

## **CORPORATE SOCIAL POLICY AS THE BASIS OF THE SUSTAINABLE DEVELOPMENT OF THE COMPANY**

### **Objectives**

There is an increasing social impact on economy in the course of the social system development. It leads to the qualitative change of relations in the society and is expressed in the form of changing the «economized principle» by a «socialized principle», that in its turn follows from interests of a society development as a whole and of a single person but not from the full satisfaction of individual needs. From this we form the understanding of a new role of the worker and the new perception of labour economics (as a science concerning the worker as a creative individual) and also the realization of the necessity to add the knowledge of social communication and cooperation between individuals to the labour economy. The given changes lead the economic science to a necessity of reconsideration of labour value and labour activity, delimitation of the given concepts, revealing of a relationship between objective and subjective, rational and irrational, the economic and social parameters influencing efficiency of labour and development of a society as a whole. Thus by using the term "labour relations" in our research we mean not only the economic factor, but also the social one (sociolabor relations), as a basis of a sustainable development of a society of the developed countries in the world.

The international practice shows that if the company's sustainable development is based both on economic and social factors then it leads to a decrease in business risks, strengthens competitiveness, raises the personnel efficiency and the consumers loyalty, improves the reputation of the company and makes a positive contribution of the company to the economic and social development of the territory where the company is located. It means that national priorities of a society development and a problem of effective businesses are strategically compatible and directly connected with each other. However the Russian companies are in the process of comprehension of the necessity to formulate, implement and develop the corporate social policy.

We assume that such a delay is caused by a number of reasons.

Firstly, the Russian economic science cannot find the way of sociolabor relations development and define a place and a role of business, workers and the state in these relations despite a new stage of

technological and organizational changes, qualitative changes in social differentiation, change of an individual's role in a society (an individual is the basis of development), increasing the role of personal qualities in labour activity as a part of a general professional competence and professional demands.

Secondly, modern Russia requires the answers to the following questions: why is the modern labour activity less oriented on traditional values such as work as a source of wealth and income and on competition, confrontation and rivalry-based relations? What type of relations is formed in Russia: collective, essential for the industrial period of development and mass production (when direct interaction with the employer is performed not by a worker, but the labour union), or person-oriented, oriented on the development of workers' personal qualities and characteristics?

It becomes obvious that the course on innovative development of the Russian economy is not compatible to the developed sociolabor relations based on a mutual distrust of participants, rigid confrontation and rivalry. We consider that the Russian economy orientated on modernization and high-competitive economy only is a deadlock and it leads to an aggravation of social conflicts, the sharpest confrontation and mistrust of the participants and depletion of all resources. Moreover, now in Russia all the unresolved social problems continue to grow, labour value and labour morals drop, the low labour satisfaction is observed, there are no distinct and clear interests of the participants of sociolabor relations.

Thirdly, the modern methodological basis of labour phenomenon and the qualitative shift research cannot be built on ideology of the market individualism which is dominating in a modern Russian economic science, and efficiency estimation based on the «expense-benefit» correlation. V.Cherkovets states that despite the highly-developed intellect one cannot produce the product satisfying peoples' needs without labour and production management. We completely agree with the author that the principle of "methodological individualism» is absolutely unacceptable because of the characteristic of the present stage of social and economic transformations in Russia and an explanation of «social market economy» concept. The new paradigm of «socially responsible and socially caused individualism» should make a basis for the new researches directed on the identification of an individual in economy as the producer, consumer and participant of public relations.

All aforesaid allows formulating the object and problems of the research.

Research objective is a definition of a place and a role of corporate social policy in modern sociolabor relations, the analysis of the reasons of labour process transformation, the development of social corporate policy model and approaches to estimate its efficiency, including the development of the «social development index» integrated parameter.

The research problems are as follows:

1. To investigate directions of development of sociolabor relations of foreign countries and Russia for the purpose of definition of a place and a role of corporate social policy in national priorities of development of a society.
2. To analyze and to establish the reasons of transformation of modern labour process, to define its components. We assume, that the full understanding of the reasons of changes in labour activity, the content and character of work, allows proving the increasing significance of the person, its personal qualities which become an integral attribute of professional capacities together with the understanding of «human potential» and «the human capital» concepts. It also gives possibility to avoid ideological slogans exploiting «the human factor» and to correct the purposes of the society development at all levels and the ways of its achievement.
3. To develop the theoretical corporate social policy model including the purpose, problems, principles, structural elements, communications and characteristics.
4. To produce approaches to efficiency estimation of corporate social policy, to define criteria of estimation, to analyze the types of efficiency, to define system of indicators and to develop the «social development index» integrated parameter.
5. To estimate the efficiency of corporate social policy in Russia on the example of the companies available for estimation. To conclude and offer proposals on corporate social policy development basing on the results obtained.

#### **Practical contribution of research**

1. As a result of the carried out research the main direction of the sociolabor relations development in Russia will be defined with taking into account the international experience and world tendencies. It will allow correcting the social and economic policy of Russia according to the revealed direction.

2. The place and a role of a modern corporate policy in sociolabor relations will also be defined. It should also be reflected in social and economic policy of Russia.
3. The experiment on definition of the efficiency of realization of corporate social policy will be conducted on a number of companies taking into account the developed estimation tool (questionnaires are applied). The total result will be received by means of the developed «social development index» integrated parameter which will let to draw conclusions and to present offers on perfection of corporate social policy of the surveyed companies.
4. On the basis of the received data the general methodical recommendations will be developed for the companies for working out of corporate social policy which should be based on a recognition of value of work and value of the worker.
5. The results of research will make a substantial contribution to the development of scientific discipline «Labor Economy» and can be used in educational process at universities.

### **Hypotheses**

In the present research we plan to confirm following hypotheses:

1. Nowadays employees and employers in the labour activity process enter both economic and social relations that assume the statement of the purposes and problems of corporate social development as the integral component of its effective functioning.
2. The corporate social policy has its own model in which the purpose, elements, the system of parameters, structure and communications can be expressed. The result of the corporate social policy development is the improvement of the quality of work life and the implementation of the Concept of Decent Work developed by the International Labour Organization (ILO).
3. The Efficiency of a corporate social policy can be estimated by means of a «social development index» integrated parameter the building of which is based on three levels of estimation of corporate social policy
  - The estimation of the company's lawful obligations on social protection of the employees, including status elements;
  - The estimation of the social partnership implementation and the collectively-contractual system of

sociolabor relations development;

- The estimation of the voluntary corporate social policy on the basis of non financial (social) report in which the company voluntarily opens the information on the basic aspects and results of the company's activity that is connected with the implementation of a corporate strategy of a business sustainable development.

### **Literature review**

Nowadays a lot of researches are devoted to the social policy questions, models of the social state and the business social responsibility. The foundation for the formation of the social state models has been laid in the beginning of the 20th century by Otto von Bismarck and William Henry Beveridge, and further developed by the German researchers Alfred Muller Armack and Ludwig Erhard. From the middle of the last century the concept of socially responsible business was developed by Howard R. Bowen, Pallazzi M., Wood D., Thomas C. Schelling, Cantillon R., Frederick W.C., Carroll A., Donaldson T., Preston L., Friedman M.

The main debatable questions concerning the concept of corporate social responsibility can be divided into two groups.

Firstly, it is unclear whether the model of socially responsible behavior of corporations requires the institutionalization and rigid regulation. For example, according to the new strategy of corporate social responsibility adopted by the European Commission the following types of reports are accepted: the «Corporate Social Responsibility Report», the «Sustainable Development Report» and the «Social Development Report». The main feature of the European model of corporate social responsibility is the state regulation. The state regulation is reflected in the institute of obligatory voluntary insurance, health protection of workers, pension provision. It also influences the company's social policy and the content of social programs. The distinctive characteristic of the American model is that social responsibility is initiated by business community being beyond legislation requirements.

Secondly, what are the spheres of social responsibility, components and directions? Whether a business should be responsible to its shareholders or the group of interested persons is not limited by the proprietors of the company. There is also a debatable question concerning the estimation of efficiency of implemented social responsibility, criteria of efficiency and parameters used.

In Russia the social component at the level of social and economic development strategy is not conceptually studied despite the mentioning the social state model in the Russian Constitution. The strategy and reforms in spheres of education and public health services also poses a lot of questions. According to a number of Russian authors the domestic experience has followed the way of the "least resistance" and hasty copying the «multidirectional characteristics» of the foreign experience without any thorough analysis and the consideration of the sociocultural specifics. Thus the cart has been put ahead of horse i.e. ahead of leading investment rates both in educational and public health services, and social sphere in the whole. It is necessary to state that the liberal model and the model of the person of a neoclassical mainstream, which were rejected by the developed countries including the USA and the Great Britain , are used and still dominate in Russia.

However the social problematic takes a worthy place in researches of the Russian scientists. In the field of social policy and social responsibility the researches of A.Kostin, S.Peregudova, B.Rakitskyi, I.Soboleva, F.Shamhalov, E.Gontmaher, E.Balatskyi, A.Babich are interesting. The Russian Union of Industrialists and Entrepreneurs (RSPP) develops the system of parameters of social and economic development of the companies. However there is no complete concept of formation of social policy at micro level in the domestic science despite the essential theoretical and methodological baseline for research of social and economic transformation processes. It is still unclear what processes define the necessity of implementation of company's social functions and what is the structure, principles and parameters of a social policy.

And the most controversial question demanding clear theoretical explanation and practical confirmation is a question concerning the criteria of efficiency of social policy and social investments. The estimation of efficiency in social policy should have multilevel and multidirectional character, and should not be restricted to calculation of a traditional parameter - the cost-benefit ratio. Thus these results themselves demand basically new approaches to be studied.

## **Methodology**

### **a) Data**

In our research we are going to use two information sources:

1. The free access data: scientific sources (monographs, periodicals), official statistics data, data obtained by the research centers and reports of the large foreign and Russian companies on implementation of

social programs.

2. The Information obtained by the participants of the program: results of questioning of the Russian companies on development of principles of social partnership, manpower policy; results of an estimation of sociolabor sphere of the companies, studying of motivational purposes and labor satisfaction. In order to obtain the applied data the parameters for an estimation of collectively-contractual system (Attachment 1) will be used. The specific sociological researches will be conducted with the help of the developed questionnaires (Attachments 2-3). The manpower policy will be analyzed, the forms of estimation of a learning efficiency and retraining of specialists and the feedback analysis (Attachments 4-7) will be offered. The form of development of sociolabor sphere (Attachment 8) and the structure/breadboard model of the social report will be offered.

#### **b) Theoretical model and its estimation**

The basis of theoretical model is the definition of criterion and system of parameters of an estimation of efficiency of the implemented corporate social policy. Thus the chosen criterion of efficiency should meet certain demands.

Firstly, it is directly connected with social and economic targets of company's development.

Secondly, the criterion of efficiency should be the only one from the methodological point of view. The assumption of several criteria rules out the possibility of reception of definitive result since it will inevitably lead to different interpretations.

Thirdly, the system and the list of parameters, unlike the criterion itself, should be specified in the course of company's functioning, it should be corrected consistently i.e. to be flexible and mobile, to match to the strategy, purposes and problems of company's development.

Fourthly, it is necessary, that the basic parameters of integrated criterion of efficiency of social policy could be presented mathematically and sized up by means of quantitative and qualitative values.

One should take into consideration the fact that efficiency is not restricted by the cost-benefit ratio at defining the integrated criterion of an estimation of efficiency of social policy and developing the system of social parameters.

Thus it is necessary to distinguish the following types of efficiency.

1) Productivity. The only effective activity is the one leading to desirable results (the result-goal ratio); 2) Practicability. The only effective activity is the activity allowing to solve social problems (the purpose-real social problem ratio); 3) Profitability. The only effective activity is the one allowing gaining result with the least expenses (the cost-benefit ratio).

The function of the purpose of the corporate social policy development should be the function of quality of work life and decent work ( $F_{qwl} \rightarrow \max$ , where  $F$  - purpose function,  $qwl$  - quality of work life). On the basis of the offered system of parameters (objectively and subjectively estimated) the design procedure of the social development index of a company can be expressed as the following linear equation  $I = (\sum F_i) / n$  where  $F_i$  - the attained level of  $i^{\text{th}}$  parameter,  $n$  - quantity of parameters that will be developed. The given technique can be specified if one gives the weigh factors ( $p_i$ ) to the specified parameter. Weight factors are subjective and can be defined by experts that, in our opinion, can be a source of valuable information. In this case the formula becomes arithmetical mean weighed i.e.  $I = (\sum F_i p_i) / p_i$ .

The regular calculus of such parameter and its yearly comparison will show the developing trends. The integration of 15-20 major social parameters will give the new by its nature and analytical possibilities statistic parameter characterizing the trends of quality of work life.

### **c) The expected research output**

The conclusions made in the course of the research together with the propositions formulated will contribute to the development of the economic science and theories of social and economic efficiency in particular. It will also contribute to the development of methodology of studying of social and economic processes and knowledge of the true reasons of person-centered paradigms of the social and economic development and effective strategy.

The development of a model of corporate social policy and approaches to an estimation of its efficiency will allow the companies to do the following:

- To carry out the analysis of the valid state of affairs in sociolabor sphere;
- To reveal a condition «as is» and, proceeding from strategy of company's development, to define a condition «as it is necessary»;
- To consider interests and inquiries of employees in services of social character, instruction and



- development, the social help and maintenance;
- To personify implemented social policy and program provisions, to carry out real address social help, its development and maintenance;
  - To size up efficiency of program provisions of social policy.

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### **Participants**

**Vera S. Rakovskaya** and **Evgeniya V. Nekhoda** have started teamwork in 2006 during participation in scientific subjects of System Management and Business Chair of Economic faculty of Tomsk State University within the limits of scientific school on problems dealing with labour economy and motivational management (scientific adviser Doctor of Philosophy in Economics, professor V.A.Gaga). Authors also have experience of teamwork within the limits of the general scientific subjects on a problem formation and developments of sociolabor relations.

Vera S. Rakovskaya has defended a Ph.D. thesis on topic «Sociolabor relations: modeling representation, monitoring (on an instance of Tomsk oblast) » in December, 2009. Evgeniya V. Nekhoda has defended a DPhil thesis on topic «Socialization of labour relations», in September, 2009. The part of scientific conclusions made in scientific works of the research team demand the further studying, substantiation, verification and approbation on the basis of Russian companies.

Participation of authors in the program will promote professional growth of competitors. Vera S. Rakovskaya will continue the research within the limits of the project for the purpose of the further defense of DPhil thesis. Evgeniya V. Nekhoda plans to be scientific advisor of post-graduate students (the defense of Ph.D. theses) on the topic of project, and to continue active work as a member of the Dissertational Council of economic sciences at the Tomsk State University.

Also authors plan to publish joint papers in reviewed science journals within the limits of the project.

The writing of the joint monograph on the theme of project is also possible.