

CORPORATE SOCIAL RESPONSIBILITY OF COMPANIES AS A FACTOR IN SUSTAINABLE DEVELOPMENT OF REGIONS

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Abstract: Globalization and increasing competition have greatly aggravated and actualized the need to study the problems of managing sustainable development of regions. The modern realities of the Russian economy development are characterized by a weak stability of regional socio-ecological and economic systems due to a significant imbalance in reproduction processes. A feature of the modern development of the world economy is that globalization has intensified the processes of regionalization and thereby led to the transformation of mesoscale systems into fundamental self-sufficient economic structures acting as subjects of competition. This situation forces national and regional authorities to actively seek new methods of state regulation of territories in order to increase the effectiveness of management systems.

Keywords: globalization, economic crises, pandemic, competition, regionalization, depressed republics, corporate social responsibility, sustainable development, strategic management.

1 Introduction

In recent years, corporate social responsibility of business has become an integral part in the strategic goal-setting of companies and regions. Successful regions of the Russian Federation annually strengthen the level of integration into global socio-economic processes, which mobilizes them in promoting their corporate transparency, increasing social responsibility and the effectiveness of the final results. For regional companies, corporate social responsibility is a constructive means of social positioning; it allows them to widely express themselves in society, develop and promote their own values, acting as a progressive enterprise, a reliable employer, etc.

Under the current geopolitical situation in the spring of 2020, the quantitative growth of the Russian national economy is almost at its final stage: there are a collapse in energy prices, economic sanctions, high volatility and devaluation of the national currency, pronounced limited resources in fundamental development of the real economy due to underdeveloped financial markets and others. All this makes it impossible to further use the previous economic course and established tools; a different, qualitatively new level of development of enterprises, regions and the country as a whole is necessary.

Mutually beneficial cooperation between regional business, government agencies and society should act as a starting point for growth in the current realities; in our opinion, this will be allowed due to creation of higher social capital. The need for

successful solution of macroeconomic problems at the state level, regional optimization of social and business processes, increasing demand for Russian products and services by society appear as the cornerstones of a new vector of sustainability for the development of the Russian national economy. [Zakharova EN, 2014]

The basic interests of business structures and authorities are largely similar in their content in principle, because both parties have an interest in ensuring socio-economic and environmental stability, because this is the basis of their successful and long-term functioning. In our opinion, it is precisely this commonality of interests of the parties in question that acts as an objective prerequisite for their effective mutual cooperation in this field. Given the fact that civil society institutions in the Russian Federation are still rather poorly developed, the authorities and business structures themselves determine the vector and tools for sustainable regional development at the present stage (Misakov et al., 2017; Zakharova, 2015)

Experts note that a number of North Caucasian regions are unsuccessfully trying to use the concept of corporate social responsibility. However, the transformation of the external and the internal business environments that is being carried out for this, as a rule, does not have a conceptual systemic character and is poorly linked to the main provisions of the territorial socio-ecological and economic development strategy (Gerter & Misakov, 2012; Misakov et al., 2017, Misakov et al., 2018).

It should also be recognized that today there are many developments to ensure sustainability at the mega- and macrolevels; nevertheless, taking into account the peculiarities of Russian realities, there are no clear ideas about the methods and ways of strategic management of the sustainable development of regional socio-ecological and economic systems. This suggests that there is an objective need to develop regional sustainable development concepts that take into account the corporate social responsibility factor, which prompted us to tackle this research topic.

2 Research Methodology

The theoretical and methodological basis of our study was the scientific works of foreign and domestic researchers on the issues under consideration. The scientific analysis was based on the theory of management of socio-ecological and economic systems, the regional economy, the theory of sustainable development, contracts, interest groups, human capital, corporatism, social partnership, and state regulation.

In the course of the implementation of the assigned tasks, we used general scientific research methods, including synthesis and analysis methods, systems approach, modelling, system-situational method, empirical generalization, etc.

The information base of the study was the legislative and regulatory acts of the Russian Federation and its regions, state statistics data of the Russian Federation and its regional divisions, information from the global Internet, etc.

3 Research Results

An analysis of the special literature on the study of corporate social responsibility allowed us to identify a certain terminological inconsistency, mainly due to the fact that researchers belong to different scientific schools with their own specific vocabulary and a wide variety of methodological approaches to this phenomenon (Dembitsky, 2004; Kostin, 2005).

In our opinion, one of the most popular mistakes is the confusion of the concepts "social responsibility of business" and "corporate social responsibility". Indeed, they are identical at first glance,

because in both cases there is a phrase “social responsibility”. However, if in the first case we are talking about business as a whole or as a set of entrepreneurial structures, then in the other only about corporations, which are just a certain form of business. In our opinion, it is logical to consider the social responsibility of business based on this provision as a concept of interaction between government agencies, business structures and civil society; corporate social responsibility is only an operational component of this aggregate mutual cooperation regarding corporations, i.e. individual units of business structures.

We consider it appropriate to give an interpretation of corporate social responsibility adopted by the United State Business Corporation for Social Responsibility: “Corporate social responsibility involves a business organization that meets and even exceeds ethical and legislative norms and social expectations.” (Ivchenko, 2013).

Approximately this approach is taken by the European Commission and the World Council on Sustainable Development. When interpreting this concept, various researchers point to the need to include social and environmental issues in it. It always refers to the obligations undertaken by a company for solving socially significant problems not only within the business group itself, but also outside it: in a municipality, region, and country, and even at the global level (Kostin, 2005; Strizhov, 2007).

Special literature contains many characteristic features of corporate social responsibility, which, in general, can be reduced to its three main components:

- Voluntary solution of socially significant problems;
- Social significance and support for socio-ecological and economic stability in the region;
- Sustainable development of the business itself.

The possibility of combining social responsibility and the need for further formation of the competitive advantages of a corporation using the principles of corporate social responsibility is of great scientific interest now. Undoubtedly, finance, marketing, employee management, risk management, etc. remain the main tools for gaining profit with this form of business organization (Lapina, 2006; Malashenko, 2009).

The benefits of companies in terms of compliance with the principles of corporate social responsibility are that they have the opportunity to create a stable business environment, reduce operational risks, build trust relationships with their partners, and consumers, to form a new image of the company, to increase the efficiency of marketing activities, increase labour productivity and hence sales, to increase capitalization, etc (Abramov, 2005; Kozitsyn, 2015; Simachev, 2016).

It is noteworthy that although the corporate social responsibility policy is not directly focused on ensuring profit, nevertheless, it causes an increase in additional competitive advantages, as a rule. Social, charitable and other similar programs implemented in the regions by the company contribute to a more pronounced recognition of its brand, increase interest in its products, etc. Already there are many studies confirming the willingness of buyers to purchase primarily the products of those companies that send part of the proceeds from their sale to charity.

The companies which use the concept of corporate social responsibility manage themselves to strengthen team cohesion, develop transparency and be more investment attractive, etc.

It is clear that the implementation of corporate social responsibility in the constituent entities of the Russian Federation is affected by many multidirectional factors, including the presence of a high level socio-economic differentiation of regions. So, for example, depressed North Caucasian republics and industrialized regions differ by 40-45 times in terms of their GRP, by 10 or more times regarding the

ratio of per capita cash incomes to the cost of living, by 3-4 times regarding unemployment, etc (Gerter & Misakov, 2012; Zakharova, 2015; Misakov et al., 2018).

The derivative of such economic inequality of the regions is social inequality in all spheres of their life, which is clearly manifested in the level of income of the population, in the duration and quality of life, the general state of healthcare, education, and social infrastructure.

Chronic economic inequality of the regions is accompanied by a significant increase in per capita expenditures of only a small group of regions, on the one hand, and the impoverishment of every second subject of the Russian Federation, including all North Caucasian republics. It is clear that it is not easy for the ideas of social responsibility to find their adherents in corporations and to apply them everywhere in their activities in these conditions.

All the reasons (both objective and subjective) that impede the development and implementation of the concept concerning business structures’ social responsibility have their federal or regional expression (Lapina, 2006; Territory development: the role and responsibility of business. Materials of an expert survey // Business and Society, 2008).

Among the factors of federal severity, we can note the chronic unpreparedness of society to consider corporate social responsibility as an important component of social development; there is the lack of focus of tax and civil legislation on ensuring favourable conditions for the involvement of the concept under consideration; there are also ambiguity of the economic situation in the country and opacity of corporate business in it, etc.

To analyse these and other factors, a large-scale study “Corporate Social Responsibility: Public Expectations” was conducted. Typically, every second respondent expressed their doubts about the ability of domestic companies to be actually socially responsible; 85% expressed no confidence in such assurances of business representatives, etc (Corporate social responsibility: public expectations, 2003).

Approximately the same results were obtained in studies conducted by the Public Forum of Strategic Planning Leaders (Malashenko, 2009).

In our opinion, such an undeserved attitude to the importance of implementing the corporate social responsibility concept can be explained by the low “corporate” literacy of the respondents. So, during our research in the republics of the North Caucasus, practically none of the respondents was familiar with the UN Global Compact principles, with the content of such international standards in the field of sustainable development and reporting as GRL and AA 1000s, etc.

The existing preferences of the current Tax Code of the Russian Federation are not systemic in their nature, but only affect some aspects regarding the employment of persons with disabilities... Undoubtedly, it is necessary to promptly adjust tax and civil laws regarding the social activities of non-profit organizations. In the course of the study, we analysed the results of the VCIOM (All-Russian Public Opinion Research Centre) survey “Corporate Charity in Russia: Assessing the Performance of the Existing Institutional Environment” (Depository of social programs, 2017). The authors concluded that the ambiguous socio-economic situation in the country is among the factors hindering the implementation of the concept of socially responsible business behaviour. It should also be noted the preservation of the raw material orientation of the Russian economy, which does not allow to develop the production of final consumer goods.

It is clear that this situation hinders the growth of long-term investments in industry, not to mention the factors associated with the social sphere. This is accompanied by a natural population decline, inflation, a fall in real incomes, etc.

It should also be noted that most Russian companies are non-transparent and even closed to society; this does not affect their image in the best way. This also contributes to the formation of various risks, including the risk of conflict with the population, for example, due to information about the salary and social programs of corporations devoted exclusively for their employees; risk of conflict with tax authorities about the nature of social investments, etc.

In the course of the study, we were convinced that local authorities and administrations do not have a clear understanding of the essence of social responsibility of companies in all the North Caucasian republics. There are many among them who consider this activity of companies only as a desire to mislead interested parties in order to extract additional profit...

On the other hand, the lack of strategic thinking, a certain disunity and civic immaturity are very often manifested in the companies of the region themselves.

The peculiarity of the formed market relations in the depressed agrarian-oriented republics of the North Caucasus is that most enterprises do not have sufficient financial stability even with

favourable financial reporting indicators. This is compounded by increasing competition in the regional market from large companies with a developed federal sales network.

If regional authorities do not take strategically justified measures promptly, there is every reason to talk about the reality of the final exclusion of small and medium-sized businesses out from industries with a high level of profitability (Kostin, 2005, Ugurchiev et al., 2018).

It is necessary to point out among the other characteristic features of the position of the regional business, that there is a lack of trust in the authorities and self-government due to their chronic corruption and indifference to the problems of business structures, the lack of methodological, organizational and informational support at the regional level regarding the implementation of a model of socially responsible behaviour.

In the course of the study, we examined various characteristics of the combinations of interaction between companies and regional authorities in the North Caucasus republics (Table 1).

Table 1. Description of options for interaction between companies and regional authorities

№	Variants for interacting with the authorities	Number of companies	Share of total number%
1	Support was not provided and was not received	12	10,9
2	Support was provided but was not received	42	38,2
3	Support was provided and was received	37	33,6
4	Support was not provided, but was received	19	17,3
	Total	110	100

The results obtained eloquently indicate the existence of a large number of companies that systematically provide support to local authorities and management and in return receive almost no support from them ...

In our opinion, this is the essence of the on-going regional policy regarding the support of business structures.

Analysis of the current situation in the North Caucasus republics regarding the implementation of the corporate social responsibility concept allowed us to develop a number of main directions for its implementation:

1. Regional authorities and administrations should:
 - Actively stimulate the development of civil society institutions;
 - Form a favourable public opinion regarding socially responsible companies, taking into account their constructive contribution to the socio-economic development of the territory;
 - Form and structure relationships with companies and public organizations in the field of sustainable development and joint liability by concluding social partnership agreements involving the refusal to use coercive measures against companies in fulfilling additional social obligations;
 - Develop and implement special targeted programs and social investments in the socio-environmental and economic spheres in cooperation with interested organizations.
2. Corporations and their associations should:
 - Establish partnerships within the local business community, as well as with governing bodies of public organizations and the media, in order to jointly develop a consolidated approach to the implementation of corporate social responsibility in the region;
 - Actively participate in the planning and implementation of regional and municipal social programs.
3. Public organizations and non-profit organizations must:
 - Actively develop and implement grant programs for socially responsible companies;

- Provide legislative and informational support to social initiatives of government and business.

It is clear that such partnership acting as the basis for mutually beneficial cooperation in the context under consideration will effectively serve the interests of all aspects of social development, neutralize possible conflicts, and ensure a balance of interests of all participants.

4 Conclusions and Proposals

One of the factors of sustainable regional development is the proper implementation of corporate social responsibility. We justified that it is advisable to consider corporate social responsibility as an effective mechanism for the development of a company, which serves as an effective tool for building sustainability and competitive advantages both for the company itself and for the entire regional socio-ecological and economic system.

In the course of the study, we found that the practice of organizing corporate social responsibility that has developed in the depressed republics of the North Caucasus has a number of characteristic and distinctive features such as unevenness and size differentiation in industrial development; a specific range of stakeholders and driving forces with a predominance of the clan component; dominance of state structures; the presence of their own trends in on-going social programs, etc.

In the course of our study, methodological approaches were developed by us to build a strategy for the sustainable development of the regional socio-economic system, taking into account the influence of the business structures' social responsibility factor; priority directions for increasing the socio-economic efficiency of measures to create a corporate social responsibility system in depressed labour-intensive republics of the North Caucasus and recommendations on its targeted use for sustainable development of the region are suggested.

An algorithm is proposed for the interaction between regional authorities and government, corporations and civil society with the allocation of the functional responsibilities of each side based

on compliance with new principles of mutually beneficial cooperation. In our opinion, it can be considered as one of the effective options for the interaction between socially responsible companies and regional authorities and the community in the field of management of sustainable territorial development. Using this algorithm will increase the effectiveness of managerial actions aimed at ensuring the growth of well-being of residents in the region, improving the environmental situation and enhancing the competitiveness of the region.

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