




# Corporate Social Responsibility and Social Entrepreneurship of Small and Medium-sized Businesses in Russia: Moving towards Sustainable Development

Ekaterina Gamova<sup>1</sup><sup>a</sup>, Elena Rodionova<sup>1</sup><sup>b</sup> and Zhanna Kuzminykh<sup>2</sup><sup>c</sup>

<sup>1</sup>*Department of Finance, Economics and Industrial Engineering,  
Volga State University of Technology, Lenin Str., Yoshkar-Ola, Russia*

<sup>2</sup>*Department of Foreign Languages and Linguistics, Volga State University of Technology, Lenin Str., Yoshkar-Ola, Russia*

**Keywords:** Corporate Social Responsibility (CSR), Social Entrepreneurship, Small and Medium-Sized Businesses (SMBs), Russia.

**Abstract:** The article deals with the matters of corporate social responsibility of Russian business, the presence and operation of social entrepreneurship and enterprises in small and medium-sized businesses, as well as the formation of corporate transformation strategies for achieving sustainable development in the post-coronavirus economy. The issues addressed are relevant as the concept of social responsibility in business is new in Russia, and, thus, it remains insufficiently studied, differentiated, and classified. Related definitions are vague and have to be clarified; the experience gained domestically needs consolidation and evaluation. The study analyses the transformation of corporate governance models in the new economic realities.


## 1 INTRODUCTION


It is believed that the beginning of contemporary literature on corporate social responsibility (CSR) was marked by H. R. Bowen's book 'Social responsibilities of the businessman' (1953), in which the concept was first defined. The publication was followed by the works of such international authors as K. Davis (1960), W.C. Frederick (1960), H.L. Johnson (1971), T.M. Jones (1980), R.E. Freeman (1983), E.M. Epstein (1987), and others. Domestic research publications include works by S. Litovchenko (2003), Yu. Blagov, A. Bukhvalov (2010), O. Kanaeva (2013), A. Kostin (2013), N. Krichevsky, S. Goncharov (2016), M. Koniagina, A. Buga, A. Kirillova, V. Manuilenko, G. Safonov (2019), K.Yu. Belousov (2020), S.A. Karimova (2020) and others.


The approach prevailing in contemporary CSR studies was set forth by A. Carroll, who, in 1979, proposed to define corporate social responsibility as 'the economic, legal, ethical, and discretionary

expectations that society has of organizations at a given point in time' (Carroll, 1979). The corporate social responsibility concept is closely related to the theory of stakeholders. From this perspective, corporate social responsibility can be seen as a philosophy, according to which organizations take into account the interests of the society by accepting their responsibility for the impact of their activities on consumers, business partners, employees, shareholders, local communities and other relevant parties (stakeholders).

An attempt to analyze corporate social responsibility in line with the strategic management concept was first undertaken in the article by L. Burke and J.M. Logzdson (1996). The authors rejected the unconfirmed hypotheses contained in the studies of the late 1980s and the early 1990s which suggested a direct correlation between CSR programs and short-term profits. L. Burke and J.M. Logzdson focused on exploring the ways for a firm to obtain a long-term competitive advantage. They proposed to define strategic corporate social responsibility as not only

<sup>a</sup> <https://orcid.org/0000-0002-4340-7156>

<sup>b</sup> <https://orcid.org/0000-0003-3174-614X>

<sup>c</sup> <https://orcid.org/0000-0002-1148-5424>

meeting the interests of stakeholders, but, above all, bringing the firm itself significant sustainable benefits associated with its business operations, i.e., CSR is associated with the company's ability to take more successful strategic positions (Blagov and Bukhvalov, 2010). Today, researchers and practitioners agree on the vital role of corporate social responsibility in the implementation of the positioning of modern companies.

While the concept of sustainable development (SD) and the 'green economy' ideas were gaining in popularity worldwide, an emerging body of research emphasized the direct link between corporate social responsibility and the implementation of SD ideas at the micro level. This is reflected in the international standard ISO 26000: 2010 which defines social responsibility as the "responsibility of an organization for the impacts of its decisions and activities on society and the environment, through transparent and ethical behavior that contributes to sustainable development, including health and the welfare of society; takes into account the expectations of stakeholders; is in compliance with applicable law and consistent with international norms of behavior; and is integrated throughout the organization and practiced in its relationships" (ISO, 2010).

The development and elaboration of the ideas of corporate social responsibility have resulted in the emergence of the new concept, that of "social entrepreneurship" (SE), which is associated with the social function of business operations. The formation of SE as a special type of economic activity started in developed countries in the 1970s. The European approach to social entrepreneurship was implemented through the creation by civil society actors of new social enterprises in the segments that experience a shortage of public services. In the USA, social entrepreneurship is viewed as a market activity having also a societal goal, which is carried out in various sectors by existing enterprises of various organizational and legal forms (Popov et al., 2019).

## 2 METHODS

For conducting the present study, the authors have studied a body of national and international research literature on corporate social responsibility, sustainable development, and the transformation of corporate governance in the context of moving towards sustainable development.

In order to achieve the goal and objectives of the study, a set of general scientific methods and special methods was employed on the basis of the principles

of dialectics as a scientific approach considering the phenomena under study in their holistic universal interconnection and interdependence:

At the level of generalization, the following methods were used: the transition from the abstract to the concrete, system analysis, generalization, subject-object, historical and system methods;

At the specific scientific level, theoretical analysis of the literature on the subject was utilized at the stage of studying the research problem; interviewing owners of small and medium-sized enterprises (SMEs) was also conducted;

For summarizing the research data, the authors used data analysis and systematization, as well as analysis and generalization of empirical management experience.

The selection of the research methods and tools was based on the principle of their necessity and sufficiency to attain the research goal, ensure the required depth and detail of exploring the key aspects of the tasks set, and reliability of the results obtained.

## 3 RESULTS AND DISCUSSION

In 2018, the Russian Federation launched the national project "Small and medium sized businesses and support of individual entrepreneurial initiatives", which includes five Federal projects:

1. Improving the business environment.
2. Increasing the access of small and medium-sized enterprises to financial resources, including concessional financing.
3. Acceleration of SMEs.
4. Promoting entrepreneurship.
5. Creation of support system for farmers and development of rural cooperation.

The main goal of the National project is to propose measures to support Russian entrepreneurship at every stage of its development, from the initial process of developing a business idea to expanding the business and entering export sites. Performance benchmarks have been set to indicate the implementation of the National project by 2024, in particular, increasing the number of people employed in small and medium-sized enterprises from 19.2 million to 25 million, or by 30%; increasing the share of SMEs in the national GDP from 22.3% to 32.5%; increasing the share of exports by the entities in the total non-resource exports from 8.6% to 10%.

One of the most significant outcomes of the Federal project "Improving the business environment" is the legal establishment of the "social

entrepreneurship" concept. Within the framework of the Federal project "Acceleration of small and medium-sized enterprises", we should note the support provided to social entrepreneurs by the "My Business" centres, the sites that integrate all the necessary infrastructure organizations and development institutions in the regions.

The Federal Law No. 245 "On amendments to the Federal Law "On the development of small and medium-sized businesses in the Russian Federation" in terms of consolidating the concepts of "social entrepreneurship", "social enterprise" dated July 26, 2019 defined the concepts of "social entrepreneurship" and "social enterprise" and incorporated the terms into law (On amendments to the Federal Law, 2019). As a result of the adoption of this law, small and medium-sized enterprises can seek the status of a social enterprise, provided that the business aims to achieve socially relevant objectives and contributes to solving the problems of the citizens and the society.

The need for the legislative regulation of SE in Russia emerged because commercial organizations engaged in societal projects were severely limited in the range of sources available for attracting financing, and the profitability of such companies was usually low. Non-profit social organizations, however, did not suffer from this disadvantage as they had more opportunities to generate financial resources, such as donations and grants. To redress the imbalance, the changes were introduced to the legislation.

In contrast to a non-profit organization, SEs continuously involved in economic and production activities, the results of which ensure the company's profits and existence. At the same time, the company as a commercial organization is aimed at gaining financial results, specifically for solving societal problems, serving the public interest; thus, the idea of making a profit appears to be secondary. If a company obtains the status of a "social enterprise", it can count on financial assistance (subsidies), property, information and consulting support from the state.

According to the Federal Law No. 245, small and medium-sized enterprises that have become social enterprises must meet the following criteria:

- labour integration (ensuring the employment of disabled people, single parents or parents raising three or more children, pensioners and citizens of pre-retirement age, orphanage graduates, refugees and internally displaced persons, low-income citizens or other categories, provided that their share is at least 50% of the total number of employees, and the costs on their salaries are at least 25%);

- disposal of commodities produced by representatives of the categories above (the share of income from the activities is at least 50% of the total income, and the reinvestment of profits is at least 50% of the total profit);
- production of goods for persons from the above mentioned categories in order to compensate for the obstacles to their everyday activities (the share of income from activities is at least 50% of the total income, and the reinvestment of profits is at least 50% of the total profit) in the following areas: provision of social welfare, socio-medical, socio-psychological, socio-pedagogical, socio-labor and other services;
- activities aimed at achieving socially relevant goals and contributing to the solution of societal problems (the share of income from activities - at least 50% of the total income, reinvestment of profits - at least 50% of the total profit) in the areas: providing psychological and pedagogical and other services aimed at strengthening the family, family education of children, maternity and childcare support; organization of recreation and health improvement for children, services in the field of preschool education and general education, supplementary education for children, training of employees and volunteers of socially oriented non-profit organizations, cultural, educational and other activities and services.

A social enterprise can not carry out activities with regard to the production and / or sale of excisable goods, or the extraction and / or sale of minerals.

The introduction of legislative changes provided a legitimate basis for involving SMEs in the area of social responsibility of business, which used to be mainly within the prerogative of large enterprises and corporations due to their broader financial capabilities.

The issue of social responsibility of business in Russia remains insufficiently studied or differentiated due to the youth of business itself in the country, as well as the absence of established historical traditions of doing business. Moreover, this area is often "in the shade" because many business people are inclined to avoid publicity surrounding social project funding; they tend to provide the latter in a private manner.

Based on the analysis of the period of the "coronavirus" and "post-coronavirus" economy, the authors have identified four main problems that hinder a wider spread of corporate social responsibility and sustainable development in the

small and medium-sized business sector in Russia and its regions.

1. A lack of financial capacity to finance social projects and programs. The coronavirus pandemic has hit all types of businesses, with many companies lacking financial resources for their core business activities. This is especially true for small and medium-sized enterprises, which appear to be more volatile. The strategies used by many businesses today are sequestration and accumulation of financial resources in order to compensate for the decline in incomes caused by the pandemic and related restrictive measures. Funding social initiatives always means spending on the part of the entrepreneur; moreover, the expenditures are not on the list of eligible expenses, and therefore, the income tax is paid from these amounts. A business can choose to agree to the expenses and transfer them to the end consumer in the form of higher prices for goods, works, and services.

2. The existing paradigm of the development of social responsibility of Russian business puts forward, as its main and only type, full payment of taxes without using informal schemes. Then the state, redistributing the received tax revenues, holds the social responsibility before its citizens by financing the social areas from the public budget.

3. A lack of norms of social and public supervision over business activities. Carrying out their financial and economic activities, commercial organizations are not accountable to public and civilian control. Inspectors, supervisory bodies, and fiscal authorities monitor the key activities of enterprises without, however, dealing with the issues of social involvement and social utility of the businesses. In their turn, businesses are not ready to participate in social activities for which they do not find themselves accountable.

4. As a result, there is a lack of understanding of the essence of social responsibility and its relationship with the outcomes of business development among the representatives of SMBs; there is also a deficit of experience in solving social problems of the city / region, as well as a shortage of qualified full-time social workers capable of solving societal problems.

On the other hand, the survival of companies in the new economic realities associated with the pandemic is only possible in the presence of well-established relations with the major stakeholder groups. Therefore, the concept of corporate social responsibility remains relevant today and serves as an important component and theoretical basis of

corporate strategies in the context of moving towards sustainable development.

## 4 CONCLUSION

In the Russian Federation, the concept of corporate social responsibility is still at the stage of its formation. The initial ideas about CSR as the implementation of one-time charitable events not related directly to business objectives are gradually giving way to a broader understanding of corporate social responsibility as an integral part of the enterprise strategy. Through achieving a balance between the company interests and societal expectations, the strategy contributes to the development of long-term competitive advantages of the business in line with the corporate goals.

Corporate social responsibility can be defined as a new ideology of sustainable development of an organization creating a basis for a socially oriented model of corporate governance and business development. The legal establishment of the concepts of "social entrepreneurship" and "social enterprise" contributes to further development of corporate social responsibility, its moving beyond large businesses and spreading among SMBs. Potential challenges here are associated with the negative effects of the factors characteristic of the "coronavirus" and "post-coronavirus" economy. Therefore, of particular importance for Russia is the state support provided to sustainable development through various instruments of financial and non-financial assistance.

## REFERENCES

- Belousov, K.Yu. (2020). From corporate social responsibility to sustainable development of modern business: the case of Russia. *New Challenges in Economic and Business Development – 2020: Economic Inequality and Well-Being. Proceedings In International Scientific Conference*. University of Latvia.
- Bowen, H. R. (1953). *Social responsibilities of the businessman*, Harper & Row. N.Y.
- Burke, L. and Logsdon, J. M. (1996). How corporate social responsibility pays off. *Long Range Planning*, 29.
- Blagov, Yu. E. and Bukhvalov, A. V. (2010). Corporate social responsibility: Long-term analysis. *Russian Management Journal*, 4.
- Carroll, A. B. (1979). A three-dimensional conceptual model of corporate performance. *Academy of management review*, 4.
- Davis, K. (1960). Can business afford to ignore social responsibilities? *California Management Review*, 2.

- Epstein, E.M. (1987). The corporate social policy process: Beyond business ethics, corporate social responsibility, and corporate social responsiveness. *California Management Review*, 29.
- Frederick, W.C. (1960). The growing concern over business responsibility. *California Management Review*, 2.
- Freeman, R.E. and Reed, D.L. (1983). Stockholders and stakeholders: A new perspective on corporate governance. *California Management Review*, 25.
- ISO 26000:2010 Guidance on social responsibility. Access mode: <https://www.iso.org/obp/ui/#iso:std:iso:26000:ed-1:vl:en>
- Johnson, H. L. (1971). *Business in contemporary society: Framework and issues*. Wadsworth. Belmont, CA.
- Jones, T.M. (1980). Corporate social responsibility revisited, redefined. *California Management Review*, 22.
- Kanaeva, O.A. (2013). *Corporate social policy: theory and practice of management decisions*, Saint Petersburg State University. Saint Petersburg.
- Karimova, S.A. (2020). Determining the level of corporate social responsibility. *Social entrepreneurship and corporate social responsibility*, 1.
- Koniagina, M.N., Buga, A.V., Kirillova, A.V., Manuilenko, V.V. and Safonov, G.B. (2019). Challenges and prospects for the development of social entrepreneurship in Russia. *Espacios*, 40.
- Kostin, A.E. (2013). *Corporate responsibility and sustainable development*, Institute for Sustainable Development of the Public Chamber of the Russian Federation. Moscow.
- Krichevsky, N.A. and Goncharov, S.F. (2016). *Corporate social responsibility*, Vector. Moscow.
- Litovchenko, S.E. (2003). *Business social responsibility*, Association of Managers. Moscow.
- On amendments to the Federal Law "On the development of small and medium-sized businesses in the Russian Federation" in terms of consolidating the concepts of "social entrepreneurship", "social enterprise": *Federal Law No. 245-FZ dated July 26, 2019*. Access mode: <https://www.garant.ru/products/ipo/prime/doc/72232770/>
- Popov, E.V., Veretennikova, A.Yu. and Kozinskaya, K.M. (2019). Financial tools to develop social entrepreneurship. *Economic and Social Changes: Facts, Trends, Forecast*, 12.