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**DEVELOPMENT OF A STRATEGY FOR CORPORATE SOCIAL  
RESPONSIBILITY OF RUSSIAN BUSINESS**

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*Abstract*

The aim of the study is to assess the quantitative and qualitative characteristics of the influence of the activities of large corporations at the regional and local levels. The article presents an analysis of the Russian practice of implementing social investment programs in specific areas of the presence of large business. The base areas of large business (especially commodity specialization) become the place where business interests and various social groups intersect about the distribution of resources and the social product. The interests of business structures are mainly aimed at the implementation of internal social programs. This is especially true of peripheral regions, where business is weakly interested in the implementation of regional social policy and is either limited to charity or acting under the pressure of the local administration. "Incorporating" responsible business into the social fabric of the regions will ensure a balance of economic, social, environmental interests of the subjects based on the constructive interaction of state authorities with large business structures and public associations. These benchmarks can be achieved through the creation of mechanisms of interaction between government and business, contributing to the building up of regional economic potential, raising the level and quality of life of the population through the development of new technologies in business solutions to social problems.

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**Keywords:** Economic system, development, strategy, business structures, territory of presence.



## 1. Introduction

In Russia, the development trend of social responsibility of business is becoming a gradual transition from traditional (due to the experience of the Soviet period) models of building social policy to modern technologies for its implementation. With the reduction of social obligations of the state and the active process of commercialization of the social sphere, employers (primarily large corporations) bear the main burden of maintaining social stability, ensuring quality and innovative capabilities of human capital. Achieving civilized relations in the social and labor sphere requires a revision of corporate strategies in terms of the need to integrate corporate social responsibility into the corporate governance system. In the past two decades, the growth and scale of social investments in Russian business have not significantly increased, and the state in relations with business and society does not find an acceptable model of relationships and solves social problems by administrative methods.

According to Belyaeva & Pukhova (2016) and Danilova (2016a), Russian specifics significantly impede the implementation of corporate social responsibility principles. In many companies, the period of neglect of social problems has already been replaced by an awareness of the interdependence of the interests of business and society. On the one hand, large business structures are forced to maintain collapsing social institutions, retain a large number of “Soviet” benefits for the staff of their enterprises, assist municipalities in budget planning, and on the other, seek to create individual and common approaches to social responsibility based on compliance. international principles of transparency, environmental safety, labor relations, to establish civilized relations with local authorities and the local community. Corporations do not just demonstrate responsibility, but make real investments in the implementation of specific social projects.

## 2. Problem Statement

Given that the use of material factors of production at any given moment is limited, the possibilities of human resources are limitless, and the social responsibility of business is dictated by the needs of social development. The need for social responsibility of business is due to the fact that business structures through social investment must act responsibly in such numerous areas as habitat protection, health and safety, civil rights, consumer protection, etc. Business is responsible to the society in which it operates, in addition to and beyond ensuring efficiency, employment, profits and compliance with the law. In accordance with public expectations, business structures should direct part of their resources and efforts to the social development of society, for the benefit and improvement of society.

The concretization of the structure of a socially oriented business allows it to be considered, on the one hand, as a social phenomenon that does not depend on the actions of an entrepreneur, having a definite impact on the livelihoods of employees and the functioning of public institutions. On the other hand, the responsibility of business is a type of social life associated with the formation of the economic environment within an economic entity and characterized either by the presence or absence of social contradictions. It is precisely the contradictions that reflect the diversity of interests of the participants in business processes, which require, on the one hand, coordination, and on the other, resolution of contradictions of the internal and external environment of the business.

The process of forming a socially responsible business should be viewed as the result of an objectively existing, repetitive, stable relationship between the progressive development of social and economic systems and the emerging new nature of business. Responsibility, understood in terms of the ability of a business to assess the consequences of its actions for the sustainable development of society, arises in the development and reproduction of the main resource - human capital. With the replacement of labor with knowledge, the task of accumulating intellectual capital comes to the fore in the activities of organizations. The real power is concentrated “in the process of understanding the information, and not in any position or management function”. The goal of a business, as a defining element of the economic system, is investing in intellectual human capital. Investing in human capital should not be seen as an aid, but as a strategic line for the development of a socially responsible business. Otherwise, the very right of private ownership of the means of production is threatened.

### **3. Research Questions**

In the authors’ opinion, the intention should be to transformation of the system of interaction between government and business, not just to improve it (increase, optimize etc.).

The analysis of theoretical and practical developments in the aspect of this problem showed that the problem of the ability of business to assess the consequences of its actions for the sustainable development of society remains. The tendency of business to become socially responsible is naturally formed when creating the appropriate economic conditions and due to the change in the role of the employee in social reproduction. The philosophy of socially responsible business is its social responsibility as a form of realization of the right of ownership of capital. In addition to compliance with the laws of production of a quality product, business and subjectively should be interested in voluntary additional commitments to improve the quality of life.

The study was conducted in three stages:

- The first stage is the analysis of the socially responsible practice of Russian business.
- At the second stage, models and mechanisms of business and government interaction were proposed within the framework of the concept of integrating corporate social responsibility into the corporate governance of large business structures.

At the third stage, the recommendations “on the expediency of choosing models and mechanisms of interaction between government and business when implementing social programs in the territories of presence of large business structures are scientifically substantiated.

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

Identification of trends and prospects for the development of social responsibility of Russian business and social investment as the main form of its manifestation in the innovation economy, specification of the mechanisms of interaction between the state and business in the regions of presence of large corporate business structures.

## 5. Research Methods

Among the studies specifically devoted to the problem of socially responsible entrepreneurship, it is necessary to highlight the fundamental works of Blagov (2014), Danilova (2016c) and Belayeva (2016). Some attention is paid to the social responsibility of business in the works related to the study of human capital Yeletskaya (2011), Chatterji & Kiran (2017). In the works of these authors, the social responsibility of business is mainly studied at the micro level from the perspective of effective use of available resources and finding mechanisms for the development of market relations on the basis of corporate structures. It's the nature of the society that has changed, «it's changed» M. Friedman and others. This is a question about the economics of economic development, profit margins. It is not clear that there is a need for more information about the situation (Belyaeva & Pukhova, 2016). It is not a single case of corporate social responsibility. However, it's not necessary to formulate the companies.

In the coming years, most companies do not particularly have to rely on privileged access to capital markets, the main task of business entities will be to strengthen business competitiveness based on the growth of staff professionalism and the quality of collective knowledge. Socio-economic modernization and the active integration of Russia into world institutions require the improvement of the existing models and mechanisms of interaction between the state and business.

The vagueness of legal norms and the lack of transparency in the practice of interaction between government bodies and corporations, the specifics of Russian traditionalism and the supremacy of the state over all areas of civil and business activity have a mixed effect on the state and development of regional economic systems and the competitiveness of the national economy as a whole. This work is a study aimed at the study of models and mechanisms of interaction between business and government within the framework of the concept of integrating corporate social responsibility into the corporate governance of large business structures. The lack of a common understanding of the essence of the phenomenon of “socially responsible business” does not allow developing an effective mechanism for its implementation.

In Russia, the main driving forces behind the processes of social responsibility of business are still a small number of the most “advanced” companies, or large companies created as a result of the privatization process, or the state. And this is not surprising, since responsibility is limited solely to business ethics, reputation, and the growth of public confidence in business (Danilova, 2016b). Social sphere and charity today are the most fertile zones, investing in which big business can effectively build up its relations with the population. Accurate statistics of funds directed to charitable purposes are absent in Russia. According to various estimates, the amount of annual donations of large Russian corporations amounts to 500 million euros. More than 50% of these donations are made by 50% of the largest companies - Lukoil, Sual, Gazprom, Severstal, etc. (Rating of the largest Russian companies by sales volume 2018).

Each of the listed companies annually spends on average 10 - 50 million euros for social purposes. In most cases, this is a “voluntary - compulsory” transfer of funds for the accomplishment and needs of the social sphere, initiated by the administration of the regions where companies are present.

In accordance with the participants, there are three sources of financing for solving problems of the areas of presence of large business structures - construction of education and healthcare facilities,

electricity, water and gas supply systems, reconstruction and modernization of existing sewage treatment plants, etc. These are the means:

- the Federal budget,
- regional budgets and municipal budgets,
- social investments of large business structures.

The structure of sources of financing of joint investment projects for the development of territories of presence is presented in Table 1.

**Table 01.** Structure of sources of financing investment projects in the territory of presence

<b>Resources</b>			
	<b>Own</b>	<b>Attracted</b>	<b>Borrowed</b>
State	Federal budget; Budgets of subjects of the federation (republican, local); Off-budget funds (Pension Fund of the Russian Federation, Social Insurance Fund of the Russian Federation, State Employment Fund of the Russian Federation, Federal Fund for Mandatory Medical Insurance of the Russian Federation, other funds)	State credit system; State insurance system	Government borrowing (government loans, foreign borrowing, international loans, etc.)
Resources of business structures	Company Profit	1. Charitable contributions, sale of shares, add. issue of shares; 2. Investment resources of investment companies, mutual funds. funds; 3. Invest.resources insurance companies; 3. Invest.resources of non-state pension funds	1.Credits (bank, commercial budget targeted loans; 2. Invest. resources of foreign investors (commercial banks, international financial institutions, institutional investors, etc.)

Source: prepared by the authors with the use of materials (Russian Union of Industrialists and entrepreneurs. <http://eng.rspp.ru/>); National report on social investment in Russia. (2014). <http://www.amr.ru/upload/iblock>.

One of the reasons explaining this situation is that many large enterprises have historically been city-forming. The life of the whole city depended on how fully and regularly the largest city enterprise finances the social sphere. And, despite the restructuring and removal of non-production facilities from the balance sheets of enterprises, this dependence persists. They want city-forming companies or not, but they constantly have to prepare “networks” for the heating season, build and reconstruct social

infrastructure facilities, administrative buildings, cover debts for children's allowances, and provide “voluntary” assistance to veterans and the disabled. As a rule, local authorities consider such “help” to be the norm, and business gets used to perverted forms of taxation. And if all over the world, social responsibility is viewed as “the only way to create a solid foundation for a stable and durable business,” then Russian business, at best, sees in it corporate philanthropy, an instrument of the company's public policy.

Significant changes in the volume of social investments for the period 2007 - 2017 did not happen. Negative trends should be attributed to the negative dynamics of the indicator of the share of social investments in retained earnings, which in four years was almost halved (from 11.25% to 6.25%). Similar results were obtained by the Charities Aid Foundation, according to which Russian companies spend on average from 10 to 17% of net profit to external social programs.

Russian business, as a source of social responsibility, is not always ready for the voluntary financial commitment for the implementation of social programs for the local community. This lack of readiness is associated with not understanding the need for the practice of social responsibility, and the form in which it is implemented often brings a short-term effect. The coordinate system, which will allow to evaluate the effectiveness of social activities, is being formed extremely slowly and contradictory, with a noticeable lag behind Western countries.

Of course, both charity and sponsorship as a form of social responsibility of business have the right to exist and are the only possible form in the implementation of “targeted” actions to provide individual material assistance. Russian business must understand and accept its new role in society. Nominating only short-term financial results as priorities, achieving profit at any cost at the expense of customers, suppliers or the environment cannot be considered as promising. Business is increasingly paying attention to non-financial sources of value growth, and in the first place, the creation and development of intellectual human capital.

## 6. Findings

Social responsibility of business is a system that naturally provides for improving the efficiency of social reproduction and competitiveness of the national economy on a fundamentally different, innovative basis, the basic mechanism for the realization of which is investment in human development (Aleshina, 2014; Antonova, 2011; Borzakov, 2016; Bataeva, 2018; Oleschuk & Promislov, 2016; Glagolev & Moiseev, 2012):

- Socially responsible business is a structured system of relations that recreates activities aimed at achieving economic and social effect in the process of social reproduction; creation of a stable economic environment; intellectualization of the main resource of the economy-human capital.
- Effective interaction of large business structures, regional business and public authorities, contributes to the development of regional economic potential, improving the level and quality of life of the population through the development of business new technologies to solve social problems.
- The mechanism of interaction of state bodies and large corporate structures in the territory of presence represents a system of social institutions, methods and tools, a set of levers of mutual

influence of the parties, the use of which allows to solve issues of partnership interaction, ensures the achievement of the objective function of this mechanism - achieving a balance of interests of all parties involved economic development of the territory of presence. In order to preserve the environmental sustainability of the territories of presence of large business structures, it is advisable to form environmental-economic incentive mechanisms for large companies - users of nature.

- Sustainable economic development is a process that takes place in time and space. The transition to the model of sustainable development involves an efficient economy that uses a minimum of resources to obtain a unit of result. Such efficiency should be ensured, on the one hand, by market structures, first of all, by big business, and on the other – by strict regulation on the part of the state (represented by Federal and regional authorities) and society of these processes.
- The most adequate system of interaction of subjects of large business and territorial systems for the purpose of ensuring effective impact on development of regions of the country is the triad mechanism of interaction of state bodies, business structures and civil society.
- The system of measures to improve the economic motivation of interaction-structures with authorities and local communities in the territory of presence is based on the creation of "special conditions for business": financial benefits, including exemption from regional taxes; access to additional economic resources (cheap loans and reliable guarantees for them, participation in Federal programs, etc.). It is proposed to legislate the promotion of social investments of business structures in the areas beneficial to the territory of presence and society as a whole through the application of appropriate tax incentives and credits.
- As the main organizational forms of interaction between business structures and government agencies can be used by the system of grant assistance; the fair projects of the NGOs; corporate foundations; community foundations; public-private partnerships; associations, donors, business associations, microfinance organizations and credit cooperatives.
- The most adequate system of interaction between large business entities and territorial systems in order to ensure effective impact on the development of the country's regions is a triad mechanism of interaction between government agencies, business structures and civil society.
- High-quality legislation in this area will make it possible to ensure significant growth of the regional economy on the basis of coordination of the interests of society, business and government, while implementing the principles of their mutual social responsibility.

## **7. Conclusion**

The participation of large corporate structures as an equal partner of the projects for the development of the territories of presence will provide specific areas of the regional economy with additional financial opportunities and will give greater flexibility to local government, including when adjusting economic policy. And if earlier public organizations, as well as business, faced problems in the implementation of their projects-from the opposition of the authorities to the weak viability of the projects themselves, the formation of partnerships will become a natural basis for their fruitful interaction.

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