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Technology for Implementing Corporate Social Responsibility

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Abstract: ***Currently ethics assessment and reputation have no small part in dealing, selecting business partners, sanctions implied by regulatory bodies, etc. Social responsibility concept is a relatively new principle in the modern business ethics.***

Active and successful implementation of social responsibility of business has started throughout the world. Companies do not just try to resolve social problems, investing into development of education, healthcare, science and industry, supporting socially disadvantaged groups and taking care of environmental safeguards; they also get certain benefits from these activities.

Index Terms: ***account, social responsibility, financial accountability, financial status, financial performance result, consolidated reporting***

I. INTRODUCTION

Responsibility means persons' attitude towards their dependence on anything they perceive as an essential reason for their decision-making and actions. People, communities and environment may appear as objects of responsibility. Responsibility may also include such categories as the ethics and law that reflect special social and legal and moral attitude of an individual towards people and a society that means fulfilment of social obligations and compliance with legal rules. Corporate social responsibility (CSR) [1, 6, 10, 13, 19] means voluntary contribution of business to society sustainable development in social, economic and ecological areas that is directly linked to company's activities and goes beyond the minimum defined by the law.

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Thus, it may be concluded that social responsibility is an agreement between businesspersons and societies where they operate. These are four key models that define business responsibility notion [8]:

The first model is based on the following concept: "Ethics has no place in business". Advocates of this stance identify responsibility of a businessperson with legal responsibility. It means that all the actions within the limits of the law are understood as socially responsible.

The second model may be described by the motto: "To maximize profit is a business's only duty". The advocates of this stance state that they may contravene a law to pursue somebody's benefits, for example, profit gaining. Thus, the followers of this line of thinking reduce the social responsibility to the professional one that is driven by the interaction rules a professional and employer should abide by.

The third model advocates accept that social responsibility has its place in business but understand it as a tool or condition used by managers to pursue corporate economic goals. However, it is doable only in case these activities lead to success. If this factor is missing, social responsibility will not be beneficial thus, it is necessary to drop it. This is a kind of economic responsibility.

The fourth model suggests that a socially responsible organization should mean an organization that considers itself morally responsible both to the people who work there, and to all those who are influenced by its activities. Moral and ethics rules regulate a company's responsibility. The focus is on reaching and accommodating the interests of all those who participate in the organization life activities.

II. METHODS AND MATERIALS

A. GENERAL DESCRIPTION

Corporate social responsibility may be multilevel:

The basic level suggests fulfilment of the following obligations: timely tax payment, salary payment and, where practical, new job creation, (staff increase).

The second level of the social responsibility assumes that employees are provided not only with satisfactory working but with life conditions as well: employee proficiency enhancement, preventive medical treatment, housing construction, social sphere development.

The third, the highest responsibility level, suggests philanthropy.

Corporate social responsibility falls into the internal and external one.

The internal corporate social responsibility may incorporate the following:

1. Occupational safety.
2. Salary stability.
3. Maintaining socially essential salary.
4. Additional health and social insurance for employees.
5. Human development through training programs applied.
6. Rendering aid to the employees in emergencies.

The external corporate social responsibility includes:

1. Sponsorship and corporate philanthropy;
2. Environment protection support;
3. Interaction with local communities and authorities;
4. Readiness to be involved in critical situations;
5. Responsibility towards consumers of goods and services.

B. ALGORITHM

Social responsibility as compared to legal responsibility, suggests certain voluntary response given by an organization to social issues [2, 3, 11]. This response relates to the aspects that go beyond the requirements defined by the law or regulators or are on top of these requirements. On the other hand, abidance by law does not mean that an organization is free of any social responsibility. In pursuance to this conclusion, a company should be strongly motivated to volunteer for following the criteria of socially responsible business. The motivations for socially responsible business may include:

1. Training and development of employees allows not only to avoid staff turnover but also to bring the best experts in the market.

2. Rise in labour productivity in the company.

3. Company's image improvement, reputation enhancement.

4. Product or service advertising.

5. Company's philanthropic activity coverage in the media.

6. Company's long-term stable and sustainable development.

7. Socially-responsible companies are more likely to attract investments than other companies are.

8. Maintaining social stability in the society at large.

9. Tax benefits.

There are various models of corporate social responsibility existing in the international practices.

Socially responsible business practices exist in the Great Britain, Germany, the USA, Nordic and many other countries. Up to date the following models have evolved: Anglo-American, European, mixed and "business takes responsibility for everything".

In the Anglo-American model, socially responsible business is charged with job creation in sufficient scale and provision of good working environment. This model is based on freedom and democracy principles, thus most social relations are self-regulatory. At the same time, the USA has developed various methods enabling business to be involved in people's social life through participation in various corporative funds whose activities focus on supporting solution of social problems.

The European model. A state undertakes to provide social protection, however a company is charged with no less significant tax obligations. Owing to high taxes that reimburse treasuries, a state is able to honor its social obligations undertaken. All kinds of fiscal social support systems operate in Western Europe, but not all countries are in position to render such large-scale social assistance as the Nordic countries (Denmark, Sweden, Finland, and Norway). This model is called a Nordic welfare state model or a Nordic model of socially responsible business. In Nordic models a state and business work in an orchestrated manner, in this case business is developing successfully, pays high taxes to its state, and state institutions in their turn are highly efficient at distributing these payments, including funding for social support of people.

The difference between the American and European models lies in the fact that in Europe, a state shall set rules and monitors abidance by them, while in the American society such conduct of a state is deemed as restriction of business rights and freedoms. The American corporate social responsibility goal is to gain profit and bear responsibility towards stakeholders.

One more model - "business takes responsibility for everything"- exists in some countries. Partially this model is applied in Japan and South Korea. Business in these countries is obliged to provide its employees and their family members with residential space. Employers are also obliged to provide training for their employees.

Social programs mean voluntary activities of a company aimed at environment protection, staff development, local community support, philanthropy and good business practice [4, 5, 12].

The following social program types exist: companies' in-house programs; partnership programs with local, regional and federal bodies of state administrative bodies; partnership programs with non-profit-making organizations; cooperation programs with public organizations and professional associations; information cooperation programs with mass media.

The following steps should be taken to put together a social program:

- Identify company's priorities;
- Organize departments to manage social programs;
- Conduct training in social responsibility;
- Implement company's social programs;
- Evaluate and analyze social program implementation results and communicate them to the persons concerned.

Social program implementation tools:

1. Charitable donations and sponsorship – assistance allocated by a company to carry out social programs.

2. Delegating company's employees — voluntary involvement of company's employees into social externally oriented programs through gratuitous granting employees' time, knowledge, skills, information, contacts and connections to aid recipients .

3. Financial grants mean fiscal aid allocated by a company for implementation of educational social programs.

4. Corporate sponsorship means various resources provided for advertising purposes by a company (corporation) to build sites or structures, support organizations or events that are public for the most part.

5. A corporate fund means a fund established a company (corporation) to implement its social activities.

6. Social investments mean fiscal aid type allocated by a company to implement long-term and, generally, joint partnership social programs that serve to reduce social tensions in the company's operation areas and raise living standards of various social strata.

7. Socially-minded marketing means a type of a recipient-oriented fiscal aid that entails allocating percentage-of-sales related to sales of a particular product for the company's social programs.

8. Sponsorship means a contribution made by an entity or individual (in terms of property provided, intellectual deliverables, service rendering, work conducted) to activities of any other entity or individual on condition that a sponsored holder disseminates the advertisement about the sponsor and its goods.

III. RESULTS AND DISCUSSION

In Russia social responsibility of business emerged as a response to special features manifested by the transition period from the socialist to market economy [7, 9, 14, 20]. The social aspect in companies' activities in Russia was formed already at the end of XIX century. Before the revolution, these activities were implemented through charity projects. In post-revolutionary years, these traditions were lost. However, the concept of an enterprise being a social protector with wide range of social functions and its own social infrastructure became firmly established later in the Soviet Union. The scope and quality of social services rendered to employees directly depended on the size of an enterprise and its place in the institutional hierarchy. In the 1980s 32 million Soviet people lived in the apartments that were on the books of enterprises; 30 million people went to healthcare institutions owned by enterprises; 1.5 million children rested in recreational institutions owned by enterprises. At the onset of market-oriented reforms, the social policy pursued by enterprises was radically reconsidered. Major changes affected their social infrastructures. We may single out three stages of changes: social infrastructure reduction, its stabilization and optimization. At the first stage, (early – middle 1990-s) enterprise social infrastructure was drastically reduced. During this time, CEOs of enterprises with all forms of ownership actively divested from social sphere services trying to dispose of non-core assets. For survival's sake, the overwhelming majority of enterprises had to reduce, in every possible way, any expenses that did not produce short-term profits. Subsequently, two-thirds of public amenities owned by enterprises were transferred to municipal administration within ten years of the reforms. With the economic recovery ongoing and enterprise financial reliability improved, enterprise managers ceased to consider disposal of a social sphere as a survival factor in the market economy. Social infrastructure of enterprises stabilized at the second stage (1998–2000). The approach to public amenities changed: enterprises started to look at other benefits, apart from current revenues, that could be gained from maintenance of these public amenities, and started to make decisions on their "riddance" or preservation with regard to these benefits. Ultimately, the social infrastructure reduction process was suspended. With the economic recovery started (2000s) and with enterprises switched from survival to development process, some of them proceeded with reorganizing their social infrastructure and optimizing their core activities. Enterprises began to treat use of public amenities as a part of sustainable social policy implementation. Russian fast-paced medium-sized business has started to be involved into social activities. Small business, especially in municipalities, where it quite often determines the regional potential, becomes more consistently involved in charitable actions. At the same time, Russian business engagement in the social policy is still rather sporadic. This is due to, at least, two facts. First, the business community lacks unified guiding principles, each company, based on its own interests, independently identifies the parameters of its social activities. Second, social responsibility, in its format and form, in great part depends on the fact who and how has defined those requirements and presents a response of Russian business to public and hidden requirements set by the power authorities. In new circumstances business social activities no longer fit in the traditional sponsorship and philanthropy framework. Companies have started to move away from philanthropy to social investments, linking implementation of social projects with the profit they may generate in a long run.

According to RAS Institute of Comprehensive Social Studies, the Russian business community points out various forms of social activities the business is to be engaged in. They include discharge of social obligations (tax payment, salary payment, benefit plans for employees) (25% respondents have chosen this form); philanthropy focused on "domestic" matters and added with social activities in favor of poor and disadvantaged groups (50%); activities in the framework of large social projects (25%). Corporation, Social Responsibility and Local Authorities study that the Expert journal analytics center carried out in some Russian regions allowed identifying four business groups, each having its own view of the social responsibility. The companies that include town-forming enterprises belong to the most socially responsible ones. High standards of social responsibility are typical of the companies operating in resource-based and chemical industries. They typically are well connected with the region they operate in. Non-resource based industries and, first of all, machine-engineering industry, represent the second group of companies. Companies with this specialization cooperate with regions on a one-off event basis, but strive for systematization of their cooperation.

The third group encompasses foreign companies that operate in Russia (chemical and tobacco industries, breweries): they shut down the social infrastructure and implement small charity projects on a voluntary basis. The fourth group is represented by companies built from scratch, which, in most cases, are not engaged in the social policy. According to the experts, in Russia new forms of social activity co-exist with the Soviet traditions, most of which have been revived lately (amateur art performance, recognition boards, merit certificates, employees' contest, a diversified bonus system). According to the judgement-based opinion, in future social activity forms used by the Russian business will improve, and Russian companies will admit as a model the forms applicable in the West. Social activities implemented by some Russian companies are still more of a populist character and focus on image enhancement and are not perceived as a strategic direction for the activities. Despite the fact that Russian companies understand need for social activities and many of them are ready to invest additional funding into them, currently CSR is not considered one of the most important areas of focus directly linked to the unified business strategy. Establishment of a corporate social strategy is a lengthy process that proceeds contradictorily even in the most developed and prosperous economies. Given short-time CSR evolution in Russia, the western society does not yet regard it as a fact. There are even opinions that it does not exist at all since CSR is usually based on certain business and society demands, which are today too far from western patterns [15, 16, 17, 18].

IV. CONCLUSION

We would like to point out the key advantages CSR can offer for business development:

1. Profit increases, growth rates go up.

2. Companies get access to socially responsible investments, when investors allocate them with regard to the performance indicators that evaluate company's activities in the social and ethics sphere, in environment protection.

3. Operating costs go down due to production waste reduction or its reprocessing.

4. The brand and reputation improve thus opening new markets and business lines.

5. Sales grow, customer loyalty enhances.

6. Labor productivity and product (service) quality increase.

Thus, the corporate social responsibility is not just a tribute to fashion but a vital need. Social innovations implemented as a part of CSR strategies not only enable companies to demonstrate their civic stance, but also become an important marketing tool that can help them to stand out and develop new products and lines of business, establish an emotional bond between a brand and a consumer, thus contributing to the loyalty growth.

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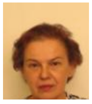

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