to learn how to use commutators, we also purchased special sport equipment, and organized social events' (Local Authority, Dobryanskiy municipal area, int. 5).

## 7. Conclusion

The community development projects funded by 'Lukoil-Perm' are an integrative component of the company's CSR policy. However, as compared to rather traditional CSR practices which prioritise either programs aiming at corporate personnel development or those providing various social benefits to local communities, these social projects reveal some distinctive features. Firstly, there is distinction in the delivery mechanism employed in these projects. As described earlier, these projects are initiated by community members and designed in close consultations with municipal administrators and corporate representatives. The emerging type of relationship between the company, local administration, and community members in these projects is quite different from traditional social programs where community members typically become passive recipients of social benefits. The new relationship between actors involved in the design and implementation of community development social projects could be characterised as collaboration, where community members show initiative and become proactively engaged. Furthermore, the type of relationship evolving between the company, local administration, and community members during the implementation of such projects reveals a transition from the traditional 'donor -recipient' model to a 'collaborative model' where community members are not only the passive recipients of social benefits, but develop initiative and become proactively engaged in the design and implementation of community development projects. However, it is important to note that there is a scope for strengthening the community's role in these collaborative projects. This implies that community members could play an active role in the decision-making process about their local territories' strategic development goals. Such involvement should be supported with sufficient leadership training and appropriate institutional arrangements.

Secondly, such projects' objectives and outcomes reveal wider implications that could not be narrowed down to the provision of social goods and benefits to local communities. While social infrastructure improvement remains one of the immediate effects of some projects, a few long-term effects should be noted. These include the evolvement of new social practices in local communities, such as taking initiative and responsibility for addressing and resolving local problems and becoming 'part of the solution' rather than a passive recipient of social benefits provided by corporate actors or municipal administrations. These practices encourage developing such qualities, within communities, such as initiative, creativity, responsibility, leadership, and 'social entrepreneurship'.

Thirdly, these social projects aim to address some socio-cultural risks associated with deprivation. New and enhanced infrastructures are not the only outcomes of these projects. One can argue that these projects lead to long-term benefits as they address the socio-cultural needs of local communities and create environments which support healthy lifestyles, individual and community development and well-

being. Such environments play an important role in strengthening social capital and cohesive relationships in local communities.

## Acknowledgments

The reported study was funded by the RFBR, project number 19-011-00369.

## References

- Alabi, O. F., & Ntukeko, S. S. (2012). Oil Companies and Corporate Social Responsibility in Nigeria: An Empirical Assessment of Chevron's Community Development Projects in the Niger Delta. *British Journal of Arts and Social Sciences*, 4(2), 361–374.
- Estrin, S., Mickiewicz, T., & Stephan, U. (2016). Human capital in social and commercial entrepreneurship. *Journal of Business Venturing*, 31, 449–467.
- Germanov, I. A., Plotnikova, E. B., Kuznetsov, A. E., Borisova, N. V., Plotnikova, E. V., & Petuhov, K. A. (2010). *Institutsionalizatsiya korporativnoy sotsial'noy otvetstvennosti na sovremennykh rossiyskikh predpriyatiyakh* [Institutionalization of corporate social responsibility in modern Russian enterprises]. Perm: Perm State University.
- Haryani, I. (2018). Social mapping for a popular economic improvement in an industrial area. *European Research Studies Journal*, 21, 143–154.
- Henry, L. A., Nysten-Haarala, S., Tulaeva, S., & Tysiachniouk, M. (2016). Corporate Social Responsibility and the Oil Industry in the Russian Arctic: Global Norms and Neo-Paternalism. *Europe-Asia Studies*, 68(8), 1340–1368. <https://doi.org/10.1080/09668136.2016.1233523>
- Klimova, S. G., Klimov, I. A., & Shcherbakova, I. V. (2015). Soobshchestva sotsial'nykh predpriyatiy [Community of social enterprises]. *Bulletin of the Institute of Sociology*, 13, 71–96.
- Kopytova, E. D. (2017). Sotsial'naya otvetstvennost' biznesa: Metody otsenki i regional'noye izmereniye [Corporate social responsibility: Assessment methods and the regional dimension]. *Economic and social changes: facts, trends, forecast*, 10(1), 254–271. <https://doi.org/10.15838/esc/2017.1.49.14>
- Kosharnaya, G. B., & Dmitriev, R. B. (2017). Sotsial'naya otvetstvennost' predprinimatel'stva v regional'nom sotsiume [Social responsibility of business in the regional society]. *Russian Journal of Regional Studies*, 25(2), 294–305.
- Kozina, I. M. (2005). Menedzhment novykh chastnykh predpriyatiy: praktiki upravleniya v malom i srednem biznese [Management at the new private enterprises: management practices of small and medium-sized businesses]. In V.I. Kabalina (Ed.), *Praktiki upravleniya personalom na sovremennykh rossiyskikh predpriyatiyakh* [Personnel management practices in modern Russian enterprises] (pp. 6–35). Moscow: ISITO.
- Kuzina, O., & Chernysheva, M. (2016). Korporativnaya blagotvoritel'nost' i korporativnaya filantropiya: Ekonomiko-sotsiologicheskii analiz [Corporate charity and corporate philanthropy in Russia: An economic sociology analysis]. *Voprosy Ekonomiki*, 3, 115–130. <https://doi.org/10.32609/0042-8736-2016-3-115-130>
- Li, J., Haider, Z. U., Jin, X., & Yuan, W. (2019). Corporate controversy, social responsibility and market performance: International evidence. *Journal of International Financial Markets, Institutions and Money*, 60, 1–18. <https://doi.org/10.1016/j.intfin.2018.11.013>
- McLennan, S., & Banks, G. (2019). Reversing the Lens: Why Corporate Social Responsibility Is Not Community Development. *Corporate Social Responsibility and Environmental Management*, 26, 117–126. <https://doi.org/10.1002/csr.1664>
- Moskovskaya, A. A., Berendyaev, A. A., & Moskvina, A. Yu. (2017). Mezhdru sotsial'nym i ekonomicheskim blagom: konflikt proyektov legitimatsii sotsial'nogo predprinimatel'stva v Rossii [Between social and economic good: Conflicting projects of legitimacy of social entrepreneurship in Russia]. *Monitoring of Public Opinion: Economic and Social Changes*, 6, 31–51. <https://doi.org/10.14515/monitoring.2017.6.02>

- Tulaeva, S., & Tysiachniouk, M. (2017). Mezhdru neft'yu i olenyami. O raspredelenii blag mezhdru neftyanikami i korennymi narodami v rossiyskoy Arktike i Subarktike [Between oil and deer. Benefit sharing arrangements between oil companies and indigenous people in Russian Arctic and Subarctic regions]. *Journal of Economic Sociology*, 18(3), 70–96.
- Vittenberg, E. Ya. (2017). Sotsial'naya otvetstvennost' rossiyskogo biznesa v usloviyakh krizisa [Social responsibility of Russian business during the economic crisis]. *Bulletin of the Institute of Sociology*, 20, 76–113. <https://doi.org/https://doi.org/10.19181/vis.2017.20.1.440>