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# Current models of corporate social responsibility in Russia\*

## Modelos actuales de responsabilidad social corporativa en Rusia

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### ABSTRACT

Corporate social responsibility is focused on finding ways to harmonize the relationship between business, government and society. Russian companies are unique because they are between the Soviet past and the present Market. According to the Russian government, social responsibility is a kind of “payoff” for privatization, in which the state property was given to new owners. While capitalization is one of the most important criteria in international practice, in Russia it is the creation of political conditions favorable for running and developing businesses.

**Keywords:** Corporate social responsibility, social policy, Russian companies.

### RESUMEN

La responsabilidad social empresarial está dirigida a la necesidad de encontrar formas de armonizar la relación entre las empresas, el gobierno y la sociedad.

Las empresas rusas son únicas porque están entre el pasado soviético y el presente de la economía de mercado. Tal como lo ve el gobierno ruso, la responsabilidad social debe ser una especie de “recompensa” por la privatización, mediante la cual la propiedad del Estado le fue otorgada a nuevos propietarios. Mientras que la capitalización es uno de los criterios más importantes en la práctica internacional de negocios, en Rusia lo es la creación de condiciones políticas favorables para el funcionamiento y desarrollo de las empresas.

\* Documento de trabajo. Working paper.

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**Palabras clave:** responsabilidad social corporativa, política social, empresas rusas.

## CORPORATE SOCIAL RESPONSIBILITY IN RUSSIA

Corporate social responsibility is in the focus of attention due to the need of finding ways to harmonize the relationship between business, government and society. However, the reasons behind this interest in Russia and in the West are different. In developed countries corporate social responsibility (CSR) came as a response to social contradictions, which are seen by large part of the world to be caused by the activities of transnational corporations. Social responsibility was aimed to alleviate these contradictions and raise the prestige of public business. In Russia the request for “social responsibility” was formulated by the State at the beginning of the new century. According to the Russian government, social responsibility should be a kind of “payoff” for privatization, in which the state property was given to new owners for a song. As the tension between top businesses and the state has increased in Russia, social responsibility is now regarded by many members of the highest business strata as “a strategy of adaptation” to the new political situation.

Regarding the positive experience of corporate social responsibility, we need to mention some large multinational companies, including those operating in Russia, as well as Russian businesses that have assets abroad. Such companies are responsible not only for dealing with their own internal social problems. The boundaries of social responsibility of large companies are much wider, and their activities may include solving problems of the national importance, such as reducing poverty, increasing the competitiveness of the country and fighting against terrorism.

But why does business have to be involved? Businesses are mainly concerned with making profits, which also ensures the creation of more jobs, a wealthier society, greater GDP and higher competitiveness of the country. But businesses cannot be isolated from society – they are integrated in the system of mutual expectations, which make mere profit and becomes a difficult task: corporations are to meet the expectations of stakeholders, that is to say government, shareholders, customers, local communities, partners, investors, and others.

Russia is now slowly moving towards the social responsibility of Russian businesses. Russian studies reveal a number of special features related to CSR. In the focus of the study in the first place there are large companies, whose management is keen to convey information about the social responsibility of their business. Second, there is virtually no information about the social responsibility of small and medium businesses. Third, the researchers often tend to “impose” schemes of analysis accepted in the West onto the post-Soviet reality. Fourth, and most important, social responsibility in business is considered by many Russian analysts as a response to the “request” formulated by the State. Even if this view of the problem reflects the realities, it restricts the scope of research: it does not focus on the mechanisms evolving companies into social projects, but it focuses on the policies of the state instead.

Corporate social responsibility of any company is based on its social policy. Social policy of the company can be divided into internal and external. Internal social policy (SP) of the company is directed to its employees. It has to be implemented by senior managers of the company and its trade unions. The administrative economy was dominated by the companies, which performed a wide range of functions. The company itself was to a large extent a kind of social security for its workers. In the 1980's, 32 million Soviet citizens lived in apartments at the expense of enterprises,

30 million employees enjoyed medical facilities (clinics, recreation centers) owned by enterprises, 1.5 million children each year used to spend their holidays in children's recreation camps owned by enterprises. According to Russian sociologists L. Gordon and E. Klopova, in such collectivist society the company was a kind of "social community".

Since the beginning of market reforms, corporate social policy has gone through a period of radical changes. Major changes have affected the social infrastructure of the companies. There are three stages of these changes: the reduction of social infrastructure, its stabilization and optimization.

In the first stage (early and mid 90's) there was a sharp decline in social infrastructure of businesses. During these years, leaders of all kinds of enterprises reduced their "social programs" enormously, trying to get rid of non-core assets. In just a decade of the reforms, two-thirds of social facilities owned by enterprises were given to the municipal government. This process was spontaneous and uncontrollable. On the way out of the crisis and the improvement of the financial state of enterprises, the reduction of social programs was no longer regarded by the business management as a condition to survive in the economy. In the second stage (1997/1998-2000) there was a stabilization of social infrastructure, and the attitude towards social facilities changed for the better. Since the beginning of economic recovery (2000-2001), and the transition of enterprises from survival to development, some of them started to optimize their social infrastructure.

Most managers and business owners, which participated in the study, claimed that their companies performed some social functions. The analysis of the interview evidences the strategies and priorities that are chosen by the management and what social policies are targeted. There are three types of strategies applied by Russian companies: 1) the strategy of social compensation package, 2) the strategy of social

infrastructure support, and 3) a mixed strategy that combines preservation of social infrastructure and partial monetization of social benefits.

According to the research quite a small number of managers and business proprietors remain with the strategy of social compensation package (just 15% from the number of respondents). This is a marketing strategy, which involves the payment to the employee along with the so-called social package salary that is supposed to cover the expenses of vacation, medical treatment and the vouchers to children's recreational camps. This social compensation package may be quite small and may vary according to the employee position. But it should be noted that it frees managers from the necessity to maintain social infrastructure and provide social services directly at the enterprise.

Analyzing social policies of post-Soviet leaders, Prokhorov, the analyst from the Russian city of Yaroslavl, formulated his own concept of "Russian model of governance". The researcher is convinced that in market conditions the entrepreneurs introduce a system of "serfdom" to keep their personnel active. Low wages, coupled with strong social benefits, is one of the forms of such "serfdom". At small companies this system is used by default, at large enterprises it is enshrined in collective agreements.

The strategy to support social infrastructure is applied by a quarter of managers and executives interviewed in the study, including those working at the state enterprise of the defense complex "Spark". In the early 90s, nearly all social programs were eliminated, but in 2000-2001 they were re-established. Today the company owns one of the best recreational centers in Perm, which is comprised by a sports facility center and a recreational camp for children. The federal budget annually allocates 30-40 million rubles to maintain this social infrastructure. However, the supporters of this infrastructure at the enterprise admit that this strategy

has increasingly become difficult to maintain due to their high costs and the proprietors' intention to reduce non-core expenses. Those in charge of such socially responsible companies are constantly under pressure "from below" and "from above". For instance, workers call requesting maintenance of its social infrastructure, and company owners demand their reduction.

A mixed strategy combining social infrastructure support and partial monetization of social benefits seems to be the most popular strategy now - more than half of the respondents find it attractive. Among the reasons to which the transition to monetization of social services and other forms of market economy is not always possible, managers and company owners quote the following:

- Impossibility to pass over social infrastructure to municipal government due to the lack of funds for the maintenance of social infrastructure;
- The lack of market objects for social infrastructure;
- Administrative opposition by the city administration to transfer the social infrastructure to enterprises;
- Traditions found in the workforce, and high demands of workers for the social services provided by the enterprises.

The acceptance of the mixed strategy is attributed by the respondents to the transitional period in the society, and their unwillingness to accept a new market philosophy from one day to another. Even the most consistent liberals, who participated in the survey, believe that the incompleteness of the transition period makes it impossible to implement a liberal scenario, in its classical form, in Russia. "The question as to which way we should move is too difficult. In the West social policy includes a package of social compensation. We are a transitional type and we cannot just follow

western ways", — says the director and owner of the company. It is worth mentioning that some leaders of Russian enterprises oversimplify western experience, which they often associate with the American model of capitalism.

Prospects of mixed strategy development at enterprises are quite vague, particularly due to individualistic attitudes of the new generation of workers, their eagerness to earn high wages quickly, and their indifferent attitude towards social services available at the enterprise. Similar changes are taking place in the management sector. There is a tendency that reveals that young managers assume the highest positions in companies. "Young Wolves", as called by the more experienced managers, are focused on solving economic problems, many of them have graduated from Western business schools, and paternalism in any form is strange to them. Such managers comply with the principles of pragmatism and stiffness.

There are three dominant types among the leaders of Russian enterprises: consistent opponents of social policies, rational paternalists and compelled supporters of social policies. Consistent opponents of social policies make up the smallest group. Their members advocate a liberal way of development, following the classical formulation of M. Friedman, according to which "the only goal of business is to maximize profits within the framework of the given rules of the game." Representatives of the second type - rational paternalists - believe that social policy of the company, although is quite expensive, enables to maintain the traditions and image of the company, to cope with social unrest, to manage workforce, and may even bring certain economic benefits.

The so-called compelled supporters of social policies form the largest group. Their members believe that the current social policy, although is quite expensive, enables to retain and motivate staff, develop the

company, and helps to reduce costs due to employees' sick leaves. Most of the compelled supporters of social policies are convinced that their choice of this strategy is a temporary solution for the lifespan of the generation that was born within the Soviet era.

The priorities of the internal social policy introduced by the company are centered on educational programs and reproduction of labor force. Projects that aim to support the retirees and children of employees are of less importance, although they are also taken into account by the management area.

The key value in many companies is attributed to educational projects, which are considered by the management sector as an important prerequisite for restructuring and modernizing the production, as well as contributing to the "human capital." Further, professional training, as organized at some enterprises, can be seen as a response to the collapse of the Soviet system of engineering education. Educational programs are the more relevant due to the fact that the majority of Russian enterprises are facing the problem of staff aging and the lack of well-trained and efficient workers.

Companies facing the problems of labor force tend to develop programs that involve young people. A significant role in internal social policies is given to sports, health care and disease prevention. Some enterprises, such as JSC "Mineral Fertilizers" (Perm), JSC "Yaroslavl Engine Plant", JSC "Kotlas Pulp and Paper Mill (Korjashma)" implement large-scale projects for children. Others provide financial support to their retirees. However, it should be noted that these projects do not typically involve over-expenses and are implemented according to the financial capacities of the enterprise.

Internal policy of the enterprise is often formalized. Social issues are considered in labor agreements concluded between unions and the management sector.

Nowadays there are collective agreements in most major Russian companies. They stipulate working conditions and employees' salaries, social benefits and insurance arrangements for the staff, and in some cases, for their family members and retirees. Collective agreements turn the internal social policy of the company public and transparent. There is also an implicit social policy aimed at encouraging and promoting the top managers and company experts, implying special incentives and benefits. On the one hand, this policy creates "special conditions" for top managers and company experts; on the other hand, it builds a system of dependence depriving highly skilled personnel of their freedom. At present, investments within the internal social policies are the centerpiece of social investments of Russian companies. According to the Association of managers, large Russian companies spend up to 60% of their social budget on staff development.

Internal social policy of Russian companies has the following characteristics. First of all it can vary according to the company's rules. Each company chooses the priorities of the internal social policy and the mechanisms for its implementation. The type of internal social policy depends on the level of "advancement" of its market strategy. The incompleteness of structural reforms aggravates the differentiation of internal social policies: so far most companies have failed to establish uniform rules for all their affiliated companies, and each of them creates the social policy they can afford.

Secondly, the internal social policy is determined by the senior management and trade unions (if there are unions at the enterprise). In determining the priorities of internal social policy the needs and demands of the staff of the company are not particularly important, but the senior management decisions. Trade unions do not yet play a significant role in the development of the internal social policy. They fail to take control over the business. They are mainly involved in solving their

own internal problems and they are still learning to use the resources acquired in the post-Soviet era (*i.e.*, to negotiate and conclude collective agreements, to file lawsuits, etc).

Thirdly, regional or local authorities cannot influence the internal social policy of the company. However, some influential mechanisms on behalf of the authorities still remain: so, they can, for example, slow down or speed up the “reduction” of the company’s social programs, or they can put some pressure on the head of the company to keep the excessive labor force.

The external social policy is aimed at the social environment of the company, *i.e.*, the neighborhood, the community, the city, the society as a whole. It aims to create favorable conditions for business development and to harmonize the relationship between the enterprise and the environment. The most important function of the external social policy is the facilitation of positive business relationships with the authorities, both regional and local.

During the Soviet era, enterprises carried out their external social policy. The researcher from France, A.Yegorova-Comte came to the conclusion that since the 1960s the relationship “enterprise-city” has changed dramatically. Enterprises have turned into a leading force in urban development because they had their own economic and financial resources. During the 1960-80s of the last century, the Soviet Union brought to life the idea of the socialist city built around the company that provided the services that the company needed.

The largest and most successful companies are very sensitive to public opinion. Up to date many Russian companies have realized the effectiveness of the systemized social policy. Some of them spend around 17% of their profits on social programs. Among socially responsible companies there are leaders, such as a group

of SUAL, MMC “Norilsk Nickel”, JSC “Lukoil”, JSC “Severstal”, which have adopted the code of corporate governance and started to publish reports on their social activities.

It soon became obvious that currently the assistance to vulnerable groups of veterans and disabled persons is not one of the main concerns within the public agenda, although it is considered important and notable. According to international standards of the concept of social responsibility, today’s entrepreneur is supposed to feel equal responsibility as the business partner, taxpayer, employer and benefactor. Recent polls conducted by the Association of Managers reveal that consumers, first of all, expect from the entrepreneur a product of quality at a reasonable price, and value square dealing in his code of business behavior rather than supporting arts; although charity actions to help orphans and participation in solving other social issues deserve much respect.

There are different criteria for assessing the performance of corporate social responsibility models. One of the criteria is, first of all, their effect on the main goal of business development. While capitalization is one of the most important criteria in international practice, in Russia it is the creation of political conditions favorable for running and developing businesses. While solving these problems it is extremely important to meet the expectations of society. At present we need the strategic alliance of business and society as creative and robust powers, although they may have some claims against each other.

Effective implementation of the CSR models combine practical results and broad participation in order to face social problems. For example, one of the companies made large contributions in the regional budget for the construction of social facilities and coverage of debts on child allowances. Another company held a competition of social projects whose final results were

summarized on local television by popular vote online. As a result, the second company received wider coverage and greater confidence than the first one, and this growing of confidence is very important in terms of effective corporate social responsibility.

Participation models of Russian companies in solving social problems can be divided in two groups: models of social investment and communication models. The first group requires significant financial investments by the company. Social investments can be allocated to support contests and competitions, community funds, scholarship programs targeted to the future of the country's strategic development.

Models of the second group focus on the relationship with stakeholders, and can be implemented at much lower costs in comparison to the first group of models. Among the mechanisms used in communication models there are coordination boards for social partnership as platforms for the dialogue with local authorities. They are also involved in environmental and socio-economic impact assessment, as well as external audits (this activity is not yet widespread in Russia, with the exception of the Sakhalin region development where it is quite intensive).

The most significant forms of external social policy are the following: maintenance of social infrastructure, charity and participation in major social projects. Often, social infrastructure is supported by town-forming enterprises. They not only provide jobs, but they also supply towns with electricity, water, heat, and communications. For example, Kotlas Pulp and Paper Mill in Korjashma, along with maintaining housing complexes, builds a city hospital with all modern facilities, sponsors large cultural projects, finances maintenance and renovation of sports and recreational facilities. In 2003 the enterprise allocated more than 36 million rubles for these purposes. Currently, the enterprise intends to "end" gradually with the help in the

social sphere of the city, in order to avoid a citywide crisis. To this end, the company has been gradually reducing the financing of urban institutions (schools), however, it is still funding all preschools. Given the importance of core town-forming enterprises to the economy (there are 466 plants in Russia), we can assume that they bear the huge social burden.

Most companies restrict their participation in external social policy to charity events. They include actions aimed at assisting the development of a particular social group, or providing some social support. Main objects are charitable educational institutions, institutions of culture, health, sports, science, as well as confessional organizations. The disabled, orphans, children and senior citizens are the first priority target groups. Nowadays, large companies tend to shift from single charity events to wide-scale involvement in social policies of the region (or the city). This is due to several factors. First of all, charitable activity does not meet the demands of businesses by many parameters. Among the weak points of charitable activity business representatives quote: spontaneity, inefficiency, lack of consistency, failure to monitor the expenditures, subjectivism. Secondly, in the period of transition from the stage of survival to the stage of development there is a need for a thorough planning of expenses, which is not possible without a systematic approach.

The transition from charity to systematic social policy is implemented in a variety of forms. There may be large social projects carried out by businesses together with the regional or municipal authorities. In Yaroslavl region one of such projects resulted in the construction of the largest sports facility centre – Ice Palace. The regional governor initiated the project. Large Russian corporations and local businesses, together with the regional budget, allocated their funds to participate in the project. The construction of ski slopes and the sports facilities center in Rybinsk for professional athletes is another example of wide-scale social projects.



Organizing tenders for social and cultural projects is another form of systematic external social policy of the enterprise. Tender is a public invitation for external contractors to submit their bids in accordance with the set of stated criteria. Best applications are funded. Projects results are summed up. At the opening ceremony of the first tender for social partnership at the fair in the town of Perm, it was called a strategic tool for innovation management. Forms of tender management include administering external organizations, special departments inside the company with the assistance of consultants, as well as corporate and private foundations.

In 2002 JSC “Lukoil-PERMNEFT” (Perm region) invited tenders for social and cultural projects for the first time and the winners received grants to implement their plans. Over the years, tenders were declared in different categories: environment, sports, historical and cultural traditions, healthcare and education. In setting priorities, the company “Lukoil” works closely with the regional and municipal authorities. In 2002 there were 12 proposed priorities, in 2003-2004 the number of priorities was reduced, however, the number of participants increased. Both physical and legal entities were able to participate in the bid. One of its goals is the development and support of small businesses. Over the years total grant funding has increased enormously: in 2002 it increased to 2 million rubles, in 2003 - 4 million rubles, in 2004 - 10 million rubles, with one grant amounting to 150 thousand rubles. The company “Lukoil” intends to develop tendering policy in the future. At the initiative of the company there is a training course of social project planning in the Perm region. In 2003, first tender for social projects was organized by “Permregiongas”, the regional structure of “Gazprom”. It took place in four districts of Perm region, where the company has its branches. In 2003, total grant funding was less than 1 million rubles, with one grant amounting to an average of about 100 thousand rubles. In the future the company plans

to expand their activities and hold tenders in other districts of the Perm region.

Tenders bring about a new type of relationship between the corporation and the community. It is characterized by openness and publicity (which draws the attention of the regional community); social support; the creation of permanent sites for the interaction between government, business community and civil institutions; the formation of the civic stance; support initiatives coming “from below”. Carrying out major social projects enables to create a positive image of the company and gives its management the possibility to get political dividends from the external social policy. Many of the interviewed managers and company owners were elected members of regional legislative or municipal representative bodies.

There are other examples of tenders:

- Tenders for social projects;
- Tenders aimed to support small businesses, with both grant schemes and loan repayment schemes;
- Tenders for municipalities aimed to repair, reconstruct, and develop heat and water supply for schools, hospitals, etc.

Companies use two strategies for the administration: they transfer management of finances to external funds and draw consultants to the process of organizing their activities. Tenders among small businesses and municipalities are held quite infrequently. Their main goal is to create a production chain, to support services related to the activities of the company, and, what is most important, to improve the business climate in the local community. Thus, the mission is to reach economic stability in Russia through the support of small businesses. The program stipulates the issuance of loans on terms of repayment, and the support and development of business incubators under grant

funding. The “Eurasia” fund has wide experience of supporting small business in Russia and very often takes the functions of the administrator of such tenders. Support of small business leads to diversification of the municipal budget, since it evolves new taxpayers and improves business environment in the region.

There were ten winners in the tender for social infrastructure development projects of Samara region municipalities, and total grant funding amounted to 65 million rubles. These were projects of modernization of education and health facilities, systems, utilities and transport. As usual, this involved reconstruction of the heat supply system, installation of a new boiler, modernization of water purification system (oil-industry workers are well aware of the importance of water quality for the activity of the company), modernization of hospitals, schools, etc. However, the fact that the municipality workers for the first time in their life wrote a funding request was something new.

The feasibility study with the formulas took five pages and enlisted both capital and operating costs. The decision was made on the basis of economic criteria, and in the course of the competition many municipalities abandoned their ideas. Unlike the tenders administered by CAF and “Eurasia”, it was the host company that made the final decision, the one that determined the grant funding, and signed the contract. Methodological support was provided by the Foundation “The Urban Institute”, which trained employees through the complex procedure of expert assessments to draw ratings for the company to take a proper decision.

Along with organizing tenders, businesses are also engaged in the introduction of “social management.” Large companies work in cooperation with the administration of the territories of town-forming enterprises, in order to establish municipal services and train municipal officials. Companies conduct trainings and seminars for local authorities, they invite experts and

consultants to train local leaders to use budget funds effectively. Educational programs are of great importance, as the professional level of municipal employees, especially in little towns, is quite low. Many respondents noted that the introduction of “social management” leads to positive results, budgetary savings are among the most important.

Local community foundations make up another model. When CAF only appeared in Russia in 1990s, one of the major issues related to CSR was: “Will businesses invest in this foundation?” It seemed much more efficient to give money directly to charity, rather than to some foundation where money could be lost. But Russian experience confirmed the international practice - acting through the foundation turned out to be profitable. Community foundations raise money on a limited area from different sources, primarily, from businesses of all sizes. Community foundations operate on the basis of transparency and gradually build up their capital, with the view of earning interest in the future. The experience of Togliatti foundation is often given as an example of successful implementation of this model. It turned out that the donations from entrepreneurs made in the framework of a public foundation are much more efficient. Winners’ brand “Sponsor of the Year” became prestigious for the companies - winners of the title and important for the business environment of the city. It also triggered the principle of co-branding and a broad social participation, which enabled the companies to get a lot more gain on the investment.

*Scholarship programs.* These models became widespread in Russia not long ago. Experts explain their appearance by expanding business strategic planning, the need to manage human resources and staff. Therefore, a number of scholarship programs are aimed at employing and developing staff. For a long period of time Russian educational institutions have supported talented students. The Federal scholarship

program of V. Potanin's Charity Foundation has become the first successful initiative, which is external to the university management, to mark such a direction as an important public priority. Another example of the support for students and young researchers is the grant program of D. Zimin's Private Foundation "Dynasty", aimed at the development of science, it supports talented school graduates. In 2004 such grant programs covered 40 universities in 16 Russian cities. The financial support of this foundation allows young researchers to form working teams and small innovative businesses in order to access the market with scientific ideas and science-based commercial products. For a long period of time the Lukoil Charity Foundation has financed students and teaching staff. Talented diligent students, who succeed in studies and public activity, are awarded with small grants not only by private and corporate foundations, but by a number of companies (e.g. computer supermarket NICS, established by graduates of the Physical and Technical Research Institute). Wishing to help their alma mater, the graduates started paying individual scholarships to students and offer them part-time jobs during summer holidays. It was a good HR method: the company could benefit from the students with job experience in this same company.

There are also other examples: Scholarship program of the Credit-Moscow Bank for graduate students of economic departments in Moscow universities. The students are granted a bankcard, which is the first step for the bank to find a future customer in the elite environment, because the best students can become entrepreneurs, managers etc.

Scholarship programs can affect the expansion of the company market. Kaufman's Charity Foundation was established by M.A. Kaufman, Whitehall company president, premium wine dealer in Russia. The company faced a problem – Russian people do not have wine-drinking culture. Representatives of the

company decided to educate not only sales-assistants, but also other stakeholders via grant training programs in Burgundy for graduate students-economists and student-journalists.

*Strategic investments.* This implies partnership programs with governmental and public institutions aimed to build great changes in the social cultural environment. Such programs include long-term and large-scaled events in the areas of education, culture, politics, etc. The main example of such programs is the program "Internet Learning Federation" of the Open Russia Foundation. This program is of an unprecedented great scale: it covers 41 regional centres, 90,000 teaching staff. By 2005 the number of centers have increased to 50 and the number of teachers to improve the qualification through further training rose to over 50 000 annually. The program is implemented in the effective partnership with governmental institutions within the framework of the Ministry of Education and the goal-oriented program of developing the educational and information environment. In October 2003 the President of the Russian Federation awarded the team of the "Internet Learning Federation" for the educational work. This contributes greatly to the intellectual potential of Russia and solution of the national problems.

Communicative models of the participation of Russian companies in order to tackle social problems. Social reporting in Russia is still perceived as a "break" in the main activity, but nowadays the attitude towards social reports is changing, and companies, dealing with them, seriously negotiate with counterparts. The company "BAT Russia" is the first in the country to launch social reporting. The first stage of reporting comprises negotiations and meeting between company representatives and counterparts with the participation of external facilitators. Among the activities, there are: making claims and declaring relevant expectations to the company. Later, such a plan is analyzed from the

point of representation, objectivity and importance. Every participant receives the reply with the list of company obligations. At the second stage the obligations are claimed by stakeholders, in a year, the social report has to comprise not only promises, but also their implementations. However, not all the companies follow such a process, therefore the experience of “BAT Russia” in this area is quite positive. They have launched the mechanism of responsibility for their promises.

Social reporting has become a widespread tool in the business community. Hence the Russian Union of Industrialists and Entrepreneurs has approved a profound study reporting standards and putting them into practice. A less known model is the one of environmental and social influence. The study of the environmental and social influence was carried out by the company “Sakhalin Energy” within the framework of the program “Sakhalin – 2”. Following the principles of social responsibility, the company conducted, on the one hand, the survey, analyzed all possible influence of a new mineral deposit on the social environment, and on the other hand, analyzed the landscape, bio-variety, cultural and archaeological heritage. The company conducted meetings with the local community in order to seek answers to the questions: What would happen to the indigenous people? How could the major oil company affect the resource access and allocation? How would it influence the jobs? Would Sakhalin residents face discrimination on behalf of migrating high-quality specialists? The results of the above-mentioned meetings were stated in the document “Assessment of Influence on the Environment and Social Sphere”. This survey helped the company to avoid a lot of mistakes made during the implementation of the project.

Representatives of other Russian companies working on Sakhalin defined this method as useful and progressive. They hoped to apply it in the future. Any

social project tends to be initiated by the government. The decision to join a major social project is made by the company owner taking into account the company productivity and its political targets. If the government applies to the CEO of the company, the latter submits the reasoning of the social project and budget valuable to the owner. If a company is integrated into the regional space, its external policy is systematic and long-term, the company management and regional authorities sign agreements. However, in Russia it is very often that the agreements “business – government” are informal, and social projects are introduced after private agreements between top managers.

The main coordinator of social projects in Russian regions is the government. But in recent years, companies’ own social projects have also gained popularity. Civil society in Russia is not an equal partner of business and government; it cannot form the demand for the social activity.

Russia still does not have a common model of social responsibility, which leads to a great variety of social activity in companies. Every Russian company is seeking its own balance between the economic effectiveness and social responsibility. Personal preferences, and interests of managers and owners, determine the forms and techniques of social responsibility in Russian companies.

The “personification” of social responsibility fits in the post-privatization situation when the role of managers in decision-making processes has increased significantly. Moreover, Russia suffers a big gap between the community and business regarding social responsibility priorities. This gap will exist until the community starts to express openly their own interests.

Involvement of Russian companies into the social activity is occasional. A great social burden is laid on city-forming companies. Most socially responsible companies are in such industries as oil, gas, metallurgy

and chemical. These industries are ready to invest great funds into the development of the territory, because their production is environmentally hazardous. Managers and owners of post-Soviet companies, without their own history and traditions, show the least social responsibility. Most managers of the companies set up in the Soviet Time are not opponents of the social policy, but critics of today's forms.

Participation of companies in the social policy is influenced by many factors: welfare, strategy of development, company history and traditions, integration into the regional life and importance of the region in the company strategy. No wonder, most socially responsible companies are regional ones, integrated into the local community, and major Russian companies for whom the region is essential. Russian companies are unique because they are between the Soviet past and the current market. In such conditions social

responsibility is an adaptation mechanism, which allows the former Soviet enterprises to adapt their performance to the current market situation. The exception is among major Russian companies that try to adopt new international principles and standards of socially responsible business.

In addition, more and more Russian top managers and owners focus on social policy because they are aware of the fact that the social policy is in line with keeping and developing business. Consequently, the statement that the social trend in the company performance results from the governmental pressure on the Russian business is false. Companies get involved in social projects on the basis of mutual interests of government and business. However, the government has not worked out the institutional foundation to encourage businesses to participate in the social activity. There are no clear criteria of social responsibility for businesses.