



An institutional approach to corporate social responsibility in Russia



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ABSTRACT

Despite the economic importance of the country, corporate social responsibility (CSR) in Russia has not been examined extensively yet. Knowledge on how Russian companies perceive and practice CSR is strongly limited. Thus, the objective of our study is to analyze to what degree the national political and socio-economic institutions determine CSR practice, and how it is influenced by international factors, such as CSR standards, frameworks, and foreign stakeholder expectations. Based on Whitley's national business systems approach, which we use as institutional theory framework, we examine the implementation of CSR in Russia's 50 largest companies. In specific, we investigate the areas of CSR in which Russian companies are active, what stakeholders they consider, the form and financial extent of their activities, the application of international standards, and how reporting is conducted. Our results show that awareness for CSR has been fostered by the influx of Western business concepts, but the understanding and practice of CSR is predominantly determined by the country's institutional environment. CSR mostly is an extension of traditional social roles that Russian business has assumed over decades, especially during communist times.

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1. Introduction

In recent years, corporate social responsibility has become of increasing importance in emerging countries (Li et al., 2010; Baskin, 2006). However, as Muller and Kolk (2009: 325) point out, the literature on the topic is still "scant", as most research still focuses on developed countries (Fifka, 2012). With regard to the so-called "BRIC" countries that often are in the limelight of the discussion on emerging countries, there is a significant asymmetry with regard to the studies that have been conducted. Research on CSR in India has quite a long tradition (Singh and Ahuja, 1983) and also in recent years several studies were done (e.g., Sahay, 2004; Chapple and Moon, 2005; Chaudhri and Wang, 2007; Gautam and Singh, 2010; Kanchan, 2010). China, too, has been subject to a remarkable number of studies in the last years (e.g., Liu and Anbumozhi, 2009; Kolk et al., 2010; Zeng et al., 2010; Guoyou et al., 2013; Noronha et al., 2013). CSR in Brazil, however, has been investigated to a lesser degree (e.g., Cappellin and Giuliani, 2004; Young, 2004; de Oliveira, 2006; Cavalcanti Sá de Abreu et al., 2012).

Likewise, CSR in Russia has only been examined sporadically. There is wide agreement that significant research gaps still exist (e.g., Kuznetsov et al., 2009; Kuznetsova, 2009; Preuss and Barkemeyer, 2011; Alon et al., 2010), although CSR is regarded to be of increasing importance in the country (Kuznetsov et al., 2009; Li et al., 2010). This development is predominantly attributed to two factors: the country's progressing, albeit slow economic liberalization, which shifts responsibilities from the government to the private economy (Preuss and Barkemeyer, 2011; Alon et al., 2010), and the trend towards a growing awareness for CSR on a global scale that also gains hold in emerging economies. As Kuznetsov et al. (2009, p. 37) observe, "Russia, the largest post-communist economy in the world, has not stayed immune to this trend either."

Despite the consensus on the increasing prominence of CSR in Russia, there is substantial disagreement on its actual status quo. Li et al. (2010), in a study of the largest 105 companies in the BRIC countries, indicate that CSR is still rather underdeveloped in Russia. Likewise, Baskin (2006, p. 31), who conducted an extensive examination of the CSR practices of 127 leading companies from 21 emerging countries, found with regard to Eastern Europe that companies in "Poland, Slovenia, Hungary and Czech Republic show most evidence of incorporating CR [Corporate Responsibility] approaches", while Russia is among the countries which "show least interest." Crotty and Rodgers (2012) also came to a rather negative

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conclusion, attesting that the environmental activities, which can be considered a part of CSR, of the 43 Russian manufacturing firms in their sample were defensive in nature and merely aimed at avoiding environmental punishment.

However, there are also more positive assessments of the status quo of CSR in Russia. Preuss and Barkemeyer (2011, p. 371) in their study of 310 companies from industrialized, emerging, and developing countries find that Russia takes a middle position “between industrialized and emerging economies” with regard to the state of CSR. Polishchuk (2009, p. 74) even states that “CSR has become firmly established in the practices of Russian [...] companies.” Finally, Kuznetsov et al. (2009) argue that a judgment on the state of CSR in Russia cannot be made, because a substantial gap between the CSR efforts of large Russian multinationals and the country's small and medium-sized enterprises (SME) exists. For larger companies, however, they attest an increasing interest in profit-related CSR issues.

A substantial reason for the differing assessments is the different conceptualization of CSR applied by the respective authors. While Polishchuk (2009) primarily examines regulatory aspects of CSR as well as philanthropy, Kuznetsov et al. (2009, p. 40) include a larger array of CSR issues, ranging from “looking after employees” to “job creation” and “making a profit”. Preuss and Barkemeyer (2011) in turn applied a broad understanding of CSR. They considered a great variety of sustainability-related aspects, using the social, environmental, and economic performance indicators defined by the Global Reporting Initiative as a basis for defining CSR.

As it is the major purpose of our study to examine the understanding and implementation of CSR in Russia, we also apply a broad definition of CSR. A narrow delineation of the term would bear the risk of excluding important themes or practices of CSR simply because they might not fall within the realm of a narrow definition. Thus, we define CSR as the integration of social and environmental concerns in the business operations and the relationships with stakeholders. This understanding of CSR has been used in previous studies (e.g., Ciliberti et al., 2008; Jenkins and Yakovleva, 2006).

One of the major gaps identified by studies on CSR in Russia (e.g. Preuss and Barkemeyer, 2011; Crotty and Rodgers, 2012) is the role that stakeholders – as a reflection of the political and socio-economic environment – play in the CSR activities of Russian companies. In this context, Preuss and Barkemeyer (2011) particularly point out a potential differentiation between internal and external stakeholders that should be examined. We extend this approach by also investigating the consideration of domestic and international stakeholders by Russian companies. Moreover, while several studies have differentiated between industries when studying CSR of Russian companies (e.g. Kuznetsov et al., 2009; Alon et al., 2010; Li et al., 2010), none so far has examined potential differences in the CSR due to differing firm-size and different ownership: private and government-owned companies. Finally, the financial scope of CSR activities and the application of international CSR standards have also not been studied so far.

Addressing these research gaps, the following paper investigates the state of CSR in the largest 50 Russian companies. It examines in which forms CSR is practiced by Russian companies and which stakeholders they consider. This is closely linked to the question to what degree the CSR practice in Russia is determined by the specific political and socio-economic environment. Furthermore, our study examines how CSR reporting is conducted, which areas are relevant to Russian business with regard to CSR, what kind of activities they conduct, to what extent there is cooperation with governmental and non-governmental stakeholders, which internationally recognized CSR standards are being applied, and how much companies spend on CSR.

We begin by examining the political and socio-economic environment for CSR in Russia. For this examination we apply Whitley's model of the “national business system” as an institutional theory approach. In the following section, the methodology and the findings are presented and discussed. In the conclusion, we address the research questions to be stated below and link the political and socio-economic environment to our findings on the current CSR practice in Russia. We also discuss implications of our findings for government and business, and make recommendations for further research.

2. The political and socio-economic environment for CSR in Russia

For our analysis of the political and socio-economic environment, we use the “national business systems approach” developed by Whitley (1992, 1997; 1999). Its core argument is that the business system of a country is determined by the historical development of its institutions. The term “institution” is understood broadly in this context and does not only refer to the organization of government and bureaucracy, but also to prevailing codified and non-codified norms of behavior as well as values. This approach was also applied in other studies on national CSR characteristics (e.g., Habisch et al., 2011). Whitley has identified four elements that determine the national business system of a country: the political system, the cultural system, the financial system, and the education and labor system. These determinants and how they shape Russia's business system as the institutional environment for CSR shall now be examined.

The *political system* of Russia is still strongly characterized by its Soviet legacy and the following transition phase. For almost 70 years, the Communist Party controlled all aspects of social, economic, and political life in the Soviet Union, Russia's predecessor state, until its collapse in 1991. The radical introduction of a free market economy, the so-called “shock therapy”, mostly failed, and Russia went into an unexpectedly strong economic recession. A chaotic form of capitalism developed (Lane, 2000), and even until today markets in Russia must be considered immature. Especially problematic in this context was the politically steered privatization process, which was dominated by corruption and fraud. Kuznetsov et al. (2009, p. 39) describe it as a “particularly messy and murky affair that traumatised many Russians psychologically and hurt them financially, and was widely regarded as deeply unfair.” Polishchuk (2009, p. 91) points out that 77% of the respondents in a survey among Russian citizens “felt that the majority of corporate owners in Russia did not rightfully own their assets.”

Though with his ascendancy to the presidency in 2000, Putin managed to restore the state's capacity significantly (Puffer and McCarthy, 2007), deep mistrust in the political system and in the large corporations that profited from privatization have remained and are still prevalent among large parts of the population. Likewise, the deficiencies of the political and economic system are an empirical reality until today. There is a substantial information asymmetry between big business and government on the one side and citizens on the other (Polishchuk, 2009). Governmental regulation, especially its development, and the respective business behavior are mostly intransparent. Corruption is an integral element in that opaque policy process. In the “Corruption Perceptions Index” published by Transparency International (2011), Russia only ranked 143rd out of 182 nations. Concerning the protection of intellectual property, the country does not fare substantially better and placed 93rd in a study of 129 nations (Jackson, 2011).

Despite the significant involvement of the government in economic affairs, there have been hardly any attempts to enforce or strengthen CSR, aside from promoting charitable donations through

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