Corporate social policy – problems of institutionalization and experience of Russian oil and gas companies

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Abstract. The article examines a range of problems related to the process of institutionalization in the corporate social policy, characterizing the social responsibility of business and representing a part of the general strategy of corporate social responsibility. The experience of the social policy implementation in oil and gas companies is analyzed.

1. Introduction

Recently both in Russia and abroad a number of researches, based on the prediction of social existence including those of futuristic character, and basic social and economic indicators of the global community have appeared. The following researchers such as F. Fukuyama, P. Drucker, J. Stiglitz, R. Ackoff, E. Gontmakher, E. Balatsky, A. Buzgalin, D. Petrosyan and others study this problem.

One of the scientific discussions concerns the change of views on the role of business, especially the large one, in the life of modern society. It requires revealing contradictions in the use of indicators of economic growth, which is the main goal and means to resolve national and global challenges of our time. It is necessary to determine the increasing significance of the social environment in the human life, company and national economy. Therefore, there is a need to supplement the economic efficiency parameters with social development indicators and subjective indicators of human perception of the environment (working life and a company, family values, the natural environment).

The active business participation in resolving various social issues and problems is determined by a variety of objective reasons among which are: 1) the search for a new paradigm of social development and the evaluation criteria of social progress; 2) the crisis of the welfare state models; 3) the increasing significance of social problems and risks of our time; 4) the ongoing debates about the social role and functions of business. So far there is a viewpoint among western and Russian scientists that the development of the concept of the corporate social responsibility and corporate social policy is no more than an "attempt of the state to empower business to resolve social problems". However, the contemporary realities of today's world force business and management of companies to take into account the interests of all internal and external social partners. They understand that a favorable business environment greatly depends on it.

The issues related to the implementation of corporate social policy are a part of the overall strategy of corporate social responsibility (CSR) in most foreign companies. This social policy includes a wide range of issues from the regulation of social and labor relations and staff training to the local

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community development programs. They are also involved in protecting the environment and solving social problems at the level of society through social investment.

2. Materials and methods

Currently, the researchers study the theoretical and methodological imperfection of corporate social policy content. This is rather a weak argument for its implementation due to the lack of developed goals, stages, methods and tools for its formation [2, 4, 5, 14].

According to Olga Kanaeva the special theoretical and practical significance lies in "the development of the standard (reference) model of the development and implementation of social policy of the company" [5, p. 41]. The author understands the model of corporate social policy as a "generalizing scheme, which gives an idea of the main stages, processes, methods and tools of the development and implementation of social policy. This algorithm presents a certain sequence of actions and management decisions that enable to pass from the declaration of CSR principles to social activities. The social activity, integrated into the company's strategy, has a systematic character and particular results – to step away from the implementation of certain social programs and projects to the formalized systematic social policy [5, p. 41].

Thus, there is an urgent need to institutionalize such a formalized sustainable corporate social policy, which will be a part of the overall company's strategy with its own goal, structure, principles, formation algorithm, methods, and structured social programs. The evaluation of social policy in the creation of shared values, as well as its efficiency, is very significant.

3. Results and discussion

In this article the corporate social policy is understood as a complex of measures aimed at the human control and human development to create necessary conditions for the labor activity and form a particular social development of business and management activities. The main directions of the corporate social policy are: 1) development of human resources; 2) health, safety and environment; 3) social support of employees; 4) environmental protection; 5) contribution to the development of the regions of operation; 6) contribution to the development of society as a whole through the implementation of significant social programs. Within the framework of corporate social policy, companies can develop a variety of social programs: non-state pension fund, social and medical insurance (mostly optional), training and retraining of workers. It can also be a program of incentive tourism and leisure at the expense of the enterprise, programs to improve working conditions and health, and others.

Until now there is no universal algorithm of CSR strategy development. In our opinion, the issues, related to CSR and corporate social policy, are very subjective. They depend on such factors as the size and scope of company activities, the labor market, the need to keep and develop staff, the economic necessity and advantage of the maintenance and development of social infrastructure. It also includes the conditions of business development and expansion, interests and pressure from employees, individual values of top management.

Meanwhile, western researchers have already proposed several guidelines for the implementation of CSR in the company. The generalization of the existing approaches allows offering the following, quite universal, integrative structure of CSR [4, 8, 9].

The starting point in the development of CSR strategy consists in the identification of the subjective value of CSR and the development of a definition of corporate social policy taking into account organizational values and norms (Step 1). From the beginning it specifies the direction for the organization activities of CSR and corporate social policy. The interests of stakeholders are taken into account on the next step (Step 2). These interests are of great significance to set objectives and values of the company formation. The careful selection of key stakeholders will enable the company to concentrate its time, resources and energy in the most efficient ways. The following step is to develop an integration plan for CSR, which consists of three phases: to determine the causes of CSR implementation (step 3.1), to control the internal and external conditions (step 3.2), to plan the

relevant activities of CSR and corporate social policy (step 3.3). Step 4 is directly connected with Step 2. It identifies the strategy and communication channels for different groups of stakeholders according to their influence on the company and the related expectations. The two final steps are considered to be rather standardized. They are the last in all strategic approaches.

However, each proposed step should be considered in the context of a particular company, the available information on its activities and other relevant data. The steps which are efficient for one company will not be appropriate for another.

At the moment a number of large Russian companies form the policy of socially responsible business (in this case it is necessary to realize that this process is long and progressive, not giving immediate benefits and results). Companies make non-financial reports[5] on a voluntary basis, in particular social ones; place the main results of social activities and social investments on their own sites, for instance, the site of the Russian Union of Industrialists and Entrepreneurs (RUIE). Among the Russian companies, first of all, major oil and gas companies, iron and steel companies, large transport building companies, energy companies and the banking sector provide the policy of socially responsible business. Some Russian companies have a great experience in implementing the principles of socially responsible business and corporate social policy. These companies are "Aeroflot - Russian Airlines", "Gazprom", "Lukoil", "Rosneft", "Mosenergo", "Rusal", "Norilsk Nickel", "SberBank" and many others. As it can be seen from table 1 the oil and gas industry takes the second place in the number of published reports and the third place among companies providing non-financial reports. JSC "NK Rosneft", JSC "Lukoil", JSC "Tatneft", JSC "TNK-BP Holding" are among the Russian oil and gas companies, which are the leaders in the field of social policy and providing social initiatives.

This article presents the results of applied research conducted by the authors on the basis of the analysis of non-financial reports of Russian oil companies, available in the public domain[6] [10]. The company's official websites were also used. The purpose of this analysis is to determine the ranking of companies in the field of social responsibility. It can serve as a basis for further researches, in particular - to calculate the correlation between the ranking and the socio-economic efficiency of companies, to evaluate the social welfare of workers and the efficiency of implemented social programs. To determine the rankings of oil companies in social responsibility the method of N.A. Krichevsky, S.F. Goncharov "Corporate Social Responsibility was applied. Methods of determining the ranking of social responsibility" was used [6].

A number of important conclusions were drawn during the study.

Companies prepare non-financial reports in accordance with the Sustainability Reporting Guidelines of the Global Reporting Initiative (guidelines of GRI). Companies are also guided by the basic efficiency indicators developed by the Russian Union of Industrialists and Entrepreneurs (RUIE) [3, 12, 14] and guideline for voluntary reporting of sustainable development in the oil and gas industry (Oil and Gas Industry Guidance on Voluntary Sustainability Reporting, IPIECA/ API, 2010). The reports reflect the achieved progress by oil companies in implementing the principles of the UN Global Compact. All of them were approved by the RUIE Council on non-financial reporting.

After analyzing the reports of the companies, the main indicators of economic, social and environmental performance on sustainable development were chosen. The data presented in table 1, were selected from the reports published by companies in the public domain. They reflect the main financial, social and environmental performance of companies in 2013 [7]. The indicators are presented both in quantitative and qualitative terms. The indicators of social and environmental

[5] The non-financial reports refer to officially published documents of companies and organizations in which they report all or some key aspects of their activities. As a rule these reports include the CSR strategy in relation with the development strategy of the company, compliance with ethical business principles, quality of corporate management, contribution to the environmental protection, human rights, human resource management, quality of products and services, support for local communities, the company's impact on society in all key areas of its activity [11].

[6] Non-financial reports of Russian oil companies were taken as the object of applied research due to several reasons, primarily, for reasons of information availability in the public domain and the role they now play in the Russian economy.

performance are divided into three groups. It is done in order to continue calculations of the coefficients according to the method of N.A. Krichevsky and S.F. Goncharova [6].

Table 1. Main performance indicators on sustainable development.

Indicators	Companies			
	JSC "NK Rosneft"	JSC "Lukoil"	JSC «Gazprom Neft»	JSC «Bashneft»
General economic indicators, mln. rubles				
Sales proceeds	3078000	4314301	1230266	532502
Taxes paid	1641000	1216440	311000	83100
Dividends	215500	197284	34433	5457
Net profit	342000	370915	176296	56570
Salaries	94200	57302	32803	35564
Staff and social programs expenses	16191	7980	1869	983
Training expenses	No data	No data	249,3	188
Labour safety expenses	3500	3300	н/д	648,5
Industrial safety expeses	4400	9310	н/д	2255
Quantitative indicators				
Group 1				
Average monthly salary, rub.	50667	51156	59828	39564
Staff turnover rate,%	12	12	15,4	10,81
Total number of personnel, pers.	166100	112014	54829	57329
Number of young specialists, pers.	2868	894	368	352
Number of trained staff, pers.	71500	60300	16990	30957
Number of accidents	34	30	47	36
Social insurance, ths. rub.	16191	7980	1868,7	983
Group 2				
Charity expenses, 2012, ths. rub.	6223	4960	2399	1298,6
Charity expenses, 2011, ths. rub.	6092	5704	1440	1448,9
Group 3				
Environmental protection expenses, 2012, ths. rub.	22100	23374	3380,6	2405,1
Environmental protection expenses, 2011, ths. rub.	17500	22200	3656,7	2147,5
Qualitative indicators				
Labour contract	+	+	+	+
organized structure on social policy (the department)	+	+	+	+
Annual social report	+	+	+	+
Sociological researches	+	+	+	+
Good business practice	+	+	+	+

The study of non-financial reports of the largest oil companies in Russia such as JSC "NK RosNeft", JSC "LUKOIL", JSC "Gazprom Neft", JSC "Bashneft" allowed identifying the main directions of corporate social policy: 1) development of human resources; 2) industrial safety and

labor protection; 3) social support of employees; 4) environmental protection; 5) input to the development of regions of operation.

To determine the total ranking of the company, N.A. Krichevsky and S.F. Goncharov offer the following algorithm: the average quantitative indicator is calculated on the basis of quantitative indicators, and then it is adjusted according to the value of quality index. The ranking of corporate social responsibility of JSC "NK Rosneft", JSC "LUKOIL", JSC "Gazprom Neft" and JSC "Bashneft" is calculated. The results of coefficients calculations and final ranking are presented in table 2.

Table 2. Ranking of oil companies social responsibility.

Indicators	JSC "NK Rosneft"	JSC "Lukoil"	JSC «Gazprom Neft»	JSC «Bashneft»
Group 1 - social responsibility indicators				
Salary growth rate	116,00	106,10	100,00	77,55
Staff turnover rate	12,00	12,00	15,40	10,81
Coefficient of young specialists employment	1,73	0,80	0,67	0,61
Coefficient of Education growth	43,05	53,83	30,99	54,00
Coefficient of industrial injuries	73,33	170,67	88,59	44,21
Coefficients of staff social insurance expenses				
Coefficient per one employee	115,53	113,49	95,33	42,67
Coefficient of social expenses to net profit	4,73	2,15	1,06	1,74
Group 2 - social responsibility indicators to the citizens				
Coefficient of expenses on social support of the community	102,15	86,96	166,60	89,63
Coefficient of expenses on social support of the community to net profit	1,82	1,34	1,36	2,30
Group 3 - environmental responsibility indicators				
Coefficient of environmental protection expenses to net profit	6,46	6,30	1,92	4,25
Integral quality index	1	1	1	1
Final rating	**476,80**	**553,64**	**501,91**	**327,77**

According to the results of the study the most socially responsible company in 2013 was the company JSC "LUKOIL".

4. Conclusion

Finally, it should be noted that since the mid-2000's, the concept of integrated reporting began to be developed in the world. The integrated reporting brings together financial and non-financial information and reflects the ability of a company to create and maintain its value in the short, medium and long term [13]. The concept of integrated reporting is supported by over 80 global companies and 25 institutional investors included in the Pilot program of the International Integrated Reporting Council (IIRC). Among the participants are Danone, Deloitte, HSBC, KPMG, Microsoft, Coca-Cola, Unilever, Volvo and others. Only two Russian companies are involved in this program - State Corporation "Rosatom" and JSC "NK Rosneft". The participation of JSC "NK Rosneft" confirms the leadership of the Russian oil industry in the development and implementation of social initiatives and management innovations.

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