

DRIVERS OF THE EVOLUTION OF THE CORPORATE SOCIAL RESPONSIBILITY: COUNTRY ASPECT

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Abstract

The study examines the influence of the country aspect on the development of the corporate social responsibility. Using the comparative analysis of the level of intensity of application of the principles of CSR in the field of entrepreneurship in Russian Federation and the United States of America, this study finds that the level of the sustainable development of economy is connected with the intensity of application of the principles of CSR in the economic field. Approaches to the study of CSR are classified; a comparative analysis of the theoretical approaches of Russian and American authors is carried out. The historical evolution of the development of corporate citizenship with the determination of the influence of economic factors on the formation of the institute of entrepreneurship is presented.

Keywords

Corporate social responsibility, corporate citizenship, entrepreneurship, sustainable development, economic factors, economy.

JEL Classification

A13, D64

Introduction

In 1953 American economist Bowen mentioned the term “corporate social responsibility of business” in his work “Social Responsibility of a Businessman,” which laid the foundation for modern research on CSR (Bowen, 1953). In his opinion, the social responsibility of a businessman consists of implementing that policy and making decisions that would be desirable from the standpoint of the goals and values of society.

The activity of modern business is characterized by an increased role of responsibility. The scale and size of organizations allows not only to respond and adapt to environmental challenges, but also to conduct proactive measures, creating their own environment. The creation of the environment takes place in various areas: the development of human capital

as a guarantee of a highly qualified workforce, social initiatives as ensuring the sustainable development of society, infrastructure projects as the construction of a direct working environment. The purpose of this article is to conduct a comparative analysis of two countries - the United States and Russian Federation - in a historical perspective to identify the level of intensity of application of the principles of CSR in the field of entrepreneurship. The problem stated in the paper is to indicate that in Russian Federation the principles of CSR are being introduced into activities by large companies that are ready to take on part of the responsibility of the state in matters of creating a social environment. However, the main difficulty for the effective use of this policy is the lack of a single concept. This situation arose in connection with the influence of historical turning points in the history of the country. The analysis showed the critical aspect of the paper, that the process of development of corporate social responsibility in the United States of America was gradual and progressive.

Methodology of research. The work is an analytical study that allows tracing the evolution of the concept in question. The problem-chronological method was used for a comparative analysis of the evolution of corporate social responsibility in relation to the USA and Russia. The method made it possible to establish similar features and differences between the phenomena and processes taking place at the same time in different countries.

Evolution of corporate social responsibility in the United States of America. The United States of America became the source of the formation of the institution of corporate social responsibility. The first stage of applying the principles of CSR can be determined in the period from 1900 to the 1920s. During the nineteenth century, organizations evolved from family farms to large industrial enterprises. As a result, the level of ethical standards has increased from informal family principles to formalized codes of ethics (Knouse, Hill & Hamilton, 2007). The church had great influence, as the first codes of conduct were based on biblical commandments. Such religious paternalism was based on a golden rule taken from the Bible: "Treat other people the way you would like to be treated" (Burton, 2007). A distinctive feature of the first attempts to create a human resources management body was the introduction of the post of social secretary. So, "H.J. Company" established this position in 1902, Colorado Fuel in 1901, and "International Harvester Company" in 1903 (Morf, Flesher, Hayek, Pane, Hayek, 2013). The second stage of business evolution began in the 1920s and lasted until the early 60s. At this time, business focused on the inherent right of every American citizen to have the opportunity to work and earn his living with his own labor. The turning point of the second stage was the collapse of the stock exchange, which happened on October 29, 1929 and entailed the beginning of the Great Depression. That difficult period became a catalyst in making employer's responsibility to employees a priority. An important role was played by the government that adopted acts and laws aimed at increasing the transparency of companies ("Social Security Act", "National Labor Relations Act", and "Fair Labor Standards Act"). The forties and the fifties of the twentieth century passed under the influence of the Second World War. Laws were developed and introduced to ensure the welfare of veterans. In 1947 the giant of the American market "General Electric" officially confirmed its position regarding the assumption of social responsibility. In the fifties there was a growth of corporations, accompanied by increased interaction between firms, workers, buyers and shareholders. Companies such as "Chryslers", "General Electric", "American Telephone and Telegraph" were not only leaders in production, but also pioneers in using the concept of corporate citizen. The sixties and the middle of the seventies became the flowering of charity and traditional philanthropy. During this period, the concept and definition of CSR is emerging (Pivovarov, 2007). In the nineties, companies conducted their activities with an aim to invest in the future, more and

more being introduced into the life of society and participating in its development. It was in the 90s that the concept of “stakeholder” expanded from the direct employees of the enterprise to consumers, trade unions, public organizations and society as a whole.

The beginning of the 21st century was marked by tragic events: terrorist attacks in 2001, toughening the struggle in the world economy, the beginning of the economic crisis in 2008, as well as scandals associated with “Enron”, “Worldcom”, “Tyco” and “Martha Stewart”. At this time, the most difficult stage in the American economy began. Public trust in organizations was undermined, and there was a need to increase the transparency of their activities. Public demands led to the creation of the Global Reporting Initiative (GRI) in 1997. Then, on July 30, 2002, President Bush signed the Sarbanes-Oxley Act, which tightened the requirements for the financial reporting process.

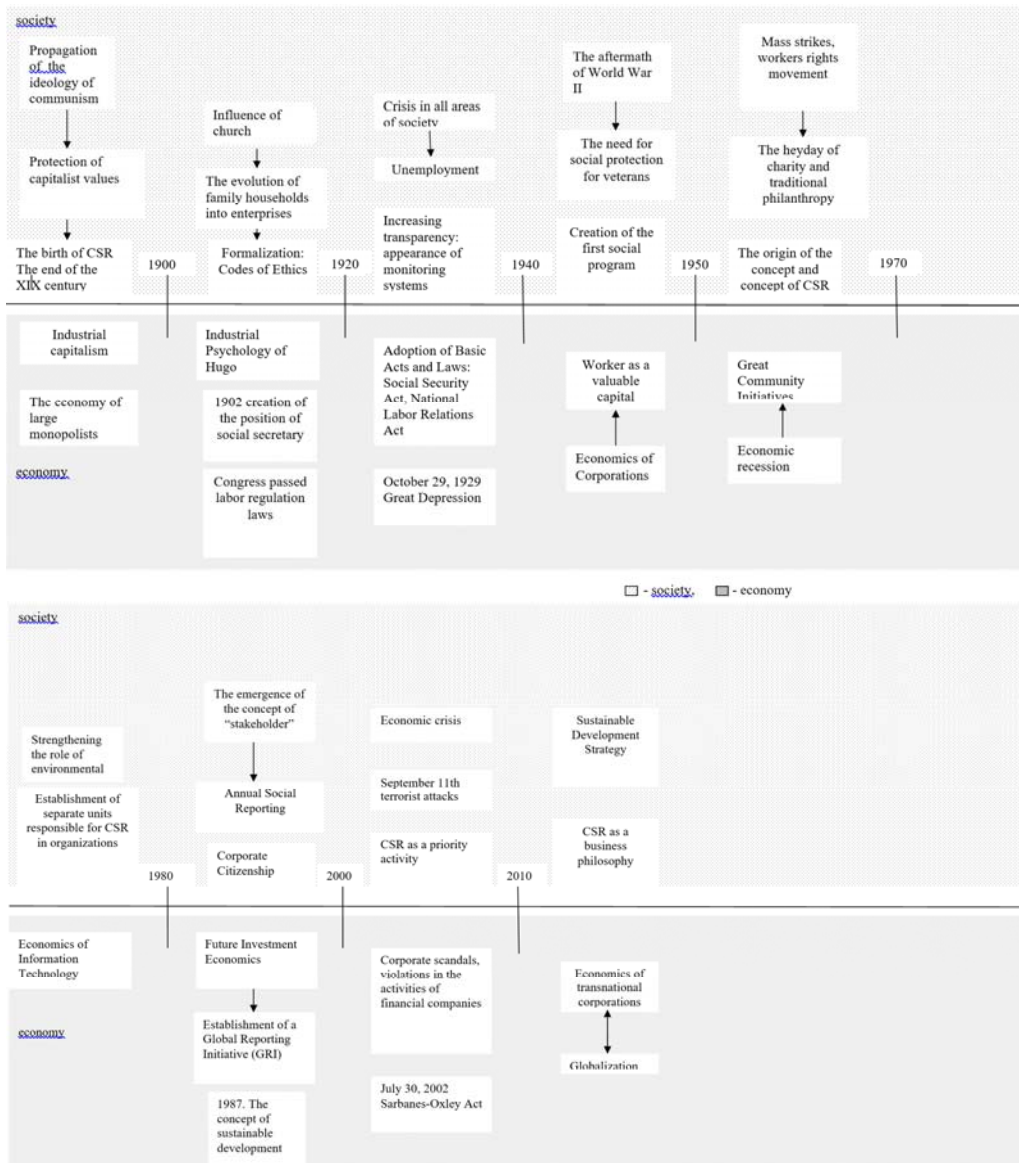


Fig. no. 1 The evolution of corporate social responsibility over time

These measures have helped corporations overcome the economic crisis. Setting the social reporting as a priority activity has helped many companies maintain image and reputation and identify a new competitive advantage. Since the early 2000s, organizations have continued to pay great attention to providing their employees with safe and comfortable working conditions. Moreover, one of the main activities of companies is to preserve the environment, support environmental programs. Today, American firms, depending on the size and scale of activity, are reinvesting their funds in creating the infrastructure of the district, city or territory in which their branches are located. The evolution of corporate social responsibility in the United States of America over time was intense, but balanced (fig. no.1).

In general, US companies are characterized by a steady increase in the number of reports on social activity and sustainability, a deep study of codes of ethics and the integration of companies in the life of society. Over the course of a century, the concept of social responsibility has acquired the status of a national and corporate policy, adherence to the principles and standards of which is one of the fundamental laws of the possibility of a company functioning.

Evolution of the corporate social responsibility in Russian Federation

Social responsibility in Russia is based on patronage, traditions, charity. Charity in the 19th - 20th century opened the only opportunity for entrepreneurs to receive ranks and titles. Honor, respect, and mercy are the words that form one comprehensive concept of “Russian soul”. In this concept lies the image of CSR, characteristic of Russia.

The first stage of the development of CSR in Russian Federation includes two characteristics. First, it began with the attempts of individual entrepreneurs to implement individual social programs at enterprises, and then it developed into the patronage of large industrialists of that time. Speaking about the implementation of CSR in individual enterprises, we can note isolated cases of the introduction of social programs. Some Russian factories were the best in the world according to foreign experts, not only in terms of design, but also in terms of fulfilling social needs. In 1900 in Paris, a gold medal was awarded to N. Prokhorov for solving the social problems of workers at the Trekhgornaya manufactory (Delovaya Rossiya, 2004). However, at the national level, the attempts of the gains were not numerous. It was the absence of social legislation at the national level that led the workers to support the political program of the Bolsheviks.

Only in 1917 Russian entrepreneurs declared themselves as an organized socio-political force. The Society for the Economic Revival of Russia was founded by the millionaire A. Putilov. These attempts were in vain, since the Bolsheviks soon came to power, and after October 1917 they implemented the slogan on the destruction of private property and the bourgeoisie as a class. The consequences of those years left an imprint on the principles and philosophy of doing business that have survived even today.

The second stage of the development of CSR was formed during the years of the existence of the Union of Soviet Socialist Republics from 1922 until the beginning of perestroika in the 80s. In the USSR, the idea of an enterprise — a social guarantor with its own social infrastructure — was established. The volume and quality of social services provided to employees was directly dependent on the size of the enterprise and its place in the departmental hierarchy. The authoritarian regime implied an equation in the distribution of social goods, which caused stagnation in the development of CSR.

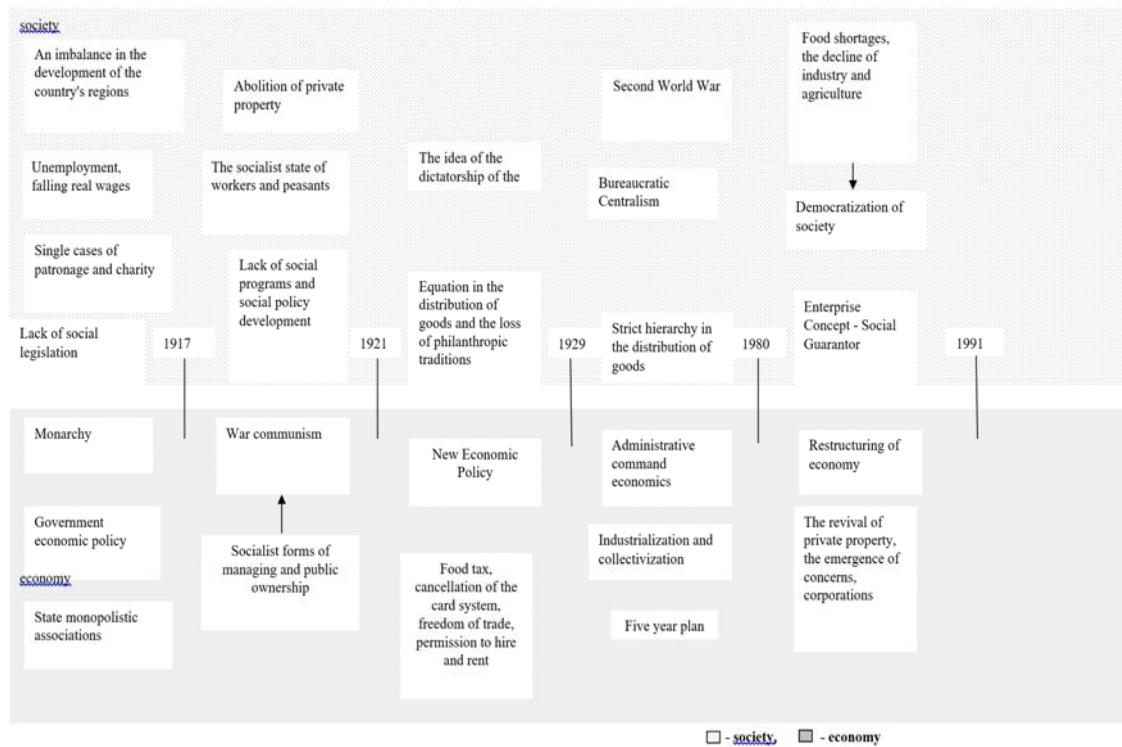
The third stage was the 80s, the time of perestroika, when the development of the ideology of the enterprise as a social guarantor continued. In the 1980s, 32 million Soviet citizens lived in apartments that were given them by the enterprises; 30 million used medical facilities owned by enterprises, 1.5 million children rested annually in children's recreation facilities owned by enterprises. The total cost of the “social benefits” provided by the

Russian enterprise averaged from 18 to 25% of the payroll (Chirikova, Lapina, Shilova&Shishkin 2005).

The fourth stage - the 90s - was another turning point. It is impossible to talk about the full-fledged evolution of CSR in Russia, since each stage is a collapse of the previous system and, consequently, a collapse of achievements in the social sphere. With the collapse of the USSR in 1991 and the beginning of market reforms, the social policies of enterprises underwent a radical revision.

Within the fourth stage, three periods can be distinguished: reduction of social infrastructure, its stabilization and optimization.

During the first period (early to mid-1990s), there was a sharp reduction in the social infrastructure of enterprises. The vast majority of enterprises were forced to cut any kind of expenses. As a result, two-thirds of the social facilities were transferred to the municipalities. With the end of the crisis and the improvement of the financial situation of enterprises, getting rid of the social sphere was no longer considered by their leaders as a condition for survival in a market economy. In the second period (1997–2000), the social infrastructure of enterprises stabilized. The approach to social objects has become different: enterprises began to take into account the benefits of their upkeep. As a result, the process of reducing spending on social infrastructure has stopped.



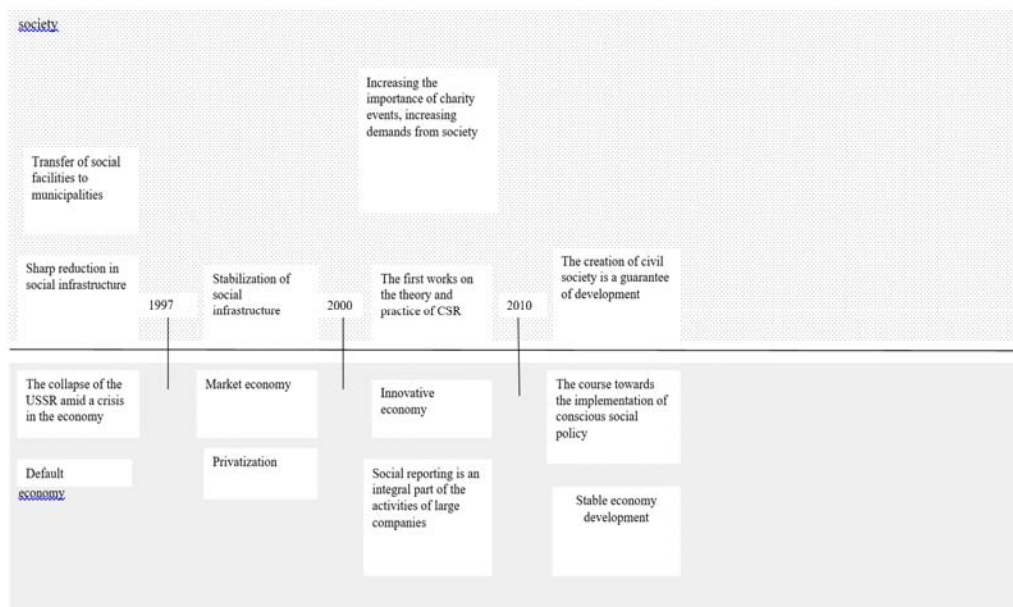


Fig. no. 2 The evolution of corporate social responsibility over time in Russia

With the beginning of the economic boom (2000s), the restructuring of the social infrastructure and the optimization of its core activities took place. The use of social objects was considered by enterprises as part of the implementation of a conscious social policy. Russian entrepreneurs explain the actualization of the problems of social responsibility by the country's entry into a new stage of social development and the strengthening of Russian capitalism. The development of CSR in Russia was unsystematic because of the influence of historical process (fig. no.2).

Conclusions

The main conclusion that presents the criterion of the scientific novelty of the article is the identification of a fundamental difference in the formation of the CSR institution in the USA and Russia. The study identified turning points that left the mark on the modern image of CSR in these countries. The originality of the study lies in the construction of timelines, which are models of the evolution of CSR in both Russia and the United States. While in the 20s of the last century, companies in the United States issued the first reports on CSR, laid down the basic principles and functions of this concept, a revolution was underway in Russian Federation, which entailed the destruction of a whole class of private owners. Further along the historical vector, it can be seen that the 90s for America is the heyday of CSR, the stage of transforming an individual concept into a powerful force, an independent sphere for business. In Russia, this is more likely not a period of reforms, but a real restructuring of the country. The 90s became a very difficult and tragic period when the whole country was forced to rebuild the economy, political system, and social sphere. The periods of the revolution of 1917 and the reforms of the 90s had such a strong influence on the development of the country that it was only at the cost of incredible efforts that it was possible to preserve the cultural and historical heritage of the country and build a new Russia on the basis of this in the new millennium.

In general, the results of the application of the methodology confirm that the prerequisites for the emergence of CSR in Russia were a harmonious continuation of the traditions and norms of public institutions and the business environment. The Russian type of corporate

social responsibility is based on cultural values and business experience of the pre-revolutionary era. At the same time, complex historical changes prevented the harmonious development of CSR in Russia.

The revealed differences in the evolution of CSR in Russia and the USA give the vector for the recommendations on the development of CSR in Russia. Firstly, on the example of the role of CSR in the USA, it can be concluded that the institution of CSR has repeatedly been a way to overcome crisis situations in the social and economic spheres. It can be argued that the creation of a strong CSR institution in Russia will avoid such moments in the future. Based on the results of the work, it is most advisable to create a single mechanism for introducing CSR in the work of companies and its assessment at the state level. The adoption of part of state obligations by socially responsible companies will not only improve the state of the economic sphere, but also form a conscious civil society.

An important contribution of this work to the increase in knowledge on corporate social responsibility is the specification of the current state and level of CSR development in Russia and the USA. Despite the complex process of implementing CSR principles in the field of entrepreneurship in Russia, domestic companies are actively engaged in increasing social responsibility. However, for the effective development of CSR policies, Russian entrepreneurship does not have enough coverage of its activities in the formation of the social sphere. Existing performance assessments and ratings in the field of CSR do not have a specific methodology. This is a critical limitation of the research. There is a lack of a single Russian standard in the field of CSR. Many companies operating along the path of social entrepreneurship do not provide information about this. These factors complicate both the development of corporate social responsibility and the assessment of this policy in Russian practice.

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