

Technologies of Corporate Social Responsibility in Accounting and Statistics



T.M. Vorozheykina, N.K. Muravitskaya, G.I. Lukyanenko, O.V. Antonova, E.E. Lyalkova, M.M. Basova

Abstract: *This article describes the insights of the future evolution of financial accounting in the context of the digital economy, and the strategy for introducing corporate social responsibility into financial accounting and reports. The requirement for introducing corporate social responsibility is explained primarily by the companies' growing awareness of their obligations to society. Companies in the modern world tend to do business with due account of the current social tasks and issues. Those businesses that do consider the implications of their operations make corporate social responsibility their strategic priority. The pioneers in corporate social responsibility, who were the first to speak openly on the topic, were Mr. G. Swope, President of General Electric, and Mr. W. Gifford, President of American Telephone and Telegraph Company. The idea of the social responsibility of business has spread all over the world and was adopted by many companies, resulting in the emergence of the concept of corporate social responsibility. Today, business is a valid corporate citizen exercising its influence on the social, economic and political environment. As such, it may not allow itself to neglect the social background of its activities since it may result in the deterioration of its public image and the way it is perceived by its consumers and investors.*

Index Terms: *concept of social responsibility, digital economy, synergistic approach, evolution of accounting methods and procedures, standardization.*

I. INTRODUCTION

Any business operates in a social medium; therefore, judging from the political, cultural and economic point of

view, it is equally impractical for corporations to ignore the interests of people. No long-term corporate goals, especially those set by large corporations and monopolies, can be implemented in the context of financial instability of the community such corporation operates in. The only way to survive in the face of pressing social problems is to take measures to ensure such stability.

By respecting the consumers' interests to the greatest extent possible, companies gain people's support, thus increasing their own ability to survive. According to business analysts, a social-oriented and skilful business organization would bring a significant increase in profits.

What were the pre-conditions for the emergence of the concept of social responsibility of business?

The first showings of the business's growing awareness of its responsibility to consumers could be observed in the cusp of the 19th and 20th centuries, promoted by the rapid development of mechanical engineering.

Each time, before introducing a new product, factory engineers felt responsible to people. As the consumers' demand in their deliverables grew, the responsibilities also increased rateably. The first business leaders who paid attention to this fact were Gerard Swope, advisor to the Department of Commerce and President of General Electric, and W. Gifford, President of American Telephone and Telegraph Company, the major telephone company at the time.

The idea that managers at all levels of the management chain are responsible to the founders, personnel, consumers and society became increasingly popular and was promoted by many companies of the '30s, thus manifesting the origination of the new concept.

In the same period, G. Means and A. Berle, the leading minds in Economics of the time, wrote their joint research paper, where they examined corporations as private enterprises, which a priori could not be relieved of their responsibility to society. This concept was further developed by H. Bowen in his book Social Responsibilities of the Businessman. According to Bowen, businessmen in their operations must be guided primarily by the interests and values of people and develop their business in the areas of major importance for society. Different schools of Economics developed their own terms to define social responsibility in business, however, in the essence,

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* Correspondence Author

T.M. Vorozheykina*, Department of the Accounting, Analysis and Audit, Financial University under the Government of the Russian Federation, Moscow, Russia.

N.K. Muravitskaya, Department of the Accounting, Analysis and Audit, Financial University under the Government of the Russian Federation, Moscow, Russia.

G.I. Lukyanenko, Department of the Accounting, Analysis and Audit, Financial University under the Government of the Russian Federation, Moscow, Russia.

O.V. Antonova, Department of the Accounting, Analysis and Audit, Financial University under the Government of the Russian Federation, Moscow, Russia.

E.E. Lyalkova, Department of the Accounting, Analysis and Audit, Financial University under the Government of the Russian Federation, Moscow, Russia.

M.M. Basova, Department of the Accounting, Analysis and Audit, Financial University under the Government of the Russian Federation, Moscow, Russia.

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such terms equally represented the businessmen's concerns about the ethical implications of their activities and their impacts on the consumers' buying decisions. Thus, the term Social Capitalism appeared, implying that besides focusing on making a profit, companies should also care for social improvements.

American author C. Walton believed that social responsibility of business involves the interrelation of the following three players:

- Corporations;
- State;
- Society.

To support his ideas, he claimed that society cannot prosper solely at the expense of the state. C. Walton believed that the tacit confrontation between the state and business should be put an end to. Thus, the following components of the concept of social responsibility of business were developed:

- Putting public interests before the company's private profit-driven interests;
- The economic system should be based on the principles of pluralism;
- The welfare of society is provided both by the state and business;
- Within each company, a business model should be developed to take into account the company's own interests and those of its consumers, employees, competitors and other stakeholders.

In the context of the continuously changing environment, businessmen were forced to develop new principles and values to govern their interaction with consumers, resulting in the following three basic concepts of social responsibility of business:

- Corporate altruism. According to this concept, corporations are the most important public institution. By doing business, they exert their influence on the competitors operating in the same field, as well as on society as a whole. What it means is that corporations are just as responsible for the welfare of people as the government.
- Rational egoism. This theory comes down to a simple idea that each business is primarily interested in gaining its own benefit. None of the existing forms of business has the legislative power to actually influence the welfare of people and solve social problems of the state. However, by conducting its business in a transparent manner, by paying fair taxes and taking care of their staff, businessmen indirectly make a difference for the people, while replenishing the state treasury.
- Corporate egoism. Each theory always has those who support it or deny it. Whereas the previous two theories are aimed to support the principles of corporate social responsibility, this one denies this concept in the chain of business development. According to economist M. Friedman, a concern for the public interests undermines the fundamental doctrine that the main goal of any enterprise is to make a profit. He believed that the objective of any business was to carry out its activities in accordance with the law, while trying to improve its resource and cost base so that, under equal competitive conditions, have advantages and earn as much money as possible. The current state of affairs in the world reflects the global changes in the business environment. Such

changes result in new work approaches, as well as new business psychology. One way or another, to keep the lights on, management must search for effective management tools.

In the current context, it is commonly believed that if a company intends to develop sustainably, it should conduct its business in accordance with the principles of corporate social responsibility. For the sake of convenience, businessmen have been using the abbreviation of CSR. It is believed that corporate social responsibility is more suitable for the scholars' terminology, whereas there are other variations, which are more customary for the business environment, including the most popular ones:

- Corporate ethics;
- Corporate responsibility;
- Sustainable development;
- Responsible business;
- Triple bottom line;
- Corporate social responsibility.

Corporate social responsibility has a number of definitions, making it clear that it is not related to public relations, state social programs, or charity. In the first place, it stands for the company's responsibility for the impacts it exerts on entities and individuals with which it interacts in the process of carrying out its activities. Corporate social responsibility is a dynamically changing set of obligations determined based on the specifics of a particular company, with a focus on achieving its internal and external objectives by making management decisions taking into account the opinion of key stakeholders (shareholders, staff, consumers).

II. MATERIALS AND METHODS

A. General description

This paper analyses the policies of corporate social responsibility, focusing on the aspects of CSR and its application within a company. The objective of this research is to determine the impact of CSR on business activities. To achieve this objective, the following matters will be examined:

- Concept, components, and aspects of corporate social responsibility;
- Necessity and benefits of implementing CSR;
- Experience of leading global companies in the implementation of CSR.

B. Algorithm

According to ISO 26000:2010 Guidance on Social Responsibility, corporate social responsibility is the responsibility of a corporation for the impacts of its activities and decisions on society and the environment through transparent and ethical behaviour that contributes to sustainable development and takes into account the expectations of stakeholders [1]. Operation in accordance with the CSR principles provides a company with certain benefits, including profile raising, trust of investors and stakeholders, loyalty of its employees, and improved organizational governance.

ISO 26000:2010 describes 7 principles to form the basis for the company’s activities and management decisions:

- Accountability: an organization should be accountable for its impacts on society and the environment;
- Transparency: an organization should be transparent in its decisions that may have an impact on society;
- Ethical behaviour;
- Respect for the stakeholder interest;
- Respect for rule of law, international norms of behaviour, and human rights.

This standard provides guidance on several core subjects, including organizational governance, human rights, labour practices, the environment, fair operating practices, consumer issues and community involvement and development [2]. ISO 26000:2010 covers comprehensive issues related to the above core subjects and proposes ways for solving such issues. Thus, labour practices encompass such issues as employment, legal rights and obligations of an employee and an employer, employment discrimination, health and safety at work, human development and training in the workplace. In this context, an employer must provide proper conditions of work, protect personal data of its employees, respect their rights, promote its staff-oriented social policies, provide a healthy work environment and so on. The standard also provides for specific ways to influence the sustainable development of society - specific steps aimed to implement CSR. Such methods include investment decisions focused on solving social problems, disseminating knowledge and information, participating in joint projects (with public organizations, foundations, etc.), using media relations to promote best practices, and so on. It should be noted that ISO 26000: 2010 is a standard, not a requirement, and therefore it is up to the management to decide whether to implement it or not.

III. RESULTS AND DISCUSSION

The concept of corporate social responsibility includes the following components:

Corporate altruism. Corporations are the most important public institution that exerts its influence on society as a whole. Corporations and government are equally responsible for the welfare of the state.

Rational egoism. Due to the absence of legislative powers, no business entity can actually influence the welfare of society. This concept comes down to a simple idea that companies may promote solving of certain social issues by complying with their tax obligations, conducting business in a transparent manner, and taking care of their staff.

Corporate egoism. The main goal of any business is to make a profit, therefore, any concern for public interests would be a waste of resources.

Corporate social responsibility is divided into two categories: internal and external. The internal one includes ensuring wage stability, a safe working environment, health insurance, and social benefits, advanced professional training and development. The external social responsibility includes environmental protection, corporate charity, sponsorship, and volunteering activities. CSR implementation provides the following benefits for the business: output growth, positive company image, enhanced company awareness,

distinguishing the company from others, partnership promotion, government support [3].

CSR has a multi-level structure as shown schematically in Figure 1.

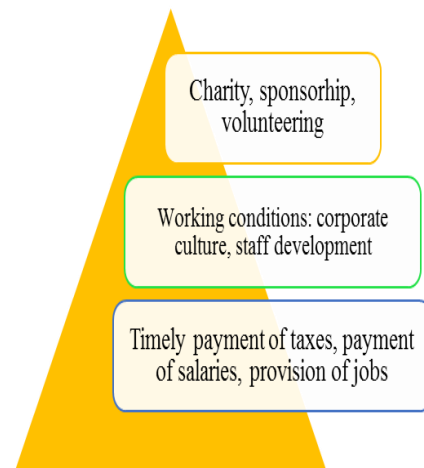


Fig. 1: Corporate social responsibility pyramid

To ascend to a higher level, a company needs to ensure that its social obligations of the lower level are duly met.

Charity can take different forms. First, there are monetary and material donations, establishing dedicated supporting funds, paying scholarships and pensions. On the other hand, charity can be represented by volunteering, when employees and management of a company invest their personal time to solve social, environmental, civil problems. Russia does have such form of social charity as volunteering; however, it mostly involves lower-level and young employees, with practically no involvement on the part of senior management. As we can see from the experience of foreign countries, in the absence of the top persons’ involvement, a vertical pattern is observed, and such volunteering efforts bring zero results [4]. According to experts, corporate charity should be translated into social investment, that is, a company should understand where and when to invest to get a better return. The return here is not money, but the promotion of social interests and other social benefits described above. Moreover, the management needs to understand that the company’s help would be most effective in those areas and with the application of such means where the company has the adequate and proper expertise. Thus, a company’s charity strategy should be integrated into its business strategy. An important aspect contributing to the success of a charity (social investment) project is a partnership. For greater effect, all objectives, tasks, implementation means, benefits and advantages should be distributed between several partners. Moreover, companies will be able to strengthen their business ties and, by investing their resources, build new ones. Any company participating in corporate charity must develop the expertise of its employees engaged in CSR activities. They need to understand the effect of each project and communicate with representatives of various communities in order to fully understand the needs of society and satisfy such needs [5-9].



IV. CSR IN RUSSIA

CSR evolution in Russia [10, 11] had its own specifics, namely the long history of state paternalism, which turned out to be incompatible with the transition to a market economy and the privatization.

It is a well-known fact, that the first response from the businessmen was to “assign” the existing social responsibilities to the care of the state, municipal and public institutions. One of the consequences of such decision was the withdrawal of a number of employee benefits previously granted by the Soviet government. Any non-core assets (sanatoria, camps, rest homes, kindergartens) were sold at nominal value or even less. Programs for funding polyclinics, providing subsidized housing to employees were terminated. Delays in wages were quite common since company owners tried to make money on inflation and win some time. In the 1990s, there was a wave of protests against the negative social effects of the attempt to establish a free market with the domination of the “owners’ enterprise” model focusing on gaining the maximum profit.

Quite soon, company owners realized that this policy was utopic and resumed their support of social facilities, which nevertheless were left behind as municipal (state) property. This was a least-evil solution since companies could not afford themselves to abandon the city economy, as it affected the well-being of their main resource – the employees. A classic example of such hybrid model (when the social sphere is funded by business in cooperation with government agencies) is the city of Tolyatti and its major employer – Avto VAZ. Another example of the kind is LUKOIL corporation. The company inherited a stiff bureaucratic structure of the Soviet times and quickly arrived at a conclusion that it needed to be updated. Like most companies, LUKOIL began to get rid of any non-core assets that had an adverse effect on its budget. LUKOIL’s main task was to sell such social infrastructure facilities that did not bring any profit. It is remarkable that before transferring a facility into the state (municipal) property, the company brought it into good repair and after that contributed to ensuring its proper functioning. Social and labour relations in the company were based on the transitional model of corporate paternalism. This means that LUKOIL cared about the well-being of its employees, however, the difference from the Soviet paternalism was that the corporation was expecting a maximum return from its employees and all its actions were profit driven.

Today, staff development is one of the top priorities of any business. Realizing the value of staff as an economic resource, company managers began to invest in continuing professional education, various forms of personal insurance.

The state also played a significant role in the implementation of CSR in Russia. In the early 2000s, the government only mediocly interfered in the social activities of companies, trying to selectively stimulate it with available means, for example, social responsibility competitions, on the basis of which government provided its support to businesses. However, in subsequent years, the government tended to use “force” methods, i.e. forcing businesses to cover a part of the budget expenditures with private sector funds. Social responsibility has increasingly begun to resemble social duty

in the literal meaning of the word. According to some data, 30% of the company’s CSR budget was spent on financing direct and veiled government demands: road construction, repairing schools and hospitals. In many cases, the authorities encouraged such sponsorship by providing mutual concessions, which were often nominal in nature. This type of relationship in the implementation of social initiatives is destructive, because companies do not volunteer to participate, but are forced to do so. When a company initiates a social project, it enters into constructive cooperation with social organizations acting as beneficiaries. Foundations, non-profit organizations, and institutions engage in the dialogue with the company to promote partnerships and influence the outcome. However, when companies are forced to participate in a certain project or select certain partners, the trust towards such initiatives is undermined. Companies (of particular regional importance) often enter into contractual relations with government officials. Based on such agreements, large corporations undertake to develop social infrastructure and support educational and healthcare facilities. In turn, the administration of local education or the region undertakes to help in solving the production and economic issues of the company. This kind of business relationship still takes place and generally solves the task quite well. An example of such a social partnership is the experience of the Perm Region. It adopted a law on social partnership, which defined the principle of social citizenship. The law provides for the following main forms of participation in social partnership: collective negotiation of agreements on social issues, consultations on employment regulation, involvement of employees in the company management and dispute resolution processes. Besides that, the law provides for the conclusion of trilateral agreements with the Government of the Perm Region to raise funds from the budget [12-16].

Although this type of partnership is partly coercive in nature, it can be referred to a separate category of CSR (specific for the Russian environment), because unlike compulsory state-forced corporate financing of society-oriented activities, such agreements are mutually beneficial. Besides establishing favourable relations with the Government and promoting the company image, there is another significant, though unobvious, benefit for companies, that is creating favourable social setting and environment. The major drawback of this model is that it doesn’t take into account the opinion of concerned public entities. Society has its own channels to communicate with the authorities, while business uses its own channels [17]. Public-private partnership is another form of similar contractual relations on the verge of CSR, which is actively gaining momentum in Russia. For example, concession agreements bring together private sector investment, financial and legal support of the state to build and restore capital structures that have been in operation for a long period of time and are used for providing public benefits.

Upon the arrival of transnational companies (TNC) to Russia and due to the interest of the Russian managers in the experience of their foreign colleagues, the idea of CSR became increasingly popular among Russian companies. Thus, Russia-based companies within TNC groups contribute greatly to the evolution of the Russian social and labour sphere. We will review the activities of Ernst & Young LLC (EY) as an example of how company management and employees can implement social policy.

EY provides financial services to companies, including those on auditing, tax planning and consulting. The company sponsors sports clubs, corporate teams, races, marathons for its employees. The company employees volunteer to play exhibition matches with children from orphanages and boarding schools. EY supports over 20 charitable foundations and organizations. In 2016, the company spent approx. 29.2 million Russian rubles on charity. In addition, the company conducts non-monetary charity activities, such as gathering things donated for the poor, participating in volunteer clean-up days and holding exhibitions of children's drawings. Employee development is ensured by holding various workshops, events for prospective employees and graduates with the involvement of high-ranking officials of the company. The EY corporate culture is a matter of pride for its employees and management: the company holds events for the children of the company employees, meetings of former employees, organizes prestigious award ceremonies, such as "Entrepreneur of the Year" and "Women in Business" [18]. Due to such active social policy, the company is able to increase the company awareness, maintain personnel loyalty, improve the social environment and setting, and establish strong relations with the representatives of government agencies.

V. CONCLUSION

CSR occurs when a company recognizes its responsibility for the decisions it makes and implements and for its actions, which in one way or another impact society and the environment [19-22]. Social responsibility begins with the attitude of the owners and management of a corporation to its employees and the conditions of their work. At this stage, it is important to ensure wage stability, occupational safety, and decent working conditions. After a company can provide such conditions to its employees, it should think about building a corporate culture to unite its employees and managers towards a certain goal. Generally, such goals are laid down in the company's mission to be developed in the course of building the corporate culture. Many developed companies publish annual corporate responsibility reports, where they disclose their achievements and measures taken to bring the company closer to becoming a good "corporate citizen" [23, 24]. As a rule, after implementing an effective internal social policy, the company begins to develop its external corporate responsibility policy, including sponsorship, charity, volunteering, and social investment activities. The objective of such activities is to improve the social environment and contribute to the social background of the company, as well to create an image of a socially oriented and responsible business. Russia has travelled its own journey in developing

CSR from the Soviet time government patronage, transition to market relations, and privatization to the awareness of the demand for private investment to the social sphere and adopting the experience of developed countries. Many Russian companies still underinvest in CSR, but there is an obvious trend towards CSR promotion in Russia.

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