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Evaluation of corporate social responsibility

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Abstract

In article, some questions connected with the influence of business social responsibility on the development of the external and internal enterprise environment are described. Moreover, the problems connected with the assessment of corporate social responsibility are presented, types of the social reporting and indexes on social investments are examined. Relevance of the paper is connected with studying an assessment problem of corporate social responsibility of business. The author tries to analyse an assessment techniques of corporate social responsibility of the Russian enterprises and to reveal the most important directions of an assessment.

Descriptive, analytical and structural methods of research are used for analysing existing practices of social responsibility of Russian companies and for identifying the parameters of the evaluation model of social responsibility. In this study, the concept of corporate social policy is given, and assessment methods of small social practices allow us to select the most effective project. For large enterprises with a developed system of social responsibility complex methods based on social reporting and index indicators are used.

Keywords: social responsibility of business, corporate social responsibility, social policy, outer effects, trust;

1. Introduction

In Economics, there is a perception that corporate social responsibility appeared in the 90's of the last century, with the development of globalization. However, in the early 70-ies of XX century in the West the theory that explained the relationship between business and society appeared. The main postulate of the theory is that if a company deals with taxation, establishes a good level of salary and also meets the requirements for workplace safety and environment protection, the company will have a positive business atmosphere, and it means that the company is socially responsible.

Nobel Laureate, M. Friedman, presented the main ideas of this theory known as «The Theory of Corporate Egoism».

Another famous theory is called "The Theory of Enlightened Self-interest". In this theory, corporate social responsibility is studied from the viewpoint of the position of sponsorship and charitable activities, as a type of social investment.

There is a thesis based on these theories that profit reduction of the company due to social investments creates a favorable social environment promoting a sustainable development of business.

In recent years, the need for corporate social responsibility is understood. In modern conditions of social development, the concept interpretation of social responsibility expresses the ability and desire of business to be engaged in the development of society wellbeing including consumers and enterprise staff.

The modern concept of corporate social responsibility is well spread in the West and shows the enterprises desire to solve society's problems. The European Commission, which interprets corporate social responsibility as a concept that reflects a willful enterprise decision to be engaged in society and environment improvements, is a perfect example [1].

Social enterprise responsibility is understood as a willful adoption of additional social obligations to employees and society by the enterprise for increasing the well-being of people but are not enterprise owners. This concept is formed from the ideas of Russian researchers [2, 3] and foreign ones [4, 5].

2. Discussion

An effective social policy of the enterprise is a necessary condition not only for increasing the well-being of society, but also the enterprise success in modern economy. This duality is observed in the internal and external responsibility.

The internal regulations of the corporate social responsibility are the relations in the sphere of labor and social-labor relations. Employment relationships are based on the agreement between the employer and the employee about the performance of the labor duties for a fee.

In turn, social-labor relationships are broader than the previous one as these relationships are aimed at improving the work quality and improving the social life of workers.

Basing on these definitions, corporate social responsibility is linked with the labor relations due to the law and the development of human capacity through medical insurance. The maintaining and improving relations within the team by organizing various activities aimed at cooperation and conflict resolution within the team are also very important.

An external corporate social responsibility that depends on the activities of the organization (for example, the impact on the environment) plays an important role too. External social responsibility are the quality of products, which the company produces, as well as damage response caused by the production process. The companies with a strong corporate social responsibility participate in charitable activities, in various kinds of sponsorships aimed at protecting the environment. The development of these directions will contribute to the formation of a favorable business image of the company.

At the same time, the costs on social responsibility cause the frustration of the principles of profit maximization. The profits spent on social purposes expand the costs and reduce the profits.

The concept study of "social responsibility" requires the understanding of its dual nature. It is not only a formalized rule presented in specific legislative acts, but also informal norms of social responsibility, which involve a wide package of social obligations that managers and company owners should manage social stability and prosperity. This is typical for European businesses [6,7]; Russian corporate social responsibility has a number of distinctive features. Among them are the following:

1. Social responsibility has a forced nature; it is a business response to the demands of the state and it can be observed in the minimum requirements of labor laws such as payment of wages, health insurance.

2. In Russia there is a large number of social activities. Every Russian company looks for a balance between efficiency and necessity.

3. There is a significant discrepancy between how the business understands social responsibility and how the society understands it. Due to CEOs, the promising directions of social responsibility development are: staff development, retraining of staff, as well as various awards for employees, providing a broader list of social guarantees (expanded social package, extended vacations). In turn, the society thinks that the promising directions of social responsibility development are the development of infrastructure connected with health, education, culture and sports [8]. As a result, the society wants to see the business in social programs, while the business sends social investment for the formation and improvement of internal corporate relations. There are investments for public purposes and it is done to improve the image of the enterprise [9].

The main evaluation methods of corporate social responsibility include:

1. Evaluation of business social responsibility based on primary documents represented in Table 1 – the structure of the assessment the social responsibility of business.

Direction of assessment.	Indicators used for the assessment.
The institutionalization of social policy.	The presence of special documents where company's social policy with elaborate details is presented. The presence of a special department that is responsible for the implementation of the social policy. The presence of the collective labour agreement.
The list of social events.	The annual financial statements are prepared due to international standards. Implementation of international standards of social accountability. Evaluation of the effectiveness of social investments, as well as their effectiveness (feedback between investors and social investment). Examples of social programs (public information of positive experience, self-promotion and promotion of business reputation).
The complexity of social investments.	The development of personnel through training. The health safety. Environmental activities, as well as the efficient use of resources. Business activities based on social responsibility.

Then this information is analyzed due to the cost based on effectiveness and benefits:

2. Analysis of cost shows how various programmers can be a social response presented in the forms of physical indicators.

Based on this method different programs are compared. This approach is used in many areas of the economy, but the results are comparable only in the same field of activity.

3. Analysis of cost is used for the estimation of the project impact expressed in a monetary form. This method is widespread in business. The difficulty with the use of this method is that social effect cannot always be estimated in monetary equivalent.

3. Conclusion

Thus, for stable enterprise operation the evaluation methods of social programs, covering a wide range of indicators characterizing both internal and external corporate social responsibility are required. Corporate social responsibility, in turn, must be internal for stable company operation and growth reached by continuous improvements of staff skills and its social life. Moreover, it must be external presented by company's participation in regional social programs and this can improve the image of the company [10]. Businesses can apply complex methods which help to structure the social model at the enterprise. If we are talking about a small company that has no corporate social responsibility, the analysis based on primary documents can be done and the most effective social practice within the enterprise can be applied.

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