

THE LEVEL OF CORPORATE SOCIAL RESPONSIBILITY DEVELOPMENT (IN THE OMSK REGION)¹

Tatiana Lapina – Oksana Borodina – Tatiana Stuken

Abstract

The implementation of corporate social responsibility (CSR) is one of the management areas in a modern organization. The level of immersion in CSR, its models and goals can be quite different. The article presents a theoretical model to determine the level of CSR development and analyzes the results of a focus group, which was aimed at testing the methodology to assess the level of development of CSR in the Omsk region. During the focus groups the following hypotheses were tested. The first is that for the selected companies in the Omsk region the choice of the CSR strategy is due to external pressure, first of all, the pressure of the regional authorities. The second is that the depth and breadth of CSR is defined by mission and values of the company in this sphere. As the mission and values of Omsk companies, as a rule, are not formalized and are often unconscious, then activities in the field of CSR for the studied companies in the Omsk region are chaotic. The third is that the company's personnel is the main stakeholder. The fourth is that there is no cooperation with regional and social authorities in implementing CSR. These hypotheses are aimed at verification of the main hypothesis of the research, that the level of CSR development is low. The results of the pilot study will form the basis for a full-scale assessment of the CSR development level in the Omsk region.

Key words: corporate social responsibility, development of the region, management of the company

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Introduction

Corporate social responsibility is one of the essential characteristics of a modern organization. Any company, regardless of the type and sphere of its activity, size and creation purposes is included in social relations with the external and internal environment. Therefore, it assumes responsibility for solving or preventing problems arising in the result of human activity. In this regard, the issue of corporate social responsibility is largely the same strategic goal for the organization as a profit or customer satisfaction.

1. The definition of corporate social responsibility

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Each organization consists of purposes, applied technologies, participants and social relations, and operates in a certain environment (McFarland, Gomez, 2014). In this connection, starting from the moment of its inception, the company is under the influence of the participants, on the one hand, and social environment, on the other hand, what affects the formation of goals, technology, and social relations within the company (Fig.1).

Fig. 1: Features of an organization



Source: adapted from Leavitt, 1965; Scott, 2003; McFarland, Gomez, 2014

Therefore, the study of composition, structure, interests, and goals of the participants is an important direction in the understanding of the organization's activities. In addition, participants determine the direction and content of not only their social² responsibility to the organization, but also the company's social responsibility to the participants.

First of all it is necessary to consider the participants of the organization. Daniel A.McFarland and Charles J.Gomez determine the structure of participants: «These are a firm's social actors, employees, and stakeholders. Participants are social actors that make contributions to and derive benefits from the organization» (McFarland, Gomez, 2014). Thus, the list of participants for any organization regardless of its size and purposes is large enough, what will be reflected in the complexity of the emerging social relations, the goals and objectives of the organization, and applied technologies. From this point of view the participants will include all employees in the organization, the owners of the company and stakeholders, authorities, local community, customers,

² Here and further social responsibility is regarded widely and includes all types of liability, economic, legal, etc.

suppliers and representatives of their interests. Then the idea of corporate social responsibility can be formulated as the satisfaction of the participant's interests. Companies need to identify the interests of the participants for the effective implementation of activities in the field of CSR. The interests of participants, selected on the basis of theoretical analysis, are presented in the table.

Tab.1: Interests of participants

Group of participants	Group of participants' interests	Examples of participants' interests
Employees	<ul style="list-style-type: none"> • Satisfaction of needs (e.g. A. Maslow pyramid of needs) 	<ul style="list-style-type: none"> • Physiological needs • Security needs • Social needs • Needs for respect • Needs for self-realization
Owners and stakeholders	<ul style="list-style-type: none"> • Profit maximization 	<ul style="list-style-type: none"> • Growth in the value of shares • Profit growth
Authorities	<ul style="list-style-type: none"> • The execution of a part of the authorities tasks 	<ul style="list-style-type: none"> • Employment of local population • The reduction of social tension • Improvement of living standards and life quality of the population in the region
Local community	<ul style="list-style-type: none"> • The execution of a part of the local community tasks 	<ul style="list-style-type: none"> • Assistance in organizing the unemployed • Saving the ecology in a region • Realization of the region development programs
Clients / representatives of clients' interests	<ul style="list-style-type: none"> • Satisfaction of needs through the products/services of a company 	<ul style="list-style-type: none"> • Improvement of living standards and life quality
Suppliers	<ul style="list-style-type: none"> • Realization of goods/services 	<ul style="list-style-type: none"> • Profit growth

Source: adapted from Gratton, 2000; Porter M., Kramer M., 2006; Плотникова Е., 2005; Рогачева О.В., 2005.

Thus, the table presents the interests that underlie the implementation and development of corporate social responsibility.

A company may consider the interests of participants as one of the strategic/ tactical tasks, as an asset or as the company's mission, then implementation CSR and level of its development will also be different (figure 2).

Fig. 2: “The Golden Circle” of CSR



Source: adapted from Sinek, 2009

The understanding of the essence of CSR, the reasons for the need of implementation of CSR will significantly vary depending on the questions the company faces. According to Sinek, companies occupying a prime positions in the market always know why they exist (the level of mission). In relation to CSR issues it (the existence of understanding and knowledge) will indicate the presence of the mission in the field of CSR and the deepest level of the CSR development.³ At the secondary level (the level of culture) CSR stands as one of the organizational values, such as PERSONNEL, or CLIENTS, or the ENVIRONMENT, etc. In this case, the company will take into account the interests of one group of stakeholders, while other groups of participants can "fall out" from the sphere of organization's interests. At the surface level of development actions in the field of CSR are seen as one of the strategic/ tactical tasks of the organization. In this case, the company asks questions WHO? WHEN? WHAT? does in the field of CSR, not asking HOW? and WHY? There is no doubt that this approach will be the most simple from the point of view of the CSR implementation. However, it also translates the company's understanding of the need for the CSR activities implementation, but only on a superficial level.

The interests of participants of the organization and levels of the CSR understanding and implementation, which were considered, are the basis of valuation models of the CSR development.

2. The valuation model of the corporate social responsibility development

³ The depth of CSR can be measured on the basis of different approaches, for example in the works of Bowler W. M., Jonathon R. B., Halbesleben B., Jeff R. B. (2010) there are presented other levels of the CSR implementation.

Based on a table the following indicators are offered to evaluate the CSR development: 1. The variety of organization's understanding of the participants; 2. The variety of organization's understanding of the participants' interests. The first indicator is defined as the number of participants, which an organization specifies as the objects of CSR. Maximum number of participants can be equal to 6, the minimum is 0, if the company is not focused on CSR. Thus, the coefficient of the participants diversity (K1) is calculated as:

$$K1 = \frac{\sum P}{6} \quad (1),$$

$\sum P$ - the sum of participants (P) in an organization.

The K1 ranges from 0 to 1 ($0 \leq K1 \leq 1$).

The second coefficient is the diversity of understanding the participants' interests (K2) can be both general and individual.

An individual K2 is calculated for each participant of the organization:

$$K2Ipi = \frac{\sum Ipi}{\max \sum Ipi} \quad (2),$$

$\sum Ipi$ - the sum of the interests of the i-th participant.

The $K2Ipi$ ranges from 0 to 1 ($0 \leq K2Ipi \leq 1$).

The general coefficient of diversity of understanding the participants' interests is calculated as:

$$K2 = \frac{\sum K2Ipi}{6} \quad (3).$$

The K2 ranges from 0 to 1 ($0 \leq K2 \leq 1$).

On the basis of K1 and K2 coefficients, it is proposed to calculate the general coefficient of diversity K3, which is determined as the mean value between K1 and K2. As K1 and K2 coefficients range from 0 to 1, then the mean value (K3) will also range in this interval.

The second set of the CSR development indicators is based on the level of understanding of CSR as one of the organizational tasks, values, or the company's mission. In this connection we offer the following classification for estimating the depth of the CSR development.

Tab.2: Indicators to evaluate the depth of the CSR development

Depth evaluation	Description
A	The depth of development on the level of mission
B	The depth of development on the level of culture
C	The depth of development on the level of strategy

Source: own idea

Thus, for each organization there can be calculated a general coefficient characterizing the CSR development, which is calculated as $A/B/C \cdot K_3$.

3. The results of the evaluation of the corporate social responsibility development (on the example of the Omsk region)

The testing of the method for the CSR development evaluation was based on the work of the focus group, consisting of 15 top managers of Omsk companies⁴. The following hypotheses were put forward before the study.

The first is that for most companies in the Omsk region the choice of the CSR strategy is due to external pressure, first of all, the pressure of the regional authorities. This means that the level of the immersion of the selected companies will be superficial (C).

The second is that the depth and breadth of CSR is defined by mission and values of the company in this sphere. As the mission and values of Omsk companies, as a rule, are not formalized and are often unconscious, then activities in the field of CSR of the studied organizations are chaotic. Chaotic activity, in our opinion, suggests a lack of uniformity in the understanding of CSR.

The third is that the company's personnel is the main stakeholder. The coefficient of the participants diversity (K1) will be equal to 0,17.

The fourth is that there is no cooperation with regional and social authorities in implementing CSR. An individual coefficient of diversity of understanding the participants' interests (K2) will be equal to 0.

These hypotheses are aimed at verification of the main hypothesis of the research, that the level of the CSR development is low. This is reflected in the minimal value of the general indicator (C0).

In order to test the first hypothesis there was asked the question "Why the organization is engaged in the CSR issues?". The following answers were received: the desire to keep up with other companies, features of the personnel, competition from international partners, law, society, coercion of the regional authorities, lack of personnel, PR. It is clear from the list of factors that the mission

⁴ The participants of the focus groups were selected on the basis of their interest in the discussion on CSR issues and in improvement of their efficiency in the field of CSR.

and culture of the company does not have an impact on the need for the CSR implementation. All the factors listed by top managers are in the field of strategic and tactical tasks of the organizations, so it can be concluded that the first hypothesis was confirmed.

The second and the third hypothesis were tested in the discussion of the question "What is CSR?". Analysis of opinions on this issue allowed to obtain the following results. There were named 8 different interpretations of CSR, what proves the lack of uniformity of opinions, and the conflicting character and narrowness of activities in the field of CSR (just one opinion contained 3 directions, the rest of opinions were focused on one of the participants in an organization). This means that the second hypothesis was confirmed. In the process of checking the third hypothesis it was found that the staff is not the main stakeholder in the opinion of the organizations. According to the frequency of mentioning there was the local community on the first place, the personnel - on the second place, the organization itself as an object of management influence - on the third place. Thus, the third hypothesis was not confirmed meaningful, but if we calculate the K1 coefficient, it will be really equal to 0,17, as the majority of top-managers named only one stakeholder.

Checking of the fourth hypothesis was carried out during the discussion of the possible CSR stakeholders. Just one opinion was connected with interaction with state and regional authorities. In general, top managers noted that there is no interaction with other actors in the CSR implementing. In a situation when it was necessary to identify the interests of the state in the field of CSR, there were described 5 possible interests. Top managers are aware of the interest of the state at the level of the potential interaction, but there is no real interaction at the level of implementation. Thus, the fourth hypothesis was confirmed.

The main hypothesis was that the level of the CSR development is low. It must be reflected in the minimal value of the general indicator (C0).

Based on the first hypothesis, we confirmed that the depth of development is at the level C. In the process of checking the third hypothesis there was calculated the K1 coefficient. It is equal to 0,17. K2 coefficient is calculated as the mean value between private coefficients of diversity of understanding the participants' interests. The focus group identified the interests of three stakeholders, so the existing data is insufficient to calculate this coefficient. In this regard, the K2 coefficient will be equal to the value of individual K2 coefficient, calculated on the basis of evaluation of diversity of understanding the participants of the organization, it is equal to 0,17.

Thus, the value of the general indicator is C0,17, what indicated a low level of the CSR development in the studied organizations of the Omsk region.

Conclusion

A purposeful development of any process presupposes knowledge of the initial state. The proposed model of the CSR development evaluation helps to assess the point of beginning in order to form

consciously the possible directions of development on this basis. Currently, the evaluation of the CSR development in selected companies in the Omsk region is quite low. This conclusion is based on the work of the focus group. Another way of calculating is a representative survey of organizations in the region, when the factors are calculated for each organization separately. The presence of grades achieved in different ways, will provide a truly objective evaluation of the state of CSR in the region.

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Contact

Tatiana Lapina

Omsk F.M.Dostoevsky State University

Russia, 644077, Omsk, pr. Mira, 55-a

Lapinaomgu@gmail.com

Oksana Borodina

Omsk F.M.Dostoevsky State University

Russia, 644077, Omsk, pr. Mira, 55-a

Borodina.eco@gmail.com

Tatiana Stuken

Omsk F.M.Dostoevsky State University

Russia, 644077, Omsk, pr. Mira, 55-a

StukenTIu@mail-omgu.ru