

# *The Macrotheme Review*

*A multidisciplinary journal of global macro trends*

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## Corporate social responsibility as a competitive advantage in the new economic conditions

MATVEEVA YANA ANDREEVNA

*The Institute of Economics at the Russian Academy of Sciences (Ural branch), Russia, Yekaterinburg*

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### Abstract

*In order to remain competitive on global scale Russian companies must be integrated into the global processes of industrial progress. Industrialized countries increasingly move to declare the concept, which is called the Industry 4.0 (Industry 4.0) or the fourth industrial revolution. The main impetus to the development of the system Industry 4.0 are building ecosystems, the development of intellectual capital and the introduction of new technology platforms.*

Keywords: corporate social responsibility; competitive advantage; competitiveness of enterprise; industry 4.0; ecological responsibility; intellectual capital

**Objectives.** Recent corporate governance trends are largely determined by a system of universal values inherent in a post-industrial social type. Dominant trends dictate the need for new effective mechanisms to increase the investment attractiveness of the business in order to increase the company's competitiveness. One of the most powerful factors in the development of competition, and market capitalization growth and at the same time strengthening the business reputation is a socially - responsible company behavior. That is why the issues of corporate social responsibility has received increasing attention in the business environment.

The concept of the essence of CSR as a business function and interaction of society, cannot be limited only to social and labor and environmental issues. There is increasing recognition among scientists received recognition of the need to improve the standard of living not only employees, but also society as a whole. For example, the World Council for Sustainable Development says that "Corporate Social Responsibility - a commitment to the business concept of sustainable economic development in the work with their employees, their families, local communities and society at large to improve their quality of life". We are of the opinion Russian CSR researchers proposed Russian Managers Association "Social responsibility of business - a voluntary contribution of business to society in social, economic and environmental spheres, linked directly with the company's core activities, and beyond a certain minimum statutory requirements". This Association treats CSR as a philosophy of behavior expressed in the concept of building a business, aimed at meeting the expectations of all stakeholders, which allows the sustainable development of society as a whole. This significantly extends the range of socially responsible activities carried out by enterprises.

**Methodology.** CSR as a corporate governance element includes an inflow of economic social and environmental performance in the context of sustainable development and is part of

the strategic planning and management of the company. Analysis of the literature on the study of interference of corporate social responsibility and competitiveness of the companies showed no generally accepted model of the impact and the almost complete absence of empirical studies of this problem. For example, in a widely cited study in the form of a questionnaire survey of business representatives, conducted by the EU Commission, it is noted that most of the respondents believe that the implementation of CSR has a positive impact on competitiveness, particularly in the long term, however cannot produce quantitative assessments characterizing the effect [8].

Similar results are contained in the “Report on Social Investments in Russia -2014”, where almost half of the respondents said receiving long-term competitive advantage as a main objective the implementation of the corporate social responsibility strategy [2]. Consequently, the business as a whole is aware of the impact of CSR on competitiveness of companies, thus to evaluate this effect is not possible.

In Russia, the formation of the CSR system, taking into account effects on the competitive advantages of the traditional interpretation is complicated by CSR as a generator in the first “social” values and the delegation of authority for the implementation of the corporate strategy in the field of CSR of the Department of Public Relations and the Department of Personnel Management [1]. The impact of CSR on competitiveness of the company is characterized by indirect and time-delayed. The principal means of funding CSR activities are socially - responsible and impact - investment. Socially - responsible investing is the possibility of taking into account social and environmental risks when making decisions related to financing facilities, the creation of these risk management systems. However, social investment is passive, aimed only at maximizing income while avoiding environmental and social risks in contrast to the more long-term impact - investment aimed at solving social and environmental problems.

Impact - investment focused on obtaining a combined value (blended value), a term coined D. Emerson. Combined value is a combination of financial and non-financial performance - “an organic and inseparable combination of social, environmental and economic performance”. [4]. Thus, the impact - investment means solving social and environmental problems by using new investment instruments in the areas of investment. The main participants of the impact - investment is the recipient of investment intermediary, defining criteria for projects applying for funding and investor. The investor in achieving their goals consciously takes into accounts the goals and values of others. The concept of impact - investment is not well-established in the Russian management science. Some researchers adhere to the term “social impact investment”, “investment exposure” or “transformative investments”.

**Findings.** In order to remain competitive on global scale Russian companies must be integrated into the global processes of industrial progress. Industrialized countries increasingly move to declare the concept, which is called the Industry 4.0 (Industry 4.0) or the fourth industrial revolution.

The first industrial revolution associated with the advent of the steam engine and the creation of machines as such. The second industrial revolution is characterized by the transition to electrification and assembly-line production. The third is the development of electronics, the emergence of personal computers and the Internet. Despite the fact that the third industrial revolution technologies have not received the global spread, experts say, is brewing a transition to a new industrial revolution - “Industry 4.0”.

Experts industrialized countries, primarily the United States and Germany, said the fourth industrial revolution will give them a lot of benefits - from increased competitiveness in the global market to the emergence of new jobs on the domestic market in Europe and the United States by eliminating the transfer of production to countries with low wages. However, the expected negative changes associated with the disappearance of blue-collar occupations, the increase in unemployment in developing countries and increasing gender inequality. Thus, according to a report published by the 46 th International Economic Forum in Davos [11] The beginning of these changes had already taken place in 2015

The main impetus to the development of the system Industry 4.0 are building ecosystems, the development of intellectual capital and the introduction of new technology platforms. Before turning to the first pulse of Industry 4.0, it should be noted that in 2017 the Russian government declared the Year of Ecology. Industry Transition to 4.0 obliges Russian industrial enterprises pay more attention to the design of ecosystems, that is, to be more socially - responsible in the field of environmental protection. This includes the need for the introduction of new forms of environmental projects investment. More and more companies of the industrial sector of the country publish their results in the field of social and environmental responsible behavior in the public non-financial reports. Organization for environmental work at the company aims to reduce the environmental risks resulting from industrial activity, as well as its continuous improvement. It comes from the increasing requirements for environmental protection. This operation can be carried out in several stages:

1. To develop an integrated approach to the management, departments, divisions, services to implement measures to protect the environment;
2. The introduction of advanced technologies and equipment and materials in order to increase energy efficiency and reduce air pollution, water pollution, reduction of waste production;
3. Reduced fees for environmental pollution and penalties for accidental releases (discharges);
4. The introduction of self-monitoring of environmental indicators that reflect the environmental impact of carrying out the control of emissions (discharges) of pollutants into the atmosphere, pollution of the water basin, taking into account the formation and storage of waste products
5. implementation programs by preparations Personnel: ecological training, emergency response training
6. Assessing the impact of the company on public health with bringing information through the media.

Let us consider the driving force of industrial development 4.0 - intellectual capital. In the context of the post-industrial economy intellectual capital becomes a new vector of development of the company's competitiveness. This requires the development of new competitive advantages. The basis of the intellectual capital of the company - it's employees, their knowledge, skills, professional skills, as well as organizational and managerial skills. This is combination of human, organizational, professional, management methods and techniques and management Company. In the knowledge economy, where intellectual resources are the most important resources of the organization, changing the way of formation of competitive advantages. The traditional method of forming a competitive advantage (inherent in the industrial economy) changes to cognitive method (knowledge economy). If the traditional approach involves the use of material resources, the cognitive, primarily focused on the use of competencies and intellectual potential of the company.

**Research limits.** So far, economic science has not developed a unified approach to the definition and structure of intellectual capital. Nevertheless, there are some basic definitions and the structural composition of intellectual capital models, the most frequently cited in the economic literature. E. Brooking defines intellectual capital rather broadly as intangible assets, without which there can be no company [3]. The intellectual capital of the company, in its opinion, is a combination of the following elements:

- Market assets of the company - potential, provided that part of the intangible assets that are related to market operations. For example, the distribution channels, customer loyalty, etc. ;
- Company's human assets - collective knowledge of employees, their management skills, problem solving skills and creative abilities;
- Intellectual property as an intangible asset - copyrights, patents, licenses, etc.
- Infrastructure assets of the company, including management technologies and methods, as well as the business processes that make possible the work of the organization. For example: personnel management techniques, risk - management, and others.

A further impetus to the development of Industry 4.0 is a new technological platform (information - digital platforms that include financial and non-financial reporting of industrial enterprises). Activities in the field of CSR in companies disclose non-financial reporting, which contains a comprehensive analysis of business practices. The presence of non-financial reporting significantly increases the transparency of the organization. Non-financial report is officially published by the document, intended for all interested parties, in which it highlights its activities in the field of CSR.

Usually non-financial reporting is annual and includes information on the CSR strategy in conjunction with the company's strategy of development of the description of the ethical business principles and their implementation, the quality of corporate management, ecology and environmental protection measures, management of personnel, human rights, support of local communities, improve the quality of products and services, representation of the company's contribution to the development of society in the territories of its presence. All information contained in the non-financial reporting can be reduced to three groups of factors - environmental, social and corporate governance (environmental, social, governance), so the international community, non-financial reporting is called ESG-reporting. In recent years, more and more companies make non-financial reporting around the world. So, now the world's largest online base of non-financial reporting - [www.corporateregister.com](http://www.corporateregister.com) - contains 82,670 non-financial reports provided by 13 786 companies, while the number of records grows each year [13]. The main base containing non-financial statements of companies operating in Russia, is the national register and the electronic library of corporate non-financial reports of the Russian Union of Industrialists and Entrepreneurs (RSPP).

Analysis of the dynamics of non-financial reporting showed that the maximum amount has been presented in 2013, the report, and then decreased in 2014 and 2015. A possible reason was that was a complication of the economic situation, the consequence of which is to reduce costs, including on CSR activities. A similar situation was observed in 2007-2009 [12]. At the same time, reports the analysis leads to the conclusion that the amount and quality of information on CSR issues as a whole increases. One of the reasons for the world's growing interest in non-financial reporting of companies, is the effect of non-financial reporting on the possibility of attracting investors and, as a consequence, the company's value.

In recent years, investors are paying more and more attention to non-financial factors that are disclosed in the non-financial reporting. In 2014 appeared the EU Directive on disclosure of non-financial reporting [6], and in 2015 appeared immediately two documents containing recommendations for exchanges on the disclosure of CSR indicators by issuers: model Guidance for the reporting of ESG Information to investors. Developer of the initiative of the United Nations sustainable stock exchange (USE) and guidelines and recommendations, exchange for the working group is the developer resistance (VME). Thus, in Model Guidance on Reporting ESG Information to Investors noted that institutional investors place high demands on public and private companies with respect to their disclosure on ESG-aspects, and despite the differences in the information needs at different investors, ESG-factors commonly considered in the process of making investment decisions [10].

**Practical implications.** There are a number of empirical studies based on the developed markets of data, confirming the positive impact of disclosure on ESG-factors on the value of the company. Similar studies carried out on a sample of Russian companies are missing. One of the first works in this direction was the study of D. M. Patten, who compared the yield and trading volume of US public companies that disclose information on compliance with the principles of respect for human rights and equal opportunities for all people (the so-called Sullivan Principles), with companies that do not disclose such information. The results showed, investors take into account the information relating to the CSR when making investment decisions [5]. In the D. Cormier, M. Ledoksa M. Magnana [9] and analyzed 189 corporate websites of listed Canadian companies with total capitalization of 80% of the national stock market. Disclosure of information on the corporate website is viewed from several perspectives: information related to industrial, social and financial activities of the company. It was found that the disclosure of information related to social activities which have a positive impact on the company's value.

The study L. Bechet, Tsitsiretti R., and N. I. Hasana Kobeysi analyzed the dynamics of the share price to the exclusion of companies from the index ESG-disclosure. As a result, it was shown that after the announcement of the company's exclusion from the index, the market there is an abnormal decrease in its yield securities [7]. Therefore, it can be argued that the increase in the degree of openness by placing non-financial reporting has a positive effect on the growth of the company's value, and ultimately competitiveness.

**Originality of the study.** It should be noted that the two areas highlighted in the CSR - the socio-economic relations and environmental safety. The inclusion of environmental protection issues was influenced by various non-governmental organizations as a result of numerous environmental disasters. Socially - responsible activities involves the implementation of the financial costs to ensure, first and foremost, social and environmental aspects. Tools funding CSR presented already well known to the domestic industry of social investments, as well as new investment view - impact - investment, the distinguishing feature of which is to provide combined values - the combination of social, environmental and economic performance.

The recoverability of investments aimed at the implementation of corporate social responsibility can be obtained only in the long term. This determines the long-term competitive advantages, formed in the course of implementation of activities in the field of corporate social responsibility, since it best meets the requirements of the new economic conditions. Thus, the combination of pulses of Industry 4.0 (ecosystems, intellectual capital and information - digital security) and the key areas of implementation of the concept of corporate social responsibility contribute to the optimal integration of a new industrial paradigm in the system of providing of competitiveness of enterprise.

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