

CORPORATE SOCIAL RESPONSIBILITY IN ORGANIZATIONS OF THE REPUBLIC OF BELARUS: REVIEW OF PRACTICES AND ELABORATION OF METHODOLOGICAL INSTRUMENTS

Alesya Sharapkova - Elena Vankevich

Abstract

The economy of the Republic of Belarus has been developing new standards of doing business. In this respect the concept of corporate social responsibility (CSR) has widely distributed over the Belarusian business practices. Recently corporate social responsibility has been implemented at 47 Belarusian enterprises. Distinctive features of this implementation in Belarusian organizations which joined the Global Compact are the following: active social position (most of socially responsible practices are aimed at development of culture, education, sport activities, and support for certain social groups); focus on personnel development and training; local character of ecological measures and so forth.

A lot of enterprises haven't formalized the concept of social responsibility by the Global Compact; however, some elements of the concept are being implemented there as well. Alongside this, specific conditions of economic activity require more extensive implementation of CSR at Belarusian enterprises and adaptation of world standards of non-financial reporting to their operation. The investigation of implementation peculiarities of CSR principles at light industry enterprises of the Republic of Belarus has revealed that some organizations spend about 20% of their profit on social needs. However, a part of spendings is charged to cost of production which a priori brings down its price competitiveness. The investigation has also revealed a number of other disadvantages: Absence of connection with economic efficiency, low personnel awareness of the company's CSR, lack of social reporting. The authors of this paper have developed a model of social report for these enterprises which is harmonized with the International Standard of Non-financial Reporting GRI including the following directions: economic, ecological and social indicators (decent work, human rights, society, product liability).

Key words: corporate social responsibility, social effectiveness, quality of working life, standards of non-financial reporting, social report.

JEL Code: J 220, J 320, J 500

Introduction

The concept of corporate social responsibility (CSR) has become one of the key instruments of business development in contemporary conditions. In Belarusian business practices CSR is regarded as a code of business ethics and companies' voluntary contribution into environment protection and social programs beyond the minimum required by the legislation. Being aimed at foreign economic development, the Republic of Belarus has been gradually creating world standards of business conduct. In this respect, Belarusian practices of CSR have to be harmonized with international standards of social reporting. Thus, working hypotheses of the research can be formulated as follows:

- 1) the analysis of historical development and present day practices of CSR at Belarusian enterprises enables to determine the most actively used instruments and reveal characteristics and drawbacks in their implementation;
- 2) effectiveness of CSR instruments and their extensive use are closely connected with the economic efficiency of enterprises;
- 3) harmonization of social responsibility in the Republic of Belarus with foreign standards will lead to the extension of CSR practices in Belarus.

Empiric base for the research is presented by the social reports of Belarusian enterprises. In order to determine the relation between CSR and economic efficiency of an organization in-depth diagnostics of personnel was held at a light industry enterprise of the Republic of Belarus (JSC "Znamya Industrializatzii").

1 Development of the CSR concept in the Republic of Belarus, basic instruments and characteristics

In the Republic of Belarus focus on the CSR concept relates to the Belarus' joining the UN Global Compact (in 2005). Since 2006 Belarusian companies have been actively joining the Global Compact which means standardization of their activities according to the principles of CSR (in terms of human rights, labour relations, environment protection etc.) and social accounting. Three groups of enterprises demonstrated the greatest interest in joining to CSR:

- representative offices of foreign companies in Belarus (Japan Tobacco International (JTI), HEINEKEN, Coca-Cola HBS, etc.);
- export-oriented companies (JSC "BMZ - Management company of the BMK holding", joint venture company "Milavitsa" Ltd, etc.), for these companies see their commitment to social

objectives and social accounting of their activities as an additional marketing advantage in foreign markets.

– large manufacturing enterprises which inherited extensive social infrastructure from soviet period (JSC "BMZ", JSC "Pinskdiv" Ltd, JSC "Beltrubprovodstroy", etc.).

The analysis of CSR practices at Belarusian enterprises revealed the following important characteristics:

- 1) basic instruments of implementation are the following: collective employment agreement, fulfillment of social guarantees established by legislation, social package;
- 2) most Belarusian companies are characterized by the focus on the active social position in development of culture, education, and sport;
- 3) great attention is paid to support for vulnerable social groups: retirees, disabled, veterans of Great Patriotic War;
- 4) focus on training and development of employees is one of the key directions of internal social responsibility;
- 5) environment protection measures are very regional and incidental by their nature;
- 6) most of socially responsible companies adopt international standards of business conduct (ISO 9000, ISO 14000, SA 8000, ISO 26000, OHSAS 18000, etc.), coordinate their operations with the principles of ILO Convention;

The review of basic instruments of CSR implemented in Belarusian practice is shown in Table 1.

Tab. 1: The review of practical implementation of CSR by Belarusian organizations

CSR direction	Instruments of implementation	Leading enterprises
Labour safety	Compliance with labour protection and safety requirements established by legislation; measures on modernization of equipment, introduction of advanced technologies which comply with the international labour protection requirements; measures on minimization of harm to employees' health, including additional payments, provision of medical services. Employees are trained in labour protection, observation of safety rules is financially encouraged.	JSC "BMZ - Management company of the BMK holding", foreign LLC "Japan Tobacco International S&D", foreign JSC "Heineken Brewery" Ltd, foreign company "Coca-Cola Beverages Byelorussia", JSC "Savushkin Product"

CSR: University Builds Country, Prague, September 11 and 14, 2015

Wages and incentives	High level of wages in comparison with Republic's data, compliance with the lowest limit of wages of vulnerable employees groups, absence of arrearage in wages, wages growth, bonus payments. Job rating and job evaluation in compliance with Standard Wage-Rates and Skills Reference Book. Incentive payments and benefits are rendered to employees including part-time ones. Instruments of non-financial encouragement are broadly used.	JSC "BMZ - Management company of the BMK holding", JSC "MTBank" Ltd, foreign JSC "Heineken Brewery" Ltd, joint LLC "Mobile TeleSystems", JSC "Bank BelVEB"
Personnel development (selecting, hiring, evaluation, training, promotion)	It's considered as a part of HR policies. Basic instruments are: cooperation with educational institutions, provision of internship for students, job placement for undergraduates, arrangement of intercompany further training and retraining, work with succession pool, programs of attraction and adaptation of young professionals. A corporate social network is developed in order to develop feedback and monitor social and psychological climate and employees' opinions.	JSC "BMZ - Management company of the BMK holding", JSC "MTBank" Ltd, JSC "Itransition", foreign LLC "Japan Tobacco International S&D", foreign JSC "Heineken Brewery" Ltd, foreign company "Coca-Cola Beverages Byelorussia", joint LLC "Mobile TeleSystems"
Social protection and benefits package	Social protection is based on the Employment Law of the Republic of Belarus and reflected in collective employment agreements. All enterprises cooperate with trade unions. Social package of enterprises comprises supplementary benefits which aren't identified by the law: one-time allowances and gifts on the occasion of important dates and events in employees' lives; financial aid, interest-free loans or concessional loans (depending on the length of employment in the company), free medical services, reimbursement of mobile communication charges, free recreational and sports activities for employees and their families, free tickets for cultural events, etc. In most cases the benefits package correlates with the collective results of working activity.	JSC "BMZ - Management company of the BMK holding", JSC "Itransition", foreign JSC "Heineken Brewery" Ltd, joint LLC "Mobile TeleSystems", JSC "Bank BelVEB"
Social infrastructure	A lot of companies have retained social infrastructure objects as a part of their organization (dormitories, recreation centers, health and recreation resorts, cultural community centers, canteens, sports and recreation centers, libraries, museums, childcare centers, medical offices). In some cases housing construction subsidization (concessional mortgages) is used as an instrument of social infrastructure development.	JSC "BMZ - Management company of the BMK holding", JSC "Savushkin Product"
Ecological aspect	Here the instruments are innovative measures on energy saving, natural resources saving, waste handling, increasing of ecological health of certain areas. Certain companies ("Pinskdrv", "InkoFood", "BMZ") have adopted a complex environmental policy which is integrated into quality management systems, labour protection and social responsibility management. An additional instrument is the development of employees' environmental consciousness (including observance of principles of corporate system of environment protection) and that of local community	JSC "Beltrubprovodstroy", foreign company "Coca-Cola Beverages Byelorussia", JSC "Bank BelVEB", "Belintertrans" group of companies, JSC "MTBank" Ltd, JSC "Itransition"
Responsibility to consumers	Most of social reports pursue a marketing goal, hence they are consumer oriented. This is realized through arrangement of marketing communications, certification and product labelling. Socially accountable companies have introduced international quality standards (ISO 9000, EFQM).	JSC "BMZ", JSC "Itransition", foreign company "Coca-Cola Beverages Byelorussia", joint LLC "MTS"

Responsibility to community	<p>It is implemented through various actions focused on region's problems: backing of social infrastructure objects, social and cultural events; landscaping and gardening, buildings reconstruction. City-forming companies (events) are most active in this respect, their activities may include construction of important social infrastructure objects (hospitals; childcare, culture centers, etc.). Occasionally there are cases of redemption of loss-making enterprises in order to provide for their economic growth and social development. Certain social groups (veterans, retirees, disabled) are given financial aid and able to use services of social infrastructure objects of these companies on preferential terms. Great attention is paid to the development of feedback and monitoring of corporate image among the region's residents. In order to prevent corruption continuous monitoring and external audit are held to check the compliance with anti-corruption and anti-monopoly laws.</p>	<p>Private unitary enterprise "Center of System Business Technologies SATIO", JSC "BMZ - Management company of the BMK holding", JSC "Beltrubprovodstroy", joint LLC "Mobile TeleSystems", JSC "Savushkin Product", JSC "MTBank" Ltd, JSC "Itransition", foreign company "Coca-Cola Beverages Byelorussia"</p>
-----------------------------	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Source: Social reports of organizations of the Republic of Belarus¹²

The analysis of CSR in organizations of the Republic of Belarus has revealed the following features:

- despite the extensive use of CSR principles in operations of Belarusian companies, the services in the sector of social reporting and elaboration of social reports are underdeveloped, there is lack of professionals with necessary competencies and skills in the CSR field;
- consumers and employees see CSR only as philanthropy and sponsorship;
- lack of incentives established by legislation, which is the main reason of hampering development of CSR according to executives;
- high role of the government in development of CSR in economic area of the Republic.

The moral aspect of the Belarusian variant of CSR can also be considered its peculiar feature. Ethical codes are often used as value justification in companies' reports: Honor code of a member of the Business Union of Entrepreneurs and Employers, Charter of Corporative and Business Ethics of Minsk Capital Association of Entrepreneurs and Employers, Code of Corporative Ethics of Furniture Association "Pinskdrv", Code of Business Conduct of "Coca-Cola Beverages Byelorussia" Company, Code of Business Ethics of Brewery "Heineken", Ethics Code of Business Conduct, Economic Charter, Environment Charter, and Social Charter of "Byelorussian Steel Works", etc.

The Republic of Belarus is a social state and its policy, in general, is socially oriented. The subject matter of social responsibility is viewed through the relationship of the government and business in terms of solution of social problems, the government playing the leading role. The

¹² Organizations' social reports are presented on the web-site of the UN Global Compact in the Republic of Belarus [<http://www.globalcompact.by/>].

major part of social programs is realized by either joint support of both the government and business or by the initiative of business (Kronenberg & Bergier, 2012). At the same time there are no tax benefits or other instruments to support independent social activity of Belarusian companies which makes such practices incidental.

Fewer than 1% of Belarusian companies are recognized as socially responsible according to the Global Compact. A number of large enterprises, having retained traditions of administrative social policy, contribute to realization of social programs without declaring their involvement into CSR. In general, however, it is possible to speak about increasing level of awareness of Belarusian society of CSR. Underdevelopment of its institutional arrangement imposes necessity in training specialists and more active coverage in Mass Media (Egri & Ralston, 2008).

2 Social activity and reporting of Belarusian companies: economic aspect

A major obstacle to the development of CSR in the Republic of Belarus is the lack of a distinct connection between implementation of CSR and economic efficiency of businesses. Belarusian companies, suffering economic difficulties escalated as a result of world's financial crisis, tend to give preference to financial instruments of anti-crisis management. In such conditions personnel care becomes of minor importance despite of social objectives of the Belarusian government. Administrative economic methods of HR policies inherited from the soviet period, attitude to an employee as a human resource but not human capital, ineffective distribution of funds for employees and a tendency towards their minimization which is economically and socially unreasonable are major factors of slow development of CSR in Belarusian practice.

A major obstacle for development of internal social responsibility in Belarusian companies is low economic effectiveness of their activities. Liberal budget restrictions and government support enable to retain large loss-making enterprises and avoid layoffs of excessive personnel. In order to determine the relation between economic effectiveness of companies' activities and conditions of implementation of CSR principles in-depth diagnostics of personnel was held at a light industry enterprise of the Republic of Bealrus (JSC "Znamya Industrializatzii"). This revealed the following HR problems:

- high turnover rate of personnel (0.14), decreasing number of young professionals (by 11%), ageing of personnel (average age is 40 years);
- low wages, use of traditional systems of remuneration based on the Unified tariff system accounts for the low personnel motivation and equalization tendencies in remuneration;

- lack of incentive payments, established by the collective employment agreement, which are sourced from company's profit (rewards for an entry on the Recognition Board, for assistance in innovation, financial aid in honor of holidays, etc.);
- formalistic character of the personnel development system, lack of promotion programs, low effectiveness of training programs;
- simultaneous deficit and excess of employees characterized by the incongruous structure (deficit of high skilled workers and excess of unskilled workers and administrative and managing personnel).

The company's structure payroll fund comprises 85% of fixed wages and salaries, 7% of incentive payments, 5% of payment for non-worked time, and 2% of payment for social amenities. Costs for professional training and social payments comprise less than 1%. While the tax burden for 1 ruble of wages is comparatively high and makes up to 35% (pretax income). The social benefits package accounts for 30% in the structure of personnel costs. It comprises 70% (the biggest part) of compulsory levies to Social Protection Fund which are established by Belarusian legislation and are equal for all employees.

A high level of personnel costs (over 50% of production cost) is economically unreasonable and unable to ensure high levels of income and personnel motivation. It's caused by an excessive amount of personnel and the use of equalization systems of remuneration. Implementation of flexible forms of remuneration (methodological recommendations are developed by legislation in 2011) and differential social benefits package becomes one of the major conditions of social and economic effectiveness of employment at Belarusian enterprises. Eventually, the differentiable part of social benefits package can be presented by: 1) bonuses and money rewards (they account for 15% of personnel costs but are not perceived as a benefits package by the personnel for they are part of their wages); 2) cost of professional training, and social amenities (less than 4%).

Thus, a social benefits package does not correlate with the individual performance of an employee for most payments included in it refer to the payroll fund, which stipulates the following: firstly, high cost of production and low price competitiveness of an enterprise; secondly, low level of personnel motivation which perceives social payments as a part of direct wages but not as bonuses (Singhapakdi, Lee, Sirgy & Senasu, 2012; Lee, E., Park & Lee, H., 2013). Certain companies spending up to 20% of their profits on social needs, a high level of costs is not economically compensated.

3 Directions of harmonization of social reporting standards with international ones

The analysis of social reports of Belarusian companies revealed their marketing function. While it's difficult to say about their traceability or representativeness. The problem of elaboration of a uniform social report has been actual not only in Belarus. There are a number of recognized standards (AA 1000, GRI, SA 8000, ISO 26000, ISO 14000, etc.) in the world, however, a social report and its content are of voluntary nature which results in the problems of inconsistency and concealing of certain information (O'Connor & Spangenberg, 2008).

Belarusian business practices of CSR are barely consistent with international standards (Goedhuys & Sleuwaegen, 2013). Belarusian system of accounting and reporting is very tedious for harmonization with international reporting forms. There is a lack of social accounting and fixation of a certain set of data which are required by such standards as GRI, AA 1000. Certain companies (e.g. "Byelorussian Steel Works") are making attempts to execute social reporting on the basis of international standards. However, most of domestic reports yield little information which is presented in a descriptive manner without key indicators of social efficiency.

Within the frame of the research of social efficiency the authors compared key indicators of corporate social responsibility with traditional forms of reporting which are adopted in Belarusian business practice. The research resulted in elaboration of a model of social report which harmonized with the International Standard of Non-financial Reporting GRI and comprises economic, environmental, and social indicators (Costa & Menichini, 2013). Table 2 shows a concise variant of the list of indicators which are included into the social report of Belarusian enterprises.

Tab. 2: The structure of the social report of a Belarusian company harmonized with international standards

Indicator	Value of indicator
Economic aspect	
Volume of sales, work, services	
Provision for taxes payable and other compulsory levies	
Personnel costs	
Average monthly payroll	
Fixed capital expenditures	
Voluntary pension fund scheme	
Ecological aspect	
Electric power consumption	
Water consumption for technical needs in volume	
Air pollution	
Waste water disposal	
Wastes in volume classified by types	

Volume of wastes transferred to utilization	
Investments into objects of environment protection	
Social aspect	
The number of employees	
Turnover rate of personnel	
Turnover ratio of employees who left the employment by all reasons	
Coverage of employees by the collective agreement	
Accident rate	
Rate of delays due to illness by all reasons	
Labour protection costs	
Level of training costs	
Share of employees who undergo evaluation of performance and career development	

Source: Forms of reporting at JSC "Znamya Industrializatsii"¹³

The structural organization of the company's social report and its relation to economic indicators of company's operation indicates development of social responsibility in the company. In its turn, economic effect achieved due to additional marketing advantages enables to increase social effectiveness of employment.

Conclusion

The research allows us to make a conclusion about stunted introduction of CSR into Belarusian business practice mostly due to its weak relation to economic efficiency of company's activities. It's caused by retained equalization principles of remuneration development based on the Unified tariff system, lack of personification in development of social benefits packages in companies, retention of the excessive number of employees at a number of enterprises. Lack of standardization and implementation of social responsibility at the level of a single company's initiative still remains one of the serious issues. The solution of the specified problems will create conditions for extension of CSR practices in the Republic of Belarus which is the basis for companies' effective business.

References

- Costa, R., & Menichini, T. (n.d.). A multidimensional approach for CSR assessment: The importance of the stakeholder perception. *Expert Systems with Applications*, 150-161.
- Egri, C., & Ralston, D. (n.d.). Corporate responsibility: A review of international management research from 1998 to 2007. *Journal of International Management*, 319-339.
- Goedhuys, M., & Sleuwaegen, L. (n.d.). The Impact of International Standards Certification on the Performance of Firms in Less Developed Countries. *World Development*, 87-101.

¹³ Form №2 - profit and loss statement (supplement to balance sheet), 6-t (statement on payroll budget composition and other payments), 6-t (personnel) - statement on the number, composition and professional training of personnel, 1-is (investments), 4-f (invest), 4-f (expenses) - statement of expenses on production, enterprise's ecological passport, etc.

Kronenberg, J., & Bergier, T. (n.d.). Sustainable development in a transition economy: Business case studies from Poland. *Journal of Cleaner Production*, 18-27.

Lee, E., Park, S., & Lee, H. (n.d.). Employee perception of CSR activities: Its antecedents and consequences. *Journal of Business Research*, 1716-1724.

O'Connor, M., & Spangenberg, J. (n.d.). A methodology for CSR reporting: Assuring a representative diversity of indicators across stakeholders, scales, sites and performance issues. *Journal of Cleaner Production*, 1399-1415.

Singhapakdi, A., Lee, D., Sirgy, M., & Senasu, K. (n.d.). The impact of incongruity between an organization's CSR orientation and its employees' CSR orientation on employees' quality of work life. *Journal of Business Research*, 60-66.

Contact

Alesya Sharapkova

Vitebsk State Technological University

72, Moskovski Ave., 210035, Vitebsk, Republic of Belarus

Violetalisa@yandex.by

Elena Vankevich

Vitebsk State Technological University

72, Moskovski Ave., 210035, Vitebsk, Republic of Belarus

Vankevich_ev@tut.by