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Comparative Overview of Western and Russian CSR

“CSR is a cluster concept which overlaps with such concepts as business ethics, corporate philanthropy, corporate citizenship, sustainability and environmental responsibility”.
(Matten and Moon, 2004a)

In order to identify the existence of the corporate social responsibility (CSR) in contemporary Russia, it is pertinent to outline a brief overview of general trends in business societal responsibilities, as understood and applied both in the Western countries and in Russia. Thus reference is made to contemporary CSR practices in the US, continental Europe, and the UK. The most significant similarities and differences will be outlined in order to enable CSR in Russia to be understood in comparative context.

USA has probably the longest traditions in CSR where as CSR in British and the European continent has developed more recently, albeit intensively, during the last 20-25 years (Moon, 2004). These developments have included not only more CSR but also new forms of CSR. They have largely been driven by external factors, thereby evolving some new patterns of company-social engagement. The American system has not changed so dramatically over the last 100 years and, rather, has been developing smoothly reflecting gradual shifts in social expectations. In contrast the recent growth of CSR in the UK and Europe, where the development of CSR has not necessarily mirrored changes in society but more drivers from government, NGOs and corporations themselves..

The UK business community is distinctive for being more enthusiastic about CSR than any of its European counterparts (Buckley, 2002). Despite the rich CSR heritage in America, it can be argued that British and Continental CSR experiences within the last 20-25 years have more in common with today's Russia. Such an approach would make more sense in terms of identifying parallels and distinctions with Russia, a country which demonstrated dramatic changes in its economic and societal systems within the past 15 years as a result of the Soviet regime collapse. Russia in general had been and still is in constant turbulence over this transitional period. Therefore, a closer look at British and Continental CSR – as opposed to the American one – might have some practical utility for Russian businesses.

By virtue of the short time period which CSR has had to evolve in Russia, the Western academic community has not yet considered it as an existing phenomenon. There are some opinions in the West that CSR in general is absent in Russia since its very existence is to be based on the circumstances of society and business that are still very different from their Western counterparts (Kogut and Spicer 2002, Spicer et al 2004). However, in view of the lack of data on which to form clear conclusions, our approach is to consider the current stage of Russian CSR and its distinctive forms of corporate societal engagement by analogy with the distinctions between European and American models of CSR.

CSR patterns in America and Europe have recently been defined as ‘implicit’ and ‘explicit’ CSR (Matten & Moon 2004a, p. 8):

“Explicit CSR refers to *corporate policies* that lead companies to assume responsibility for some interests of society. Explicit CSR would normally involve voluntary, ‘self-interest driven’ policies, programmes and strategies of corporations to address issues perceived by the company and/or its stakeholders as part of their social responsibility.

Implicit CSR refers to a country's *formal and informal institutions* through which the corporations' responsibility for society's interests are agreed and assigned to corporations. Implicit CSR normally consists of values, norms and rules, which (mostly) result in mandatory requirements for corporations to address issues, which social, political and economic interests consider a proper and reasonable obligation upon corporate actors.”

The USA

Corporate social responsibility was traditionally regarded as an American phenomenon based on traditions of self-help and participation. Indeed, the American philanthropic heritage is demonstrably rich in its historical evolution (ie., Rockefeller's public libraries, Carnegie's initiatives, etc).

Due to the nature of American entrepreneurship, which is based on maximising the freedom of participants, there are a number of self-regulating domains in today's American society. Thus, employer-employee relations are mainly the subject of two-sided agreements between the respective parties. The right to health protection is literally regarded as an individual choice, ie to acquire health insurance or not. Hence, the State guarantees the very basic rights of society members in this sphere (e.g., medical treatment in emergency) but allows less urgent medical treatment (or improvements) to be a matter of individual choice. Likewise, all CSR initiatives are purely voluntary for corporations.

America developed numerous mechanisms through which business participates in social support, e.g., countless corporate funds that are aimed to address various social problems at the corporations' expense.. It is well-known that American professional education in large part sponsored by corporations/corporate funds surpasses most other countries in terms of funds spent (this benchmarking excludes the countries where education/public health/etc are funded by respective Governments by Law). The latter can partially be accounted for the motives of corporations to voluntarily finance education, pension and insurance schemes for the staff, and other socially important programmes. Socially responsible corporate behaviour is often underpinned by appropriate fiscal incentives – e.g., up to 5% profit tax deduction (Heidenheimer et al 1990) – that are statutory at the federal and/or State level.

It is an American feature that the Government is not actively involved in regulatory activities to encourage CSR development. At the same time, America is famous for its long traditions of corporate/wealthy individual participation in fighting numerous social diseases and disadvantages with the use of corporate/ individual philanthropist accounts. The Bill & Melinda Gates Foundation is a striking example of such initiatives. Being fully financed by Bill and Melinda Gates, the foundation aims to improve equality in global health and learning.

Continental Europe

Unlike the United States where CSR tends to be initiated by corporations and often exceeds the bounds of corporate responsibility to stakeholders as it is stipulated by Law, European companies are more inclined to define carefully and circumscribe their responsibilities towards society. European CSR practices are unlikely to be the explicit policies of corporations. 'Public support' focused corporate activities, which are traditionally carried out on a voluntary basis in the US, are normally implicitly codified in the norms, standards and legal framework of respective countries in Europe.

Following Carroll's (1991) four-layer model of CSR, the following features of Continental CSR can be identified (Crane & Matten 2004):

1. *Economic* responsibility is mainly focused on the profitability of business and, accordingly, on the responsibility to shareholders (as is the case for the US). European companies in this respect tend to include their responsibilities to employees and local communities as well (Hunt 2000);
2. *Legal* responsibility in Europe is a basis for any social responsibility. European businesses mainly consider the State as the entity that enforces the accepted rules, whereas in America such government regulations are rather regarded as interference of private liberty;
3. European corporations regard most social issues as lying in the area of *ethical* responsibility. Europeans tend to demonstrate greater mistrust of business in general (Wootliff & Deri 2001). Thus, closer attention is paid by the European public to business activities than anywhere in the world (for instance, issues of animal testing, nuclear power, generic engineering are always on public's agenda);
4. *Philanthropic* responsibilities are not given such great attention amongst businesses in Europe as is the case with the US. The latter is normally accounted for higher tax burden in Europe than in the New World. Accordingly, the European corporations are generally engaged in philanthropy through compulsory legal frameworks.

The above factors have contributed to the emergence of the term 'Corporate Social Responsiveness' to refer to the European model of CSR (Crane & Matten, 2004).

Another significant deviation in Europe from the US is the government regulation of CSR. In view of the role of government regulation,, the European CSR model is also known as 'implicit' CSR (Matten & Moon 2004a). Thus, systems of health insurance, pensions and a number of other socially important issues are regulated by Law in Europe and normally considered as corporate responsibility. Besides, employer-employee relations are found in more detailed regulation on the Continent than in the States. In general, the European model of state regulation of CSR-related issues in many respects surpasses the American counterpart.

Despite significant differences between the European countries, there is a whole set of obvious similarities. Thus, European politicians pay a lot of attention to various CSR initiatives. Three years ago, the European Commission defined CSR as ‘a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis’ (Commission of the European Communities 2001).

United Kingdom

CSR in the UK combines elements of the American and Continental models. There is active governmental involvement in CSR development in Britain, by encouraging socially responsible corporations together with a well developed welfare system (e.g., NHS) that echoes with Continental approach to societal needs. On the other hand, after the Thatcher reforms in the UK, many practices appeared which may be considered very similar to those followed in the US

Basically, today’s CSR in Britain embraces the following features (Moon, 2004):

1. A well developed CSR consultancy industry;
2. Increased interest in CSR from the investment community accompanied by the growth of socially responsible investment funds;
3. Increased media attention to CSR. Thus, the *Times* publishes a social responsibility index in its weekly company profiles;
4. UK business education undoubtedly surpasses that of Continent in terms of variety of CSR focused courses and their quantity;
5. UK Government active involvement in CSR development through public-private partnership in educational sector, co-financing of CSR projects, fiscal incentives to socially responsible companies, encouragement of consensus on UK and international codes of practice. In view of his concern about CSR development in the country, the Prime Minister created the position of Minister for CSR within the Department of Trade and Industry (DTI).

It is also apparent that CSR projects are widely initiated and fuelled by businesses in the country, a fact which demonstrates the voluntary nature of CSR development by corporations. In general, the CSR evolution in Britain can be described as a gradual emergence process. However, despite such a mode of CSR development, we can identify a few external factors that influenced its qualitative transformation within the last 20-25 years.

During the 19th and first three quarters of the 20th century, CSR in the form of philanthropy had been evolving the ‘implicit’ way. Philanthropic initiatives had been driven and fuelled by a number of businesses being mainly focused on supporting local communities, employees and their families. Interestingly, many of those philanthropic works set the hallmark for subsequent public sector provision (Moon, 2004).

In the 1980s, British CSR shifted to move more towards the ‘explicit’ model. In the 1970-1980s, Britain faced a serious crisis in the governance of society. The Government found itself unable to resolve industrial relations issues, inflation, unemployment, urban riots, and inner-city decay. Big business realised the necessity to undertake some social responsibilities in order to both protect its commercial freedom and to offset threats of further Government regulation. Encouraged by the Government, big business became more involved in resolving community problems. That period is considered to be the ‘first wave of explicit CSR’ (Moon 2004). In conjunction with the Government, business actively participated in a number of mutual projects. Most prominent events for that time were the emergence of the Youth Training Scheme under the aegis of the Special Programmes Unit (CBI) and the formation of the largest business association for CSR to date, Business in the Community (BITC). As an umbrella organisation for CSR initiatives, BITC stimulated the emergence of public-private partnerships within which many of economic and social problems were tackled by putting private and public resources together (Moore et al 1989).

Moves towards further CSR developments were made in 1990s when businesses became more eager to demonstrate their socially responsible products and processes (second wave) and socially responsible employee relations (third wave). This was in part a result of greater stakeholder interest in corporations’ social performance, be it from NGOs concerned about human rights or environmental issues, or investors who increasingly equate CSR with risk considerations.

Currently, it is common for most UK big businesses to have CSR dedicated staff/departments with allocated budgets and board level representation. Social reporting and regular communications with various stakeholders is another feature of today’s CSR. Nearly 80% of the FTSE 100 companies adopted social reporting as a part of their annual reports.

Despite the leading role of businesses in CSR implementation, the UK Government is also actively involved in its development by using its regulatory power. Its regulations encourage companies to disclose their policies and practices on decisions made in the areas of their actions on social, environmental and employee issues. There are a number of Acts which introduce fiscal incentives for ethical and socially responsible business – energy efficiency, re-use of waste, etc..

As of today, the common feature for both British and Continental CSR is their *implicit* mode and the tendency towards the *explicit* way of its development.

The Table 1 below extracts a few most notable distinctions between the American and European patterns of CSR.

| Table 1: CSR issues in the American and European contexts (Examples) | | |
|---|--|---|
| | American Context | European Context |
| Economic responsibilities | Corporate policies with regard to “good corporate governance”, “remuneration” or “consumer protection” | Legal framework, codifying corporate constitution (“Betriebsverfassungsgesetz”), the 35h-week, minimum wage legislation or lengthy and elaborate legislation for developing and testing pharmaceuticals |
| Legal responsibilities | Relatively low level of legal obligations on business | Relatively high levels of legislation on business activity |
| Ethical responsibilities | Corporate policies with regard to local communities | High level of taxation in connection with high level of welfare state provision of local public services |
| Philanthropic responsibilities | Corporate initiatives to sponsor art, culture or fund university education | High level of taxation sees governments as the prime provider of culture, education etc. |

(Table from Matten & Moon 2004a)

Russia

Despite a plethora of Russian publications on CSR in the country within last 2-3 years, there is still a shortage of in-depth analytic researches similar to the ones conducted in the West. Accordingly, the conclusions below are based on currently available Russian materials and do not pretend to be exhaustive.

From academic writings and media information on current CSR in Russia, it appears that some scholarly researches and, in particular, the opinions of some businesses suffer from excessive optimism regarding the current state of CSR development in the country. In the same way, some companies seem to be rushing to present themselves as socially responsible entities when, in fact, they cannot have had enough time for a proper CSR screening by authoritative experts/ auditors – let alone implementing CSR practices and for going through the whole set of social reporting procedures.

This excessive optimism is probably due to a few CSR related *elements*, which those corporations inherited from the Soviet era, e.g., employee training schemes, non-productive resources (holiday camps, holiday houses, public catering establishments, etc), health insurance et al. It seems to be a principal mistake when employer-employee relations are taken as a sign of comprehensive socially responsible way of doing business. Other stakeholders are given less consideration. Another reason for such an overestimation of CSR practices is that there has been an inadequately short evolution for fostering CSR traditions – max three years by now – and in misunderstanding of the very concept of CSR as it is applied in the countries with longer CSR traditions. Finally, there might be a motive to report CSR implementation to one of the most influential and “watchful” stakeholders, the State.

Unlike the American and European CSR models and, probably, due to some command system elements inherited from the Soviet era, the role of the State as a CSR driver is hard to overestimate. This prominence can be considered as a principal feature of Russian CSR. Durante absentia of sufficient CSR experience and steady traditions in corporate philanthropy, this tendency can even be regarded as positive national attribute.

It is apparent that CSR phenomenon is in its infancy in Russia today and it still has a long way to go. Due to the above mentioned partial misunderstanding of its practical utility by a large number of players, there is the danger of substituting CSR with the mistakenly adopted practices of quasi-socially responsible reporting. In general, there is a feeling that majority of the Russian corporations have not yet conceived their long-term CSR aspirations/strategies.

Table 2 underlines some principal distinctions of today's CSR in the UK, Continental Europe and Russia. It is neither the intent of the authors to pretend that this is an exhaustive list of comparative indicators nor to guarantee absolute authenticity with all the businesses currently involved in CSR development in Russia.

| Table 2: Distinctions between Russian and UK / European CSR | | |
|--|--|--|
| Comparative issues | UK and Continental Europe | Russia |
| Target stakeholders the CSR policies are oriented to | <ul style="list-style-type: none"> - Employees - customers - community - shareholders | <ul style="list-style-type: none"> - State - Shareholders - Customers - Employees |
| Drivers of CSR development | <ul style="list-style-type: none"> - Business - NGOs and community - CSR movement - Government | <ul style="list-style-type: none"> - State (High Executive Power) - Business - Local authorities |
| NGO role | <ul style="list-style-type: none"> - large in number and profiles - considered to be among principal CSR drivers that pressure/ encourage businesses for mutual cooperation in CSR related issues (Greenpeace, BITC, etc.) - have high influence on public opinion and possess pressure mechanism on business (e.g., Brent Spar case) | <ul style="list-style-type: none"> - relatively few in number - considered to be facilitators rather than drivers for CSR - relatively unknown in society and lack of real influence on CSR decisions |
| Social Reporting (SR) development | <ul style="list-style-type: none"> - SR is being initiated by businesses - SR is well adopted and widely used - Oriented to all/most groups of stakeholders | <ul style="list-style-type: none"> - SR is at a very early stage - rarely properly understood as concept and its long-term utility - mainly oriented on the State and shareholders |

Conclusion:

1. Given the mixture of a legal framework, practices employed and the nature of the drivers, today's CSR in Russia is quite an interesting phenomenon, similar to features of the British model (i.e., voluntary initiatives by corporations) and patterns adopted in Continental Europe (business aspirations to get a clear legal framework for CSR policies from the State).
2. Due to the undeveloped nature of CSR evolution in the country, a certain misunderstanding of the concept, proven practices and, ultimately, the utility of CSR are evident today.
3. CSR in Russia is mainly focused on a narrow group of stakeholders (State, employees, and shareholders) whereas other ones (NGOs, local communities, suppliers et al) have less influence.
4. However, the general interest in the further development of CSR and in learning about other models provides grounds for optimism about a future for CSR in Russia.

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