

THE ROLE OF THE UNITED NATIONS GLOBAL COMPACT IN PROMOTING CORPORATE SOCIAL RESPONSIBILITY IN RUSSIA

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Abstract

The thesis researches the role of the UN Global Compact in promoting Corporate Social Responsibility in Russia by examining the implementation of the Compact's principles by Russian corporations through the theoretical framework of CSR as private provision of public goods. It argues that CSR is an important supplement for public policies in Russia as it contributes to minimization of public bads and maximization of public goods. The study reveals that the UN Global Compact, serving as a platform for learning, dialogue, exchange of best CSR practices and influencing the development of national level multi-stakeholder CSR initiative, the Social Charter of Russian Business, has a significant potential to advance CSR in Russia and, correspondingly, its positive outcomes for society and solving of public problems.

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Introduction

The provision of public goods and protection of public interest are traditionally considered to be a key responsibility of the public sector which also serves as a source of its legitimacy. However, due to the imperfection of government and complexity of societal problems, government is often not able to provide public goods effectively.

This is particularly the case of developing countries and countries in transition from the Communist regime where the culture of the rule of law is not developed, public service is corrupt and subordinate to private interests and where the shock economic and political reforms increased and deepened societal problems (Kostjuk, 2005). Thus, the Russian Federation (Russia), a former driver of the Communist ideology in the world, is a representative case of the countries in transition and its study has broader implications as its experience is similar to those of other post-Soviet countries. It is currently experiencing numerous societal and environmental problems which can be regarded as undersupply of public goods and overproduction of public bads. These problems have developed as a result of market and government failures to act in the public interest and to secure the provision of public goods in conditions of ongoing political and economic transition. These challenges are rather complex in nature and can not be dealt effectively by the government alone. To solve such public problems, cooperation and engagement of all segments of society - government, business and non-governmental organizations (NGOs) - is needed.

In this context, the role of the private sector is not just fulfillment of its economic responsibilities, but also social ones towards its stakeholders, environment and communities in which business operates. It implies the development of corporate social responsibility (CSR) policies and practices which go beyond the mere compliance with the law. Corporate social responsibility is tremendously important both for companies and society because on the

one hand, it improves the performance of the firms through better reputation and brand management, bringing competitive advantage, human resources development and retaining, enhanced operational efficiency and cost savings, access to capital, long-term value maximization, and, on the other hand, it supplements public policy by minimizing public bads and maximizing public goods as a result of core business activities (Garriga and Mele, 2004; Government of Canada, 2007; Besley and Ghatak, 2007).

Unlike in the EU and the US, where CSR was developed to a large extent as a result of pressure from governments, NGOs and mass media, in Russia these actors do not play such a driving role because currently there are few formal public policies on CSR promotion, and the lack of strong NGOs and independent mass media which could scrutinize business activities and advocate public interests. To fill this CSR policy gap, which is also endemic for the majority of developing countries, the United Nations established the Global Compact (the Compact) for advancement of CSR practices in the world at the local, national and international levels. It is the largest initiative on CSR with the current membership of more than eight thousand participants: 5.911 of them are representatives of business who expressed their commitment to the ten principles of the Global Compact in the sphere of human rights, labor, environment and anti-corruption, adopt voluntarily CSR policies and report on them publicly through their bi-annual Communications on Progress (COP) (UN Global Compact, 2010).

The Compact was officially launched in Russia in 2001. It appears as a legitimate institution built on a democratic basis and as mechanism to advance CSR there, which in turn could contribute to solving of public problems of Russian society. Thus, the potential impact of the Global Compact is not so much CSR promotion per se, but CSR promotion in the context of development and its role in reaching societal and environmental objectives. However, during the period of the Compact's existence in Russia no comprehensive research

was undertaken in this regard. Although some researches were conducted to assess the overall impact of the Compact on the global scale (McKinsey and Company, 2004), the role of the local network of the Compact in Russia (Global Compact Network Russia, 2009), the study of the best practices regarding the implementation of the Compact's principles in Russia (ASI, 2007) and the current CSR trends in Russia (EIU, 2008), none of them studied the impact of the Compact on CSR advancement in Russia in the framework of CSR contribution to solving societal problems, i.e. curtailment of public bads and creation of public goods.

In this respect, the paper aims to fill partially this gap and to answer the research question: what is the role of the United Nations Global Compact in the advancement of CSR in Russia in the context of CSR contribution to minimization of public bads and maximization of public goods? To answer this question I use qualitative research methods which imply the analysis of documents and conducting of interviews. Particularly, I study communications on progress and non-financial reports of all participating in the UN Global Compact Russian corporations with the status “communicating” within the period of 2007-2009 years and then analyze them through the chosen theoretical framework. As the primary sources I use the telephone and skype interviews with UNDP officials and participants of the Global Compact in Russia in order to get the information on their perceptions of the UN Global Compact's impact on the development of CSR in Russia. The interviews were conducted with the Head of the United Nations Global Compact Network in Russia, UNDP official, Mr. Evgeny Levkin; the chairman of the Committee for Fighting Corruption, the member of the UN Global Compact in Russia, Mr. Anatoly Golubev; the coordinator of the Global Compact Network in Hungary and UNDP Liaison Officer for Hungary, Ms. Krizstina Kiss; the project manager of the International Business Leaders Forum, the member of the Global Compact Network in Russia, Mr. Philip Lupov; the business representative of the Global Compact in Russia and UNDP official who asked about anonymity.

The paper is structured in three parts. In the first chapter I provide a conceptual framework for the study of corporate social responsibility. Particularly, I employ the theory of public goods into the interpretation of CSR as a voluntary effort by corporations to minimize public bads and maximize public goods as the outcome of their core activities, and then present the United Nations Global Compact as a global mechanism to help achieve this goal. In the second part I explore the interpretation of corporate social responsibility in Russia and highlight the factors which foster and impede the development of CSR in the country. In the third chapter I analyze the role of the UN Global Compact in CSR advancement in Russia. The final chapter concludes and provides recommendations for policymakers and future research.

1. Conceptual and theoretical framework

In this section I discuss corporate social responsibility in the context of the dichotomy between the public goods and bads as voluntary initiatives undertaken by business for minimization of public bads and maximization of public goods as a result of business activities. For this I first explore the concept of CSR; then I introduce the concept of public goods and bads, and through the theory “The Economics of Corporate Social Responsibility” I present CSR as feasible and desirable for public goods provision. The framework also employs the model of the United Nations Global Compact as a global mechanism for enhancing CSR. The design of the conceptual framework makes possible to analyze the impact of the UN Global Compact on CSR development in Russia.

1.1 Concept of Corporate Social Responsibility

Despite the high popularity and importance of the phenomenon, the concept of CSR is vague and ill defined. As Moon (2007) notes, definitions of CSR vary not simply because of its essentially contested status but also because they reflect different practical orientations of corporations towards their responsibilities.

CSR as phenomenon is as old as business itself, however as a field of academic research it was developed in the second part of the twentieth century. The terminology has gradually shifted from ‘social responsibility of business’ introduced by Bowen (1953) to CSR, and, moreover, to describe the phenomena related to relations between business and society, additional concepts have been proposed such as corporate sustainability, social issues management, corporate accountability, stakeholder management and others (Garriga and

Mele, 2004). During the twentieth-twenty first centuries the field on CSR studies has grown significantly and currently contains a number of theories, approaches and terminologies. The problem regarding the vagueness of CSR term and usage of the same terminology with different meanings in CSR theories which combine different approaches is well illustrated by Votaw:

“Corporate social responsibility means something, but not always the same for everybody. To some it conveys the idea of legal responsibility or liability; to others, it means socially responsible behavior in the ethical sense; to still others, the meaning transmitted is that of ‘responsible for’ in a causal mode; many simply equate it with charitable contribution; some take it to mean socially conscious; many of those who embrace it most fervently see it as a mere synonym for legitimacy in the context of belonging or being proper or valid; a few see a sort of fiduciary duty imposing higher standards of behavior on businessmen than on citizens at large” (1972:25).

Theories, developed within CSR field, propose different concepts of CSR. The main CSR theories are classified by Garriga and Mele (2004) in the four groups: instrumental, political, integrative and ethical theories. Instrumental theories such as “maximizing the shareholder value” (Friedman, 1970), strategies for achieving competitive advantage (Porter and Kramer, 2002), strategies for the bottom of the economic pyramid (Prahalad, 2002), and cause-related marketing (Murray and Montanari, 1986) view CSR as means for achievement of economic and financial results of the firm, i.e. CSR is the element of a profit-maximizing strategy of the company. According to political theories of CSR, particularly the theory of corporate constitutionalism (Davis, 1960), integrative social contract theory (Donaldson and Dunfee, 2000), theory of corporate citizenship (Wood and Lodgson, 2002), CSR is a responsible use of corporate power in society and in political arena, assuming that corporations have not only economic power but also social and political ones. In addition, CSR is viewed by political theories as rights, responsibilities and partnerships of business in society aroused from the belonging of the particular corporation to the community. In integrative theories – issues management (Vogel, 1986; Ackerman, 1973), the principle of public responsibility (Preston and Post, 1975, 1981), stakeholder management (Freeman,

1978; Bendheim et al., 1998; Ogden and Watson, 1999), and corporate social performance (Carrol, 1979; Swanson, 1995) – CSR is presented as activities of the corporations to satisfy social demands that result from the dependency of business on society for its continuity, growth and even existence. Ethical theories such as stakeholder normative theory (Freeman, 1994; Philips et al., 2003; Donaldson and Preston, 1995), universal rights (UN Global Compact, 1999; The Global Sullivan Principles, 1999), sustainable development (World Commission on Environment and Development, 1987; Gladwin and Kennelly, 1995), the theory of the common good (Alford and Naughton, 2002; Mele, 2002) view CSR as ethical responsibilities of business to society and environment. This concept implies, as Garriga and Mele (2007) put it, that business through CSR activities contributes to a good society by doing what is ethically correct.

CSR concepts developed by different theories do not exclude each other; however they present CSR emphasizing one of its aspects while omitting other important aspects. The most cited definitions of CSR are those proposed by the European Commission (2001) and the World Bank (2008), though they appear as too vague and open for different interpretations.

For the purpose of this thesis and provision of holistic approach to CSR, I synthesize the concepts developed by the European Commission (2001), Canadian Government (2007:5) and Besley and Ghatak (2007) and operationalize CSR as the way companies integrate social, environmental and economic concerns into their values, culture, strategy, operations and interaction with their stakeholders in a transparent and accountable manner and thereby establish better practices within the company, create wealth and improve society by minimizing public bads and maximizing public goods.

1.2 Concepts of public goods and public bads

The majority of studies on corporate social responsibility are focused on the operational side of CSR, which is analyzed from the position of business. However, the literature on CSR reveals that most of the corporate social responsibility activities and outcomes can be regarded as public goods, partially public goods or actions for minimization of public bads (Keim, 1978). Theoretical advances and empirical research based on the theory of public goods are mostly limited to economics, sociology and political science, nonetheless some scholars such as Keim (1978), Besley and Ghatak (2007), Siyaranamual (2009) suggest that the public goods theory can explain the problems of operationalizing the doctrine of corporate social responsibility and offer an insight to the value of CSR from the position of society. This approach will be used as a theoretical framework for the analysis of the implementation of the Global Compact's principles by Russian corporations.

The analytical foundations of the theory of public goods, as Desai (2003) traces, were laid by the economist Paul A. Samuelson in his 1954 article "The Pure Theory of Public Expenditure" which was drawn on the works of Musgrave, Lindahl, Mazzola and Wicksell. Public goods are traditionally defined as goods which possess two characteristics: they are non-excludable and non-rival. The quality of public goods as non-excludable means that no one can be excluded from consuming of those goods, or, in Samuelson's words, "public goods, once produced for some consumers, can be consumed by additional consumers at no additional cost" (Holcombe, 1997:2). The second characteristic of public goods as non-rivalry implies that consumption of the goods by one individual does not reduce availability of those goods for consumption by others (Mankiw, 2006). However, pure from the theoretical point of view, public goods which meet both characteristics of non-excludability and non-rivalry are quite rare in the real world (e.g. air). In reality impure public goods which possess one of the

characteristics of pure public goods are more widespread: they can be differentiated according to their degree of “publicness” and are referred to accordingly as either club goods or public commons (2006). Some of the examples of impure public goods include education, research, knowledge, culture, information, internet, ocean, peace and security, law and order, financial stability, economic stability, growth and development potential such as educated workforce, controlled or eradicated communicable diseases (Kaul and Mendoza, 2003). Based on more active and policy-driven approach to identifying public goods, Kaul and Mendoza (2003) recently expanded the definition of public goods. Taking into consideration that pure public goods are rare, the concept of public goods currently tends to serve as a framework of analysis of the goods which do not necessarily meet both characteristics of pure public goods, but which denote goods, conditions and phenomena public in value and utility.

Transformations brought by globalization entailed a shift in the discourse on the nature and frontiers of public goods from the national level to the regional and the global ones. The concept of global public good which is a quite complex was developed by Kaul (1999) as the extension of the notion of national public goods towards international level and the economics of globalization. Global public goods are referred to by Kaul (2003) as things or conditions which have non-excludable benefits, non-rival benefits or both, extending to all countries, people and generations at the local, national, regional and international levels. From the production side, global public goods are viewed by Kaul as national public goods plus international cooperation. Discourse on global public goods mostly involves impure public goods which are divided by Kaul (2003) into natural global commons (e.g. ocean, ozon layer), human-made global commons (e.g. AIDS vaccine), and global policy outcomes (e.g. global trade agreements).

Due to the nature of public goods and their characteristics of non-excludability and/or non-rivalry they are basically undersupplied that makes most of the public goods recognizable

through corresponding to them public bads. Public bads, which in standard economic theory are referred as negative externalities, are the things or conditions opposite to public goods which also possess characteristics of non-excludability and/or non-rivalry; however, their reduction rather than provision is the desirable (Gardiner and Le Goulven, 2002; Kolstad, 2007). The example of public bads include corruption, air and water pollution, global warming, loss and disruption of ecosystems and species, human rights abuse, wars, financial and economic crises and instability, transnational drug smuggling, communicable diseases (2002). As a result of governmental and market failures, public goods are generally undersupplied while public bads are overproduced.

The concept of national and global public goods is of high relevance to the discourse on corporate social responsibility because business is seen as a source of public bads production, but in the same time due to the practice of CSR, corporations can be the actors for public goods maximization on both at the national and global levels. The next section will explore the theory “The economics of CSR” which uses the public goods theory to explain the social role of business.

1.3 CSR as a response to market and government failures for public goods provision

The discussion on corporate social responsibility as the regards of maximization of public goods and minimization of public bads continues and contributes to the debate on the private provision of public goods.

It is traditionally considered in the economics that due to the free rider problem in the provision of the type of good with the characteristics of non-excludability and non-rivalry, there is a market failure to produce public goods, and the overall inability of business to act in

the public interest (Mankiw, 2003; Visser, 2007). It is often referred to as the failure of companies to internalize the externalities, i.e. social and environmental costs or benefits of their activities (Visser, 2007). Hence, as Visser (2007) notes, it is interpreted by the economists as justification for government intervention into the market in the form of regulations or market-based instruments such as eco-taxes and eco-subsidies in order to provide public goods and to protect the public interest.

However, government intervention into the market and total reliance on government for the public goods production do not necessarily lead to effective results: examples from the reality prove that government also often fails to produce public goods, especially in the countries where the culture of the rule of law is not developed. In particular, government is often criticized for its waste, corruption and incompetence in fulfilling its role in public goods provision (Besley and Ghatak, 2007). From the economic point of view, the sources of government failure, according to Besley and Ghatak, are the following: first, the marginal cost of providing the public good is higher for government than for a private sector because of intrinsic jointness between the private and public good production processes; second, distributional preferences of government in making the decisions regarding the public goods production can be wrong due to “the weight that it places on the welfare of caring versus neutral consumers”; and the third reason arises from imperfect monitoring of governmental spending and governmental opportunism (2007:1655).

The imperfection of government prompted debate regarding effectiveness and non-effectiveness of public goods production by government. Particularly, Holcombe (1997) argues that although on the one hand there is a risk that market production of public goods can fail to reach the theoretical ideal of Pareto efficiency, on the other hand there is also no guarantee that government production of public goods will be more efficient than private production. Moreover, he shows that many public goods are successfully produced by the

private sector such as radio broadcast signals and microcomputer software. Holcombe concludes that from the standpoint of economic theory and taking into consideration the evidence from the real world regarding the dichotomy of public/private provision of public goods, production of public goods in the public sector is neither necessary nor sufficient for their effective production.

As a counter-argument to government intervention in the market and to the evidence of the inability of government to achieve the efficient production and allocation of public goods, there is an evolvement of corporate social responsibility movement (Visser, 2007) The position regarding the effectiveness of CSR and justification of voluntary acts of companies in the public interest is supported by the notion of a business case for CSR, i.e. that “pursuing social responsibility and economic profitability by the firms are mutually reinforcing rather than necessarily a trade-off” (2007:64)

In this context, the number of scholars such as Kotchen (2006), Besley and Ghatak (2007), Watts (2003), Bagnoli and Susan (2003), Arora and Gangopadhyay (1995), Gordon (2003) and Baron (2001) position CSR in terms of public goods provision by the private sector and bring arguments and econometric models for CSR justification from the economic point of view. Specifically, Kotchen (2006) studies the consumers’ choice between the impure public good generating private and public goods as a joint product, and the private good separately. He comes to the conclusion that production of bundled version of the private and public good doesn’t affect the equilibrium provision of public goods in standard voluntary contributions equilibrium. Bagnoli and Watts (2003) show the feasibility of CSR and state that positive level of public goods can be provided by the private sector in market equilibrium. Baron (2001) in turn studies the desirability of CSR and views it as a strategic policy of the firms in order to response to the pressure from the activist movements and lobby groups regarding the raise of environmental standards.

In contrast to the abovementioned studies, which give fragmentary explanations of feasibility and desirability of CSR, Besley and Ghatak (2007) developed a comprehensive theory of the economics of CSR which was further extended by Siyaranamual (2009). Particularly, Besley and Ghatak (2007:1646) identify corporate social responsibility with “the creation of public goods and curtailment of public bads jointly with the production of private goods”. They study both the feasibility and desirability of corporate social responsibility by using the model of profit-maximizing firms in a competitive market. They argue that CSR is consistent with profit-maximization of firms in competitive markets: “in equilibrium firms sell ethical brands and neutral brands, and consumers self-select according to their valuation of the public good” (2007: 1645). Through their economic model, they prove that CSR has an advantage in comparison to government production of public goods if “the public good is naturally bundled with the production of a private good” (2007:1647). For the illustration of their argument they bring an example of manufacturers of sneakers choosing not to use child labor and manufacturers of cosmetics choosing not to engage in animal testing. Besley and Ghatak claim that non-profit or government provision of public goods and corporate social responsibility can have the same outcomes: “the non-distribution constraint makes non-profits less susceptible to opportunism than CSR; moreover, CSR is advantageous if monitoring of the corporate sector is better and/or there is a natural reason to bundle public and private goods production” (2007:1647).

Thus, according to their theory, CSR is a response to consumers’ preferences over public goods and bads, and is “a part of a profit-maximizing strategy by firms whose businesses have external effects” (2007:1660). The theory explains that CSR sustains the level of public goods provision by the for-profit companies operating in a competitive market. However, Besley and Ghatak admit that CSR is not a panacea for problems in private provision of public goods such as free riding, but the possibility of cheating on corporate

social responsibility promises can be overcome if companies realize that their future profits are at stake. In Besley and Ghatak's model, more responsible firms also earn higher profits because socially responsible behavior of businesses entails a reputation premium.

Using similar approach, Siyaranamual (2009) contributes to the development of the theory of economics of CSR by analyzing it under Bernard and Cournot competition games and proposes the distinction between personal valuation and common benefit of public good. In Siyaranamual's model consumers are divided into two categories: responsible consumers (whose personal value of public goods is high) and non-responsible consumers (who do not have a personal valuation of a public good); moreover, goods are divided into responsible goods (private good which is paired with public good as a firm strategic policy) and non-responsible goods (private good which is not paired with a public good). Siyaranamual (2009:66) views CSR as "the activity in which firms make an explicit pair between the sale of private goods and the provision of public good; in addition, CSR activity is considered as a firm's strategy to internalize the externality, and, thus, it doesn't contradict with the profit-maximization of the firm". In other words, he argues, it is similar to the idea of Pigovian tax, but in this case it is not government who carry out the task. He further argues that CSR is a response to government failure to produce public goods and can be an alternative way for the provision of public goods. Siyaranamual comes to the same conclusion as Besley and Ghatak that CSR is both feasible and desirable. He states that "if CSR is based on the increase of demand for socially responsible good, then CSR activity is feasible from the economic point of view because its motivation is to fulfill the demand and not purely socially responsible, more precisely, it is a strategic CSR" (2009:80).

Thus it can be seen that feasibility and desirability in regards of private provision of public goods are theoretically justified by the economists. This theory will be applied as a framework for the analysis of the implementation of the Global Compact's principles by

Russian corporations in the third chapter. Prior to this, the next section will explore the principles and foundations of the United Nations Global Compact as a global mechanism for advancement of corporate social responsibility in the world, including Russia which is the focus of this paper.

1.4 The UN Global Compact as a global mechanism for CSR promotion

The United Nations Global Compact is a unique phenomenon: it is simultaneously a guideline for corporate social responsibility practices, UN organization with a permanent staff, platform for public-private partnerships and initiative of corporate citizenship in a decentralized form developing on the local, national and international levels.

The Global Compact was initiated in 1999 at the World Economic Forum in Davos by the speech of UN Secretary-General Kofi Annan who stated: “our goal is to ensure a balance between the power of market relations and human values. Our goal is to make sure the creative potential of private entrepreneurship will also serve to satisfy the needs of the deprived and to provide for future generations” (ASI, 2007:3). The Compact has received a significant support from businesses, NGOs, governments and academia and has grown into a truly multi-stakeholder initiative for CSR advancement with the membership of more than eight thousand participants from all over the world. The UN Global Compact principles in the areas of human rights, labor, the environment and anti-corruption are derived from the Universal Declaration of Human Rights, The International Labor Organization’s Declaration on Fundamental Principles and Rights at Work, The Rio Declaration on Environment and Development, and the United Nations Convention against Corruption. The principles include:

“Human Rights

- Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
- Principle 2: make sure that they are not complicit in human rights abuses.

Labor Standards

- Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4: the elimination of all forms of forced and compulsory labor;
- Principle 5: the effective abolition of child labor; and
- Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

- Principle 7: Businesses should support a precautionary approach to environmental challenges;
- Principle 8: undertake initiatives to promote greater environmental responsibility; and
- Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

- Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery” (UN Global Compact, 2010).

The Global Compact aims to advance two complementary objectives: to mainstream the ten principles in business activities around the world; and to catalyze actions in support of broader UN goals, including the Millennium Development Goals (MDGs). The second objective shows that the implementation of the UN Global Compact’s principles is in line with the theory of CSR as private provision of public goods, as MDGs basically tackle the problems of overproduction of public bads and undersupply of public bads at the local, national and international levels.

Among the methods of engagement with the UN Global Compact are participation in the Compact local networks which are currently in more than 80 countries and represent self-governed multi-stakeholder bodies; dialogues and learning through information exchange, symposia, conferences and other events; participation in specialized workstreams on particular development issues; and partnerships projects in the form of public-private partnerships at the

local, national and global levels (UN Global Compact, 2010). To ensure accountability and transparency of the Global Compact and its members subscribed for the Compact's principles, there is a reporting policy "Communication on Progress" (COP), according to which the Global Compact's participants are required to submit bi-annual reports on the implementation of the ten principles in their activities. It does not offer a standardized form for non-financial reporting that is a subject of criticism by many scholars (Fritsch, 2008; Bremer, 2008; Soederberg, 2007). However, the failure to submit COP results in the labeling of the participant as "non-communicating" and subsequent delisting from the Global Compact's members.

According to the report "Assessing the Global Compact's Impact" of McKinsey&Company (2004), the UN Global Compact has a noticeable and incremental impact on companies, governments, the United Nations, civil society actors and overall CSR development in the world. Particularly, the report states that the UN Global Compact accelerated the policy change regarding corporate social responsibility in companies and fostered the development of partnership projects for tackling social problems in OECD and non-OECD countries (2004). The role of the Compact on CSR advancement in Russia will be explored in the next part of the paper.

2. Interpretation of CSR in Russia

In order to reveal the role of the UN Global Compact in promoting CSR in Russia, it is necessary to analyze the socio-economic background for CSR development there. Thus, in this chapter I first present the main normative experiences in the traditions of Russian business. Then I explore current CSR trends and the factors which impede CSR development in the country, and position CSR as indispensable for solving societal and environmental problems which Russia currently experiences.

2.1 Socio-economic background for CSR development in Russia

Specific socio-economic context of Russia in historical perspective reveals different paradigms of interactions between business and society that have consequences for the present trends of CSR in Russia. Particularly, according to Apressyan (1997), there are three main normative experiences in the traditions of Russian business: pre-revolutionary business, the experience of socialist economy, and the experience of shadow business in the time of pre-collapse and after the collapse of the USSR.

Before the October Revolution of twentieth century there were certain traditions of ethically and socially responsible business in Russia. Pre-revolutionary Russia had a rich history of corporate charity that was connected with religious beliefs and dogmas: involvement in financing of social and charitable programs was perceived by entrepreneurs in the time of Russian Empire as their Christian duty (Lukin, 2007). Nikitina (2001) notes that in 1910 Russia at least 4762 charity societies and 6278 charity institutions operated, which budgets were formed on 75% from the private donations of the merchants. Ethical attitudes in business were especially strong among the adherents of the religious branch of the Orthodox Church, the so-called “old-believers” who also constituted the elite of pre-Revolutionary Russian business (Apressyan, 1997). Old-belief entrepreneurs regarded their business as a mission commanded by God, and in their business they followed the principles of life such as

economy, frugality, “allegiance to the pledged world”, and modesty, as well as religious prescriptions to take care of those unable to earn their living (1997). Business practices based on the religious business ethics were aimed not only at the profit maximization, but also at the community development: private charity institutions had numerous programs for support of widows, diseased, refugees, orphans, and handicapped; rich merchants built churches and hospitals, children shelters, and developed educational institutions, science and art (Lukin, 2007). In 1917 these traditions of business ethics were interrupted by the Socialist Revolution for more than 70 years.

The communist ideology criticized the foundations of capitalism and developed a negative attitude of “mass consciousness” towards business, while glorifying the worker in the frame of the ethics of heroic labor (Apressyan, 1997). The period of the communist party rule eliminated private property, business, and correspondingly the social role of business in society, and social responsibility was fully taken by the state. As Apressyan (1997) notes, under the conditions of state planned economy, the primary and absolute criterion of organization success was considered the expansion of production and fulfillment and over fulfillment of the plan. While the focus was on the quantitative indicators of organizational performance, qualitative aspects such as impact on the environment, energy, resources and waste management were neglected.

The epoch of “perestroika” and liberal reforms led to the spread of practices of shadow business accompanied with illegal usage of state minerals, financial resources, and thefts as a consequence of legal and administrative constraints for business activities (Kostjuk, 2005). With the collapse of the USSR social and economic systems have been radically reformed: most of the state-planned economy has become private and transformed into a market economy. The transition to the market economy took place at a time of deep economic crises such as recession in production caused by structural transformation, deep structural

crises of the Soviet economy and the prolonged cyclic crisis stipulated by the delay of technological renovation in the 1970s and 1980s (Apressyan, 1997:1563). In addition, the transition was done by the method of the “shock therapy” of 1992 extremist Gaydar’s reforms, and in the course of their implementation the humanitarian aspects of reforms were ignored (1997). The foremost feature of Russian experience of transition was privatization developed under the aegis of state bureaucracy. As Apressyan puts it, “all forms of economic activity during this time were self-seeking and illegally controlled by a corrupted bureaucracy from the top and by Mafia, quasi-Mafia, or legal social and state structures “from the side” (1997:1564). He explores that new owners of ex-state property originated from Party and state bureaucracy who based their business on old connection within Nomenclatura and had a direct access to privatizing state property (1997). Privatization was perceived by the general public as unfair, and it entailed huge income disparity in Russia. According to the research of Apressyan (1997), during the first liberal reforms the legal system for business conduct and system of taxation were designed in a burdensome way: businesses were subjected to 27 federal taxes and about 70 kinds of local taxes that pushed businessmen to hide profits and escape taxes (1997). Thus, for a long time, since the collapse of the USSR, up to 40-50% of the economy in Russia was shadow accompanied with a high percentage of tax evasion, smuggling and corruption (Klyamkin and Timofeef, 1996; cited from Kostjuk, 2005).

The other peculiarity of Russian business that is reflected in business ethics is oligarchy. It has its roots in the monopolistic structure of Russian capital, which was inherited by Russia as a Soviet heritage, according to which about 50 of the biggest companies accounted for about 50% of the Russian gross domestic product (Kostjuk, 2005: 215). In the course of privatization reforms, this specificity of the Soviet economy developed into the system of oligarchism with the main feature of a combination of political and economic power (2005). As Kostjuk (2005) puts it, this phenomenon of business power over political power in

the conditions of economic crisis and widespread corruption at all levels represented a real threat to society as private business became an independent political actor and entrepreneur of political performances. It required a reaction from the government institutions which was possible with the change of the government and coming into power of Vladimir Putin. The result of government intervention was an “anti-oligarchic revolution” the most famous example of which was a YUKOS case.

Thus, as we can see, although Russia has long traditions of socially responsible business practices, business environment in which Russian companies were operating during the last 35 years did not contribute to the development of CSR. However, current trend of economic and political stabilization influences the stabilization of relations between business, government and society, and lead to the renaissance and development of socially responsible business traditions and business ethics.

2.2 Current trends of CSR in Russia

The current transitive character of the Russian economy and society is reflected in the relations between business and society and CSR trends.

Even five years ago CSR initiatives were rather sporadic and chaotic, and were mostly concentrated on philanthropic activities of companies. However, due to the impact of globalization, expansion of Russian multinational corporations abroad and increased flows of foreign direct investment to Russia, the majority of big Russian companies have started to embody CSR in their operations and strategy in terms of balancing the interests of the company, consumers, government, NGOs and other stakeholders (EIU, 2008). According to the analysis of the Economist Intelligence Unit (2008), currently 61% of major Russian

companies have formal policies and strategies on corporate social responsibility. Initially in their CSR policies Russian corporations mostly focused on the issues of improvement of working conditions, health and safety, and human resources development, but now environmental issues started to receive more attention. Particularly, as EIU (2008) reports, by the present moment 83% of Russian corporations adopted environmental policies with priorities in improving energy efficiency, cleaning up waste and pollutants, and reduction of greenhouse gas emissions. A tendency observed in the practices of Russian CSR is that still the central part of it is corporate philanthropy and related activities aimed at improvement of public relations of the companies.

The specificity of Russian CSR is that currently Russian corporations tend to adopt Western CSR standards and practices which are being developed in a unique way in the Russian socio-economic context and are built on philanthropic traditions of pre-revolutionary Russia and on the experience of socialism under which companies were responsible for and financed social institutions such as like kindergartens, schools, and institutions of public charity (Kostjuk, 2005; EIU, 2008).

Despite the growing tendency of CSR policies and practices among Russian corporations, there are factors which impede its development such as the absence of strong civil society and independent mass media which could make a pressure and scrutinize the activity of Russian corporations regarding the compliance with international CSR standards. While mass media and NGOs are key drivers of CSR development in the EU and the US, in Russia civil society institutions are not solid yet and thus can not contribute much to CSR development. In addition, Russian government introduces few policies for CSR promotion and does not provide sufficient incentives for CSR development.

2.3 Need for a new paradigm of the role of business in society: multi-stakeholder approach for solving public problems

The analysis of socio-economic background of CSR in Russia and its current trends reveal that development of CSR in Russia is tremendously important. As the biggest Russian business is concentrated in extractive industries, its activities have huge environmental and social impacts that require socially responsible business conduct. Moreover, the relations between three sectors of society – government, state and civil society - need improvement, recovery and development. For many years after the collapse of the USSR there was a negative attitude of the general public towards business because of the perceived unfairness of privatization and widespread conduct of shadow business which often went against Russian national interests and the interests of the common people. To improve their image, reputation and relations with communities and stakeholders, companies have to take a challenge to develop socially responsible business policies and practices.

Nevertheless, the foremost factor for development of new paradigm of the role of business in society and CSR is the existence of numerous social and environmental problems in Russia such as corruption, HIV/AIDS, poverty, alcoholism, drug abuse, increased number of homeless older people and children, immigration and brain drain, huge income inequality, and environmental degradation. Due to the complexity of these problems, imperfection of government and shock liberalization reforms of the country, the government is not able to deal effectively with all those problems alone.

The experience of developed countries proves that the activities aimed at reduction of public bads and production of public goods are effective when there is cooperation between government, business and civil society. In this context, CSR is necessary element for social and economic development of Russia.

3. Impact of the UN Global Compact on CSR advancement in Russia

In this chapter I will analyze the impact of the Global Compact on CSR advancement in Russia in the conceptual and theoretical framework presented in the first chapter. First I will explore the main changes which the Global Compact prompted in Russia, particularly quantitative and qualitative level of engagement with the Compact by Russian corporations, local network of the Compact in Russia as decentralized governance element of the Compact, and adoption of the Social Charter of Russian Business as a national analogue of the Global Compact. Then I analyze the contribution of CSR, as a result of the implementation of the Global Compact's principles by Russian corporations, to minimization of public bads and maximization of public goods. In the end I present the results of the conducted interviews which supplement the analysis of this study.

3.1 Evolution of the Compact in Russia: participation of actors

The impact of the Global Compact on CSR promotion in Russia to a large extent depends on the participation level in it by business organizations and the quality of this participation.

The United Nations Global Compact was officially launched in Russia in November 2001 during the round table organized by the Ministry of Foreign Affairs, and the Russian Union of Industrials and Entrepreneurs (RSPP) in partnership with UNDP. As UNDP (UNDP, 2010) reports, the initiative of the Compact aroused significant interest from Russian

corporations, high level government, civil society organizations and mass media. By May, 2010 the United Nations Global Compact was joined by 44 participants from Russia, 21 of which are representatives of business. However, only 14 participants currently have the status of “communicating” indicating that these corporations submit their bi-annual Communications on Progress (COP) regarding the implementation of the Global Compact’s principles. Communicating business members of the UN Global Compact in Russia include: Renova Group, Coca-Cola HBC Eurasia LLC, Fund Narodnaya Initsiativa , International Assembly of Business Contacts, JSC Polymetal, Lukoil, OJSC Territorial Generating Company No.5, Sakhalin Energy Investment Company Ltd., Sistema JSFC, SUE Vodokanal of Saint Petersburg, Transaero Airlines, UC Rusal, Rosneft Oil Company JSC, and Conclav Capital LLC.

The interesting case regarding the participation of actors in the Compact is the Russian Union of Industrials and Entrepreneurs (RSPP) which is indicated in the list of non-business participants of the Compact and thus is not required for COP’s submission. RSPP has a membership of 351 organizations with the branches in all the regions of the Russian Federation. Moreover, the members of RSPP mostly are not single companies, but business associations and specific industries associations, that implies the overall membership of RSPP over 300 thousand of large, medium-sized and small businesses of various forms of ownership (RSPP, 2010; ASI, 2007).

Thereby, in the quantitative terms participation of Russian companies in the Compact can be considered satisfactory, taking into consideration the transitive character of Russian economy; however, in the qualitative terms participation is not sufficient, as the level of CSR reporting in the framework of the UN Global Compact is rather low: roughly half of the participating companies implement their commitment to information disclosure and submit their communications on progress. Participation of RSPP with its large membership

witnesses about broader engagement with the Compact's principles, but implementation of the Global Compact's principles by RSPP members is difficult for monitoring as RSPP is not required for submission of COP being a non-business participant, while social reporting among the members of RSPP is purely voluntary and does not have a systematic character.

3.2 Local network of the Global Compact in Russia

Local network of the Global Compact in Russia is crucial to the adaptation of the principles of the Global Compact by Russian corporations and serves as a mechanism for bringing the global policy on corporate social responsibility to the national and local levels (UNDP, 2010). Local network is the integral part of the overall governance of the Compact and is the element of decentralization of the Compact which fosters local initiatives and development of public-private partnerships (PPP) for solving societal problems and provision of public goods. In addition, according to the Global Compact (UN Global Compact, 2010), the idea behind the establishment of the local networks is creation of opportunities for multi-stakeholder engagement, collective action, learning, exchange of best practices and information in the field of CSR.

Since the first meeting of the Russian Local Network which took place soon after the official launching of the Compact in Russia, in October, 2002, it has grown in the number of participants and the quality of activities contributing to the promoting corporate CSR in Russia. For eight years local network has been serving as a platform for dialogue and learning among its participants. The important contribution to CSR promoting in Russia was made due to the publications in Russian language such as "Russian Business and the UN Global Compact", "Making the Connection – Using Global Reporting Initiative's Guidelines for the

Communications on Progress”, “The UN Global Compact Operational Guides for Medium Scale Enterprises”, “Business Against Corruption”, etc. The number of multi-stakeholder activities, conferences and seminars on the topics of social investments in Russia, non-financial reporting, and business reputation in the context of Russia’s future were organized for enhancing dialogue, learning and the level of the awareness regarding CSR issues and the Global Compact.

Thus, the network of the Compact made a contribution for CSR development in the terms of offering the opportunities for learning; however the aspect of public-private partnerships and partnerships between the UN agencies and Russian companies was not sufficiently developed. Although some attempts were undertaken for PPP development such as the organization by the Compact of the seminar “Business Risks in Public-Private Partnerships” and publication of the national report “Business Risks in Public-Private Partnerships” in 2007, the report on the implemented activity by the local network doesn’t highlight any achievements in this field. Currently public-private partnerships as a form of public services and goods provision are being actively developed in Russia (see for example www.ppp-russia.ru; Vnesheconombank, etc.); however it is difficult to see the role of the Compact in it.

3.3 The UN Global Compact and the Social Charter of Russian Business

The effectiveness of the Compact as a global initiative and policy on CSR can not be achieved without translating it to the national and local levels. While local Russian network of the Compact filled the Compact’s governance gap and made possible a multi-stakeholder engagement at the local level, there was also a need to fill the policy gap. In this respect, one

of the most important aspects of the UN Global Compact's impact in promoting CSR in Russia is its influence on the adoption of the Social Charter of Russian Business.

The Social Charter of Russian Business was initiated and adopted by the Russian Union of Industrials and Entrepreneurs, the champion of the local network of the Global Compact, in 2004. Although the adoption of such policy document was driven by the going on in that time so called "anti-oligarch revolution" and intensified appeals of political leaders for socially responsible business practices, conducted interviews revealed that the UN Global Compact affected the adoption of the Social Charter of Russian Business and served as a benchmark for it.

The Social Charter of Russian Business is a national multi-stakeholder initiative, a policy and a network for promotion of corporate social responsibility and the principles of the UN Global Compact. Based on the principles of the Global Compact, it developed them further with regard to the new role of business in society and adopted them to the Russian context. The Social Charter of Russian Business is open for the membership of business of all forms of ownership including the state one, and NGOs, mass media, trade unions and academia. Following the example of the Global Compact, the Social Charter offices offer the platform for learning, dialogue and best practices exchange regarding the implementation of the Social Charter and CSR. It is engaged in publications, studies, research on CSR, organizes seminars and trainings, maintains on-line library of non-financial reports of the subscribed for the Social Charter companies. Unlike in the Compact, in the Social Charter the submission of non-financial reports is encouraged but not required. It can be explained by the fact that in the current transitive period of Russia to the market economy and adaptation of Russian business to the international standards of business practices, social reporting, being still in the nascent phase, first has to be promoted on the voluntary basis and needs a gradual development.

Currently 230 companies which employ around 5 millions of workers have joined the Social Charter of Russian Business (RSPP, 2010).

In addition, RSPP serves as an informational and methodological center for non-financial reporting, contributes to the development of non-financial reporting in Russia and established in its structure a special Committee for non-financial reporting. RSPP addressed the problem of the Compact regarding the absence of mechanisms and indicators for measurement of the implementation of the Compact's principles. In this respect RSPP elaborated "The Basic Indicators of Effectiveness and Recommendations for their Usage in Management and Corporate Social Reporting" which are recommended for the preparation of non-financial reports for the Social Charter (RSPP, 2010).

In 2007 the Social Charter of Russian Business was officially recognized as a national document conforming to the UN Global Compact (UNDP, 2007). This initiative fosters integration of the Russian Network of the Compact and members of the Social Charter "to jointly promote CSR and Global Compact's principles among Russian businesses" (UNDP, 2008:n.p.). Moreover, the Global Compact Office recognizes the public assurance status of social reports given by the RSPP Committee for non-financial reporting.

Thus, as we can see, the Social Charter, the adoption of which was driven by the Compact, became an important element for the Global Compact principles' promotion in Russia. The Social Charter as a national analogue of the Compact attracted more business and non-business participants than the Compact as it was adapted to the socio-economic realities of Russia. However, the effectiveness of the Social Charter is limited by its voluntary character and its development by the non-state actors only; despite the growth in public support of the Global Compact and the Social Charter, Russian government still remains passive in launching public policies on CSR promotion.

3.4 Implementation of the UN Global Compact principles: CSR outcomes in terms of public goods and bads

This section is based on the analysis of the Communications on Progress and non-financial reports of Russian corporations participating in the UN Global Compact during the period of 2007-2009 years. As the Global Compact does not require the standardized form of Communications on Progress, companies follow different formats that make COPs difficult to compare with each other. Nevertheless, all of the studied COPs contain the information about the implementation of ten Global Compact's principles for socially responsible business practices in the areas of human rights, labor, environment and anti-corruption. Regarding the discourse on CSR in terms of public goods and bads, these issues, particularly human rights, environment and anti-corruption are per se global and national public goods (Kaul, 2005; Gardiner and Le Goulven, 2002). Moreover, these public goods or minimization of public bads corresponding to them generate other public goods or conditions with the public utility that will be explored further in this section. As the word limit of the paper doesn't permit to present the detailed analysis of each participating in the Global Compact Russian company, this section will summarize the observed trends in public goods maximization and public bads minimizations by Russian businesses.

3.4.1 Human rights

Universal human rights are regarded as global public good which provision is realized at the national level. Public bads, corresponding to this good, are human rights abuse and discrimination (Gardiner and Le Goulven, 2002). Although the human rights advocacy and

protection is traditionally considered to be the responsibility of the state, today, in the environment of increasingly growing corporate power in society, the role of the business in the protection of human rights is no less important.

The analysis of the COPs shows that companies participating in the Compact explicitly express their commitment to the protection of internationally proclaimed human rights either in the official statements of CEOs or in the corporate codes of ethics and business conduct. For example, Polymetal in its COP states that “every single person within the company is entitled to enjoy his or her human rights without distinction as to race, sex, language, religion, political or other opinion, national or social origin, property, birth or other status. Rights of every person within the company are protected by the current Constitution of the Russian Federation, by the Labor Code of the Russian Federation, and by multiple internal documents such as Internal Regulations” (2009:2). Other corporations such as AFK Sistema (2006; 2008) and Rusal (2007) incorporate the issues of human rights protection in their codes of ethics and business conduct. To implement the policy statements on human rights, AFK Sistema developed the information disclosure system on every aspect of corporate government including data on the structure of assets, strategy, governance bodies and financial indicators (Sistema, 2006; ASI, 2007). Rusal (2007) adheres to compliance with human rights standards in its official principles for internal and external relations, and through the internal communication system. In order to ensure observance and respect for human rights, Rusal practices information transparency regarding the work related issues of the workers and provides the opportunities for workers to participate in decision making process of the company (Rusal, 2007; ASI, 2007).

One of the universal human rights which has gained a prominent importance among CSR activities of Russian corporations is the rights for health, which is realized through the provision of safety at the workplace and healthcare policies. Due to its partial overlapping

with the activities regarding the implementation of the Compact's principles on labor, it is examined in the related section.

Thus, as we can see, Russian companies participating in the Compact made progress in adoption of corporate policies and codes of conduct addressing the issues of human rights protection, which is a positive development towards provision of this public good; however, the procedures for evaluation of the performance regarding compliance with human rights standards were not found in the reports and communications on progress. Reports studied reveal the lack of monitoring systems on performance in the area of human rights and non-discrimination, and, as a consequence, the absence of results of such monitoring, that impede the assessment of the corporate statements and codes of conduct with their actual implementation.

3.4.2 Labor

The implementation of the Global Compact's principles in the field of labor contributes to the creation of such public goods as education, healthcare, knowledge, research and development, economic growth, economic and human development, freedom of association and collective bargaining, and curtailment of such public bads as human trafficking, child labor and discrimination in respect of employment and occupation.

The general trend regarding the realization of these principles by Russian companies is the adoption of corporate policies excluding child and forced labor, freedom of association policies, policies on equal opportunities and gender equality, establishment of mechanisms for protecting employees' rights such as consultative councils for health and safety. Companies are also actively engaged in the programs for education and re-training, development of social policies for retired workers, aiding mothers and children and social protection of other vulnerable groups, and provision of health care (ASI, 2007).

Thus, Lukoil (2008) has adopted a corporate Social Code according to which the company develops three-tier social partnership system and the Agreement between the Employer and the Trade Union Association. It implements a progressive social policy on health and safety, human resources management and development, personnel training and cooperation with trade unions. Its corporate health and safety management system is subject to the regularly supervisory audit which confirms its compliance with OHSAS 18001 requirements; moreover, Lukoil has developed an internal system of corporate control over compliance with health and safety requirements (Lukoil, 2008). As regards provision of social welfare, the company developed the system of social benefits and guarantees, medical care provision, programs for social support of young professionals, recreation and health improvement of the employees. In addition, Lukoil has established a corporate retirement system as a response to government failure in this field as state pension is rather small and is not sufficient for satisfying the needs of old people. As Lukoil (2008) reports, it uses three kinds of assistance for retired employees: financial assistance to veterans who retired from the company, financing non-state pensions from Lukoil's funds, and a participatory pension system. The company also develops education policy which includes tuition reimbursement programs for perspective students, financing MBA studies for employees, vocational training programs, personnel exchanges with the US based partner company ConocoPhillips, and distance learning programs.

The Russian Union of Industrials and Entrepreneurs actively supports the freedom of association and develops employers' position on labor rights protection through participation in the Russian Tri-Partite Commission for Regulation of Social and Labor Relations (ASI, 2007). This Commission is a multi-stakeholder initiative on social partnership and includes representatives of the state, trade unions and employers. Members of the commission, i.e. social partners, jointly draft and negotiate a three-year General Agreement regarding the

important aspects of social policy, principles and rights at the workplace such as remuneration, living standards, social security, employee welfare, industrial and ecological safety, etc. (2007).

Some other prominent practices regarding the maximization of the abovementioned public goods are observed in the activities of Polymetal, AFK Sistema, TGK-5, Sakhalin Energy, Transaero, Coca-Cola Hellenic, Rusal and Rosneft. Particularly, examples are the Corporate University “High School of Management and Innovation” and significant investment in research and scientific development of AFK Sistema; the long-term corporate healthcare program and a corporate medical centre of Rusal; the educational programs for HIV/AIDS prevention for youth from the local communities of Coca-Cola Hellenic and others. Companies also develop policies on cooperation with trade unions, equal opportunities and gender equality policies, and specific policies and programs for skills management and for life long learning.

Thus, the Compact’s principles on labor are actively implemented by Russian corporations as they have a strong resonance with the interests of the companies for development of human resources and safety at the workplace.

3.4.3 Environment

The majority of Russian companies which joined the Compact belong to the extractive and mineral resources industries that have a huge impact on the environment by polluting it and causing environmental degradation.

On the one hand, subscribing to the Compact’s principles by these corporations can be regarded as an activity for improvement of their corporate image and reputation, the so-called ‘green washing’, but, on the other hand, commitment to and implementation of

environmentally responsible business practices can be explained as a strategy of the companies in the framework of sustainable development, costs reduction and effective environmental risk management. As a result of the implementation of the Global Compact's principles, Russian corporations, depending on the industry profile, are engaged in the activities for preserving of public goods and public commons (clean air, water resources, forests, etc.) and minimizing public bads corresponding to them (global warming and climate change, air and water pollution, etc.) Some of the examples include: introduction of environmental risk management systems (Rosneft, 2008; Lukoil, 2007; Sakhalin Energy, 2008; Renova, 2008), environmental monitoring (Sistema, 2006; Rosnefti, 2008), activities for reduction of pollution (Rosneft, 2008), environmental audits (Lukoil, 2008; Vodokanal, 2008), development of environmentally friendly technologies such as fuels with improved environmental properties (Euro-3, Euro-4 and Euro-5) (Lukoil, 2007), programs for planting of trees (Rusal, 2007), waste management and recycling (Transaero, 2007; Rosnefti, 2008), water conservation and utilization (Polymetal, 2009; Vodokanal, 2008), energy efficiency (Rosneft, 2008; Transaero, 2007), soil conservation programs (Rosneft, 2008; Polymetal, 2009), air protection projects (Polymetal, 2009), measures to combat climate change and reduction of greenhouse gas emissions (Lukoil, 2008; TKG-5, 2008).

The analysis of COPs showed that companies have extensive and detailed quantitative and qualitative data on implemented activities in the field of environment, verified by the external auditors, which goes beyond the compliance with legal environmental regulations. However, more detailed analysis, due to the word limit, is beyond the scope of this thesis.

3.4.4 Anti-corruption

The problem of corruption in Russia is a deep and a widespread phenomenon: the Informatics for Democracy Foundation reports that “the ‘market’ in business corruption in Russia in 2005 was two and half times greater than the budgetary receipts of the federal government” (ASI, 2007:23). The most popular forms of corruption, according to ASI (2007) are pressure from local authorities on business and requirements for quasi-voluntary donations to social infrastructure or charity in the exchange for licensing and certification; and internal forms of corruption such as tax evasion, ‘double accounting’, and bribes and kickbacks in the course of bidding for public procurement.

A corruption free society is a public good which can be provided as a result of good governance practices, effective legal system and effectively functioning judicial organs, and independent mass media. The role of the business sector in it, apart from compliance with the laws, is adoption and implementation of corporate codes on anti-corruption and bribery and codes of ethics. Apart from them, to prevent pressure from local authorities regarding charitable donations, companies develop long-term partnership projects, strategy on corporate social responsibility and programs for development of local community.

Thus, Polymetal (2009) has adopted a number of internal regulatory documents which provide the normative basis for anti-corruption activities (The Company Charter, Regulations on Internal Control of Financial Activities, Regulations for Remuneration and Nomination Committee of the Board of Directors, etc.). For corruption prevention, Vodokanal (2008) has established corporate management mechanisms and internal control bodies – Economic Security Department and Internal Audit Department. It has also developed organizational structure which increases transparency of business operations. Rusal (2007) has adopted a Corporate Code of Ethics that includes the guidance regarding anti-corruption such as

prohibition of bribes, offers of money and other illegal payments in the interaction with public authorities. It also develops long-term social partnership agreements with the local and regional governments which are part of the CSR strategy of Rusal. Lukoil (2008) reports about the cooperation with the authorities in addressing socially important issues and sustainable development of the regions where the company operates; however the information regarding anti-corruption policies is omitted. TGC-5 (2008) reports on the undertaken measures aiming at averting corruption and on its procurement activity stating that the company operates according to the national legislation, the Social Charter of Russian Business and the Global Compact, but does not disclose any information on existence of anti-corruption policy and monitoring system.

Thus, the majority of the companies in their reports use the standard and indicators of Global Reporting Initiative (GRI) which implies the category on bribery and corruption and corresponding indicator, but the general trend in this respect is that companies fail to report on this issue. In addition, the analysis of COPs revealed that the issues of anti-corruption and bribery are included in the codes of ethics and business conduct, but there is no practice of the adoption of separate anti-corruption codes by Russian companies.

Thus, as we can see, the contribution of Russian corporations to minimization of public goods and maximization of public bads, as a result of implementation of the Global Compact's principles, is mostly made in the areas which are the core of profit-maximization strategies of the companies: human resources, public relations, risk management, cost reduction and energy efficiency. The analysis of the reports has also shown that the majority of Russian corporations go beyond the compliance with the principles of the Global Compact: although the Global Compact does not stipulate any principle regarding the development of

local community in which business operates, Russian companies are actively engaged in the cooperation with local stakeholders. In this process they generate such public goods as social capital, social institutions, culture, and art.

3.5 Interview outcomes

The limited number of the interviews conducted does not allow making solid generalizations, however, interviews as qualitative method of research makes possible to see the trend in the perceptions of the role of the UN Global Compact in promoting CSR in Russia. In the course of the interviews, I asked open questions about the participation and motivation of Russian companies for joining the UN Global Compact, the impact of the Compact on the adoption of the policies on CSR by Russian companies and development of other CSR initiatives in the country, the role of CSR practices in supplementing public policy in terms of public bads minimization and public goods maximization, and the feasibility and necessity of introduction in Russia of mandatory social reporting. The outcomes of the interviews compliment the main findings of the research and help to draw the recommendations.

Thus, the interviews revealed two trends in the view of the effectiveness of the Global Compact in Russia: the skeptical and the optimistic one.

Sceptical respondents noted that the UN Global Compact does not have a sufficient public support because of the affiliation of it to the United Nations which is perceived as a remote and ineffective organization. They regard the Global Compact as not adequately developed global public policy with too vague principles, and criticize the initiative for the lack of mechanism for the implementation of promoted principles and corresponding

qualitative and quantitative indicators. They see the role of the Compact in CSR advancement in Russia rather limited and consider that CSR in Russia has more chances for development through the national level policies and initiatives such as the Social Charter of Russian Business and possible governmental policies.

Adherents to the optimistic view of the Global Compact argued that it is a unique initiative with a huge potential for interaction and cooperation between civil society and business for solving societal and environmental problems and fight against corruption. They considered the Compact as a perspective platform for development of CSR in Russia, but noted that it is not popular enough and needs a better publicity and more extensive media coverage.

Regarding the role of CSR in Russia, in terms of its contribution to minimization of public bads and maximization of public goods, the respondents noted that although the main reasons for launching of CSR policies by Russian corporations are their economic interests and profit-maximization strategies, CSR has an important social value as outcomes of CSR activities can be regarded as supplementing public policy by reducing public bads and creating public goods.

On the question of the introduction of mandatory social reporting as a means to advance CSR in Russian the general opinion was that it would be premature and would not find a support among businessmen and politicians as CSR and CSR reporting, in the current socio-economic context of Russia, first should be developed and diffused on the voluntary basis.

Conclusion

Main findings

The theoretical and empirical research presented in the preceding chapters has revealed that the UN Global Compact plays an important role in promoting CSR in Russia which supplements public policy in terms of minimization of public bads and maximization of public goods. It has shown that in the socio-economic context of Russia, where government is not capable enough for effective provision of public goods and solving societal problems, as the existence of the number of societal problems witnesses, businesses, particularly the corporations subscribed for the Global Compact, tend to change their role in society from being pure profit maximizers focused solely on financial and economic performance to the ‘corporate citizens’ oriented at “triple bottom line” performance in the economic, social and environmental fields and development of social partnership for solving public problems.

The research also demonstrated that with the absence of pushing factors for CSR development such as pressure from strong NGOs and independent mass media, and public policies on CSR promotion, the UN Global Compact, being an international standard for CSR, serves as a potential framework and mechanism which encourages CSR development in Russia, as Russian corporations tend to adopt international standards of business practices including those in CSR, motivated by expansion into the foreign markets and acquisition of foreign loans and investment.

The study revealed that the UN Global Compact per se is not the cause for CSR policies and practices adoption by Russian corporations, as the Compact is a voluntary initiative which does not have a normative power, and as there are more tangible and significant from the economic point of view factors for CSR adoption. However, the Global

Compact serves as a guideline and a benchmark for CSR policies and practices for Russian corporations. Apart from being an international reference point for CSR, it offers the platform for learning, information and best practices exchange through the local network and between networks at the international level. It fosters the diffusion of the best CSR practices and encourages improvement in this field based on the voluntary activities of Russian corporations. In addition, communications on progress which are regularly submitted to the Global Compact, serve as the instrument for improvement of internal management and a means for increase of transparency of business activities. The study also revealed that the UN Global Compact influenced the development of national level multi-stakeholder CSR initiative, the Social Charter of Russian Business, which has a significant potential to advance CSR in Russia and, correspondingly, its positive outcomes for society and solving of public problems.

The study of the Compact in Russia and its impact on CSR development there has explored the development dimension of the Global Compact as responsible business practices contribute to the public goods provision and curtailment of public bads. The analysis has demonstrated that the companies show greater performance in the implementation of those principles and corresponding provision of public goods which have the strongest resonance with the economic interests of companies, particularly in human resources development and improvement of image and public relations, and corporate strategies for effective social and environmental risk management. Thus, companies make significant contribution to the provision of such public goods as education and training, healthcare, social welfare and benefits, research and development, science; and minimization of public bads in the field of environment such as air and water pollution, climate change and global warming. The contribution to the protection of human rights is difficult for assessment as the activities to the provision of this public good are just proclaimed but are not accompanied with the

introduction of monitoring system. Further, contribution to the minimization of corruption as a public bad is regarded as not significant: the general trend is that the companies either do not report on the implementation of this principle, or report on it in the form of proclamation without the adoption of relevant corporate anti-corruption code and the system of monitoring.

Recommendations and implications for future research

Based on the results, the following recommendations are proposed. In order to increase the effectiveness of the Compact in promoting CSR in Russia, it is recommended to UNDP Russia, local Global Compact network and its members to improve ‘public relations’ of the Compact through the wider publicity and media coverage of the Compact’s activities and achievements, and awareness raising campaigns regarding the benefits of participation in the Global Compact and implementation of CSR policies and practices.

For stimulation of greater impact of the Compact on CSR development in Russia, it is necessary to improve its performance in quantitative terms by increasing its representativeness through broadening the membership of the local network of the Compact in Russia, and attracting more business and non-business participants; and in qualitative terms, by fostering the best CSR practices exchange, compliance with the Compact’s principles and social reporting. In this context, it is recommended to address the accountability and transparency deficits of the Compact as currently there is no monitoring and evaluation system of the effectiveness of the Compact, and no standardized reporting form and indicators for COPs that limits the comparability of the reports necessary for conducting of monitoring.

Further, the paper recommends enhancing the component of public-private partnerships and partnerships between the UN agencies and Russian businesses in the activities of the local network of the Compact for joint projects in tackling the Millennium Development Goals in

the Russian context and problems with overproduction of public bads and undersupply of public goods at the national level. It is also important to ensure greater involvement of government in the activities of the local network in order to increase political support for CSR, to foster national CSR agenda and to prompt the adoption of national public policies on CSR promotion.

Regarding the implications for future research, the thesis, by studying the role of the Global Compact in promoting CSR in Russia in the framework of CSR as private provision of public goods, explored the development dimension of the Compact and the relations between CSR and public policy. It found that CSR is an important supplement for public policies in Russia as it contributes to minimization of public bads and maximization of public goods. However, more research is needed regarding the impact of the UN Global Compact in developing countries in order to analyze the trends and to improve the policies for its effectiveness; more advanced from methodological point of view qualitative and quantitative study on the contribution of CSR in Russia to minimization of public bads and maximization of public goods; research of public-private partnerships in Russia; research of CSR initiatives and policies in the framework of new governance and network governance approach; and research of public policies for CSR in developed countries in the context of policy transfer to the developing countries.

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