

Corporate Social Responsibility: The Principles and the Process of Integration into the System of Strategic Management

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Abstract

The article deals with corporate social responsibility as part of the formation of the company's strategy. The problem of linking the strategic management of social responsibility, which is the basis for long-term sustainable development of the organization, have a positive impact on the environment. In this connection, it clarified the essential characteristics of social responsibility of business strategy development reflecting its development, renewal of forms of representation and instruments of regulation of social activity. The principles of social responsibility, aimed at enhancing its integration into the strategic management system (multi-level development, the complexity of the implementation of the functional activities, variability management tools) were offered. The algorithm of the process of integration of social responsibility of business in the strategic management of the organization, which includes management tools for the selection of strategic priorities for the development of corporate social responsibility, was developed. For copyright management toolkit applies the matrix to determine the positioning of the organization in the coordinates of the “level of social responsibility of business - the degree of stakeholder involvement in the implementation of strategic objectives” and the Balanced Scorecard, which provides a link to strategic objectives in the field of social responsibility indicators for their achievement and tactical action based the extent of its integration into the system of strategic management.

Keywords: corporate social responsibility, strategic management system, strategy, Balanced Scorecard, management tools

1. Introduction

Currently, the social responsibility of business in Russia is developing in line with global trends, providing a long-term improvement in the company's business reputation, profitability and sustainable development. In difficult economic conditions, the role of social responsibility is increasing as the observance of its principles helps to reduce non-financial risks, and maintain social stability and the improvement of the social climate. This applies to both organizations with a large number of shareholders interested in the mobilization of financial resources on the capital market and small companies with a small number of shareholders.

However, most companies do not link their strategies in the field of social responsibility to give a long-term competitive advantage, and stakeholder engagement is assumed as a risk for management rather than as a process of co-creating value for business and society. It arises from the lack of a specific concept, mechanism of integration activities, and the lack of work on specific targets in the area of social responsibility in the context of the company's business strategy. Consequently, there is a need to develop scientific and practical recommendations on modeling processes integrating social responsibility in the strategic management of the organization. Investigation of the conditions of social responsibility of business integration in the strategy of organizations as a factor increasing their competitiveness and the implementation of a socially responsible policy in the area of presence is important for the understanding of the formation and improvement of management tools of socially responsible behavior.

The purpose of the study is to develop theoretical and methodological positions and the development of methodological tools for integrating social responsibility of business in the strategic management of the organization.

2. Literature Review

Social responsibility and sustainability have been widely researched in recent years; particularly there are various studies that have focused on these issues either in specific industries or in the worldwide economy (Riasi & Pourmiri, 2016).

Various researchers have put their content into the concept of corporate social responsibility. Thus, in the international standard ISO 26000 social responsibility of business is defined as “the organization responsible for the impact of its decisions and activities on society and the environment”, that is the social responsibility of business is seen as an obligation or necessity of organizing to pursue long-term socially useful purposes. This view is shared by some other authors (Bowen, 1953; Liborakina & Ivchenko, 2003). The second group of scientists believe that the social responsibility of business - is a voluntary response to the social problems of their employees, residents of the city, region, country, world, that is, laid-back contribution of business to society, directly connected with the main activities of the company, and beyond a certain minimum law (Russian Managers Association, 2003; Basharina, 2008; Holme & Watts, 2000). A third group of researchers see the social responsibility of the business end in itself and determine its behavior as a philosophy for sustainable development and conservation of resources for future generations (Lakhina, 2009; Zarubina, 1998).

Questions integrating social responsibility in the strategic management of the system considered in P. Drucker, M. Porter, A. Kostin, U. Blagov. Last author believes that “corporate social responsibility, understood as a rational response to the company’s system of conflicting stakeholder expectations for the sustainable development of the company, can be interpreted as an element of competitive strategy and strategic management as an independent concept.” Attempts to construct a social responsibility management system are contained in E. Feoktistova, O. Kanayeva, G. Belyaeva and others.

The most notable practical research in Russia in recent years in the field of corporate social responsibility are the materials of the Forum on corporate sustainability “RIO+20”, “Analytical study of corporate philanthropy companies in Russia” (2011), “Report on Social Investments in Russia - 2014: to create value for business and society”, the report “On the state of the business climate in Russia in 2014”.

3. Methods

The work is based on the known positions of stakeholders concepts of sustainable development, strategic management theory is based on the methodological basis of the system analysis in the social and managerial discourse is consistent with the modern methods of research, based on scientific publications on the integration of social responsibility in corporate governance, based on the statistical data and verifiable information.

In the article, the philosophical, general scientific, disciplinary and interdisciplinary methods and ways of knowing were used. Also, target-oriented, systematic and process approach, multivariate statistical classification methods (cluster, discriminant analysis), content analysis, the expert-analytical method and the method of focus groups were used.

4. Results

The study found that corporate social responsibility (CSR) as an area of research is much younger than his actual practice. Ordering of theoretical material on the evolution of its development showed that it includes elements of utopian socialism, social action, and classical liberalism and now presents a new management paradigm, aimed at ensuring long-term competitive advantage (Blagov, 2003). A general definition of corporate social responsibility led to the conclusion that social responsibility is a certain level of voluntary and conscious activities of the organization to address the economic, social and environmental issues for the benefit of personnel, local communities and society in general. In the context of our study, it appears as an element of a strategy aimed at solving economic, social and environmental issues, and focused on the external and internal environment of the organization. CSR, according to the authors, is characterized by:

- Strategizing development, by which, a system of controls based on the strategic balance between the interests of stakeholders is meant;
- Updating forms of presentation, focused on the development of external social responsibility through social investment, grant equivalent to financing socially significant marketing, philanthropy, corporate volunteering (Blagov, 2014);
- Improving the instruments of social control activities at national and corporate levels, which are determined by regulatory, compliance with the legal framework, organizational structure and relationships in the corporation are carried out according to the accepted rules and information and methodological support.

Current international standards of social responsibility and sustainability reporting in the field of sustainable development of the company provide its principles of effective interaction with their stakeholders (systematic, openness, social and others.). But they do not take into account the dynamic changes in the external and internal environment of the organization functioning (Kostin, 2012-2013). Therefore, we have updated and justified following the principles of corporate social responsibility, focused on intensification of integrating social responsibility in strategic management system:

- The principle of multilevel development. Its essence is expressed in the fact that social responsibility - is a differentiable category, consisting of several levels of development, depending on the degree of awareness of the need for social responsibility and the cost of it;
- Principle of complexity in the implementation of the functional activity involves coordinated activities for integrating social responsibility in strategic management for triple bottom line of sustainable development: economic, social and environmental;
- The principle of variability management toolkit suggests that integrating social responsibility has a variety of instruments, the choice of which depends on the management objectives, the resources available, the development of corporate governance, and the role of strategy in the company.

To ensure systematic management of the economic, social and environmental activities, aimed at balancing the interests of business and society, it is necessary, on the one hand, to know how to develop social responsibility of business in real time and what is the effectiveness of management actions in this area. On the other hand, a clear understanding the degree of its integration into the system of strategic management, and whether it is necessary to change something, depending on factors of external and internal environment.

In this regard, the authors propose an algorithm for the process of integration of social responsibility in strategic management. It features a clear alignment of action steps, their informative features offered by the range of possible methodological approaches to assess current practices and the development of management tools for the choice of strategic priorities for corporate social responsibility (Figure 1).

In the *first* stage, the analysis of the status and dynamics of socially responsible business in two areas: internal and external social responsibility. Identifies social needs of workers and their degree of satisfaction, investigated the flexibility of personnel management system, analyzes the following basic principles and values of the company recorded in the Corporate Code, etc. Particular attention is paid to study the implications of internal corporate social responsibility, a limited company space: increase in human resource capacity, improving the efficiency of its use, the creation of an enabling environment for employees' work.

Implemented estimation of industrial and environmental safety management systems, safety and labor efficiency reduces injuries and accidents at work places.

The study of foreign corporate social responsibility involves monitoring the socio-economic development of the territory of the company's presence and study of the factors that determine the level and quality of life.

The findings are connected with the assessment of production activity of the company's impact on the environment, taking into account the effect of all factors on its ecosystem, the consequences of the implementation of social projects in qualitative and quantitative performance indicators. A significant condition for the top management of the company's activities is the presence of permanent relations with the authorities and as a result sustained external contacts and communications as the key components of enterprise competencies.

At the *second* stage, the level of social responsibility of business is set in order to establish the effectiveness of the company's activities in this field, to identify "bottlenecks" and, ultimately, the company's positioning in responsible business practices.

In recent years, many researchers have devoted their work to the problem of the development of scientific and practical approaches and created methodological prerequisites for improving the management of social responsibility of business (Tovma, 2009, Kharitonova, 2006, Chumlyakova & Tonysheva, 2014). Techniques for evaluation based on various criteria were developed, whereby no method can be called a universal one.

The *third* phase is focused on defining the role of business in the areas of its deployment and its charitable activities, the *fourth* phase - on determining the degree of involvement of stakeholders in the implementation of strategic goals. The *fifth* stage is focused on establishing the degree of integration of social responsibility of business in strategic management and the definition of its development trajectory through the matrix of the author's corporate social responsibility (see Figure 2). Adjustment of social responsibility strategic objectives,

taking into account the interests of stakeholders carried out, is the focus of the *sixth* stage. Causal relationships between objectives in the context of “finance - customers - internal business processes - staff development” are identified and key indicators of corporate social responsibility in relation to the business profile for strategic stakeholders are developed in the *seventh* stage (see Figure 3).

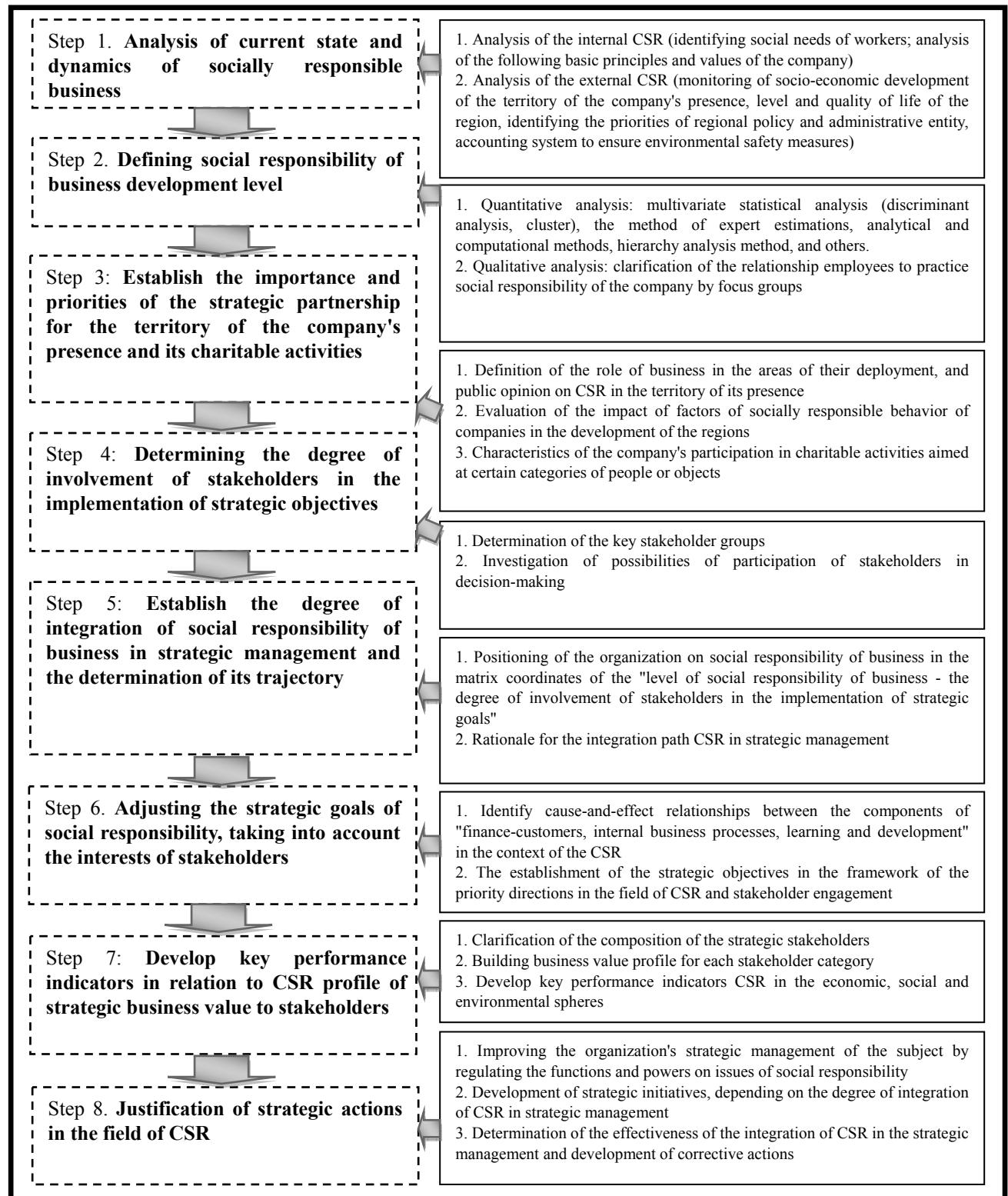


Figure 1. The algorithm of the process of integration of social responsibility of business in the strategic management of the organization

In the final, the *eighth* stage, strategic initiatives are justified, depending on the chosen path of integration of social responsibility in the management system to improve its effectiveness, and improved regulation of the functions and powers in the organizational structure.

The matrix of social responsibility, which positions the company in the coordinates of the “level of social responsibility of business - the degree of stakeholder involvement in the implementation of strategic objectives,” is the basis for the choice of trajectory: *dynamic integration*, which means the readiness of the organization to develop and implement a set of principles and social responsibility mechanisms, *selective integration*, focused on the development of certain areas, *the integration of stagnation* characterized by the unwillingness of the organization in any strategic decisions and *reverse integration*, aimed at reducing action on integrating social responsibility in strategic management (Figure 2).

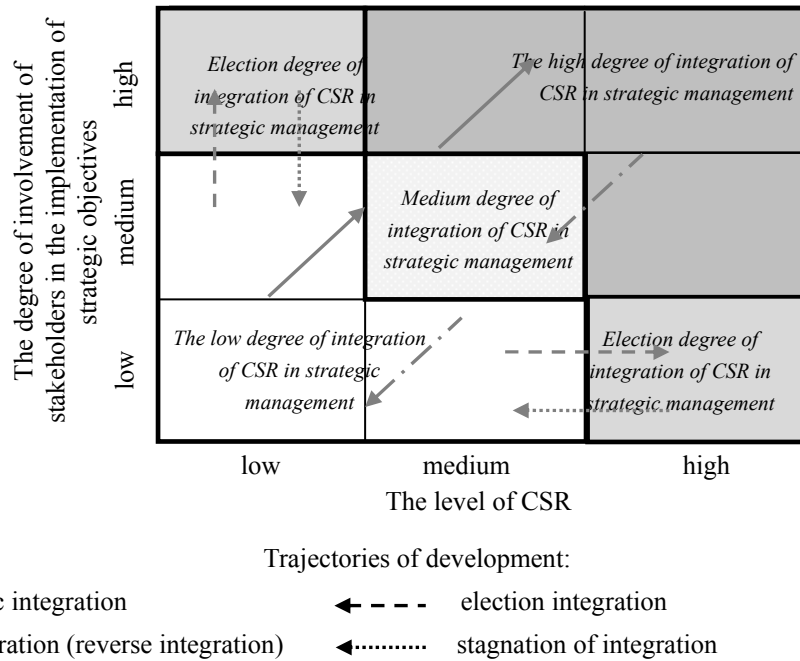


Figure 2. The proposed matrix of corporate social responsibility

The most important characteristic of the degree of integration of social responsibility in corporate strategy is meeting the goals of social development activities of the strategic guidelines of companies. The degree of achievement of the strategic objectives can be judged only when given some guidance with regard to the interests of strategic stakeholders. In implementing actions for integrating social responsibility into the business strategy of the organization, the formation of a balanced scorecard (BSC) (Kaplan & Norton, 2003) is proposed. A special feature of the BSC is that the interests of stakeholders in the context of financial, customer units, business processes, staff training and development, and in the context of social responsibility components, namely the formation of the social package, the activities in the places of deployment and charitable activities. The total of the means of formation of the BSC in the system are shown in Figure 3.

The proposed system provides the key indicators linking strategic objectives, quantitative indicators of their achievements and tactical actions in the field of social responsibility.

Thus, the considered tools of business activity focus on those key areas that in the current conditions will have the greatest positive impact. This will adjust the strategy for sustainable development and minimize non-financial risks associated with the company’s interaction with its stakeholders.

<i>Blocks BSC</i>	<i>The strategic objectives of the company</i>	<i>Indicators</i>
Financial	<div style="border: 1px solid black; padding: 5px; text-align: center;">Maintenance of economic stability of the organization activities</div> <div style="display: flex; justify-content: space-around; margin-top: 10px;"> <div style="border: 1px solid black; padding: 5px; text-align: center;">Reduction of financial risks</div> <div style="border: 1px solid black; padding: 5px; text-align: center;">Obtaining long-term competitive advantage</div> <div style="border: 1px solid black; padding: 5px; text-align: center;">Maintaining the company's reputation</div> </div>	<ul style="list-style-type: none"> • Social Investment Index • The proportion of investment in fixed assets • economic profit • Sustainability Index company growth • increase in the volume of social investments for 1 rbl. profit
Client	<div style="display: flex; justify-content: space-between;"> <div style="border: 1px solid black; padding: 5px; text-align: center;">Forming a pool of potential customers and employees</div> <div style="border: 1px solid black; padding: 5px; text-align: center;">Maintaining corporate citizenship initiative</div> </div> <div style="display: flex; justify-content: space-between; margin-top: 10px;"> <div style="border: 1px solid black; padding: 5px; text-align: center;">Formation of understanding with partners</div> <div style="border: 1px solid black; padding: 5px; text-align: center;">Quality customer satisfaction</div> </div>	<ul style="list-style-type: none"> • the number of charity programs to support the local community on the territory of present • expenditure on sponsorship and charitable activities of the company, aimed at certain categories of people or objects • Customer Satisfaction Index • the number of new customers • the number of lost customers
Internal business processes	<div style="display: flex; justify-content: space-between;"> <div style="border: 1px solid black; padding: 5px; text-align: center;">Mitigation of negative impacts on the environment</div> <div style="border: 1px solid black; padding: 5px; text-align: center;">The development of an integrated system of occupational health and safety</div> </div>	<ul style="list-style-type: none"> • investment in the quality management system • the percentage of current expenditures for environmental protection in production costs • the pace of emissions reduction • the rate of specific growth of investment in environmental protection and the reduction of harmful effects
Education and development	<div style="border: 1px solid black; padding: 5px; text-align: center;">Strengthening of corporate culture and employee loyalty</div> <div style="display: flex; justify-content: space-around; margin-top: 10px;"> <div style="border: 1px solid black; padding: 5px; text-align: center;">Respect for the interests of the employee, taking care of his health and safety</div> <div style="border: 1px solid black; padding: 5px; text-align: center;">The use and improvement of the basic professional competencies of employees</div> </div>	<ul style="list-style-type: none"> • strategic factor retraining of staff • the average salary increase • the value of investments in improving the competence of personnel • Equity in additional pension and social insurance of employees • Equity in health care • Employee Satisfaction Index

Figure 3. The Balanced Scorecard CSR

5. Discussion

In the context of dynamic external environment strategic management, this has a long-term sustainable development guide the organization to be more viable. Thus, the global financial crisis has shown the inefficiency of those companies in which short-term goals (to maximize profits) prevails over long-term goals. Social responsibility must lie at the heart of the grand strategy and be aimed at the prevention of business risks. But the most important part of socially-oriented strategy, according to P. Drucker, is that “social responsibility converts social problems into economic opportunity and economic benefits in the production facilities, personnel competence, well-paid jobs and, finally, the wealth” (Drucker, 1984).

The current stage of development of Russian business objectively requires the linking of strategic management with social responsibility, which is the basis for long-term sustainable development of the organization, have a positive impact on the environment.

The proposed algorithm of the process of integration of social responsibility of business in the strategic management of the organization is based on the following assumptions.

First, the main purpose of the organization is not only profit, but also the development of business in the public interest - the creation of useful and high-quality products and services, personal development, providing jobs, contribution to social development. Customers, suppliers and other economic entities are treated as a person with whom the interaction is built on the principles of honesty, openness and mutual aid. Taking into account the strengthening of mutually beneficial relationships with stakeholders, a strategy that meets long-term interests of the company is being developed.

Secondly, the impetus for the creation of a socially-oriented strategy should be the desire of leaders to create benefit for society, rather than pragmatic reasons. If the implementation of this strategy focuses on the PR-effect, that all relationships are illusory: in a crisis situation due weaken and cause conflict. On the other hand, to improve the image and reputation, capitalization growth is favorable consequence of the implementation of socially responsible behavior.

Third, the strategic management of the new conditions of the market economy - is the management of an open socio-economic system. Business should focus on the development of the infrastructure of the local community, to strengthen relations with state authorities and local self-government, expecting them to support and providing them with mutual support. In this case, the organization will enhance both their sustainability and ensure the stable functioning of society as a whole.

In modern conditions the integration of social responsibility in strategic management system is constrained by economic and political conditions (currency volatility, unavailability of borrowed funds, non-payment by the counterparty), which adversely affect the interaction with stakeholders, forcing businesses to reduce investment programs, restrict and release the jobs. In this context, to counter the crisis and the subsequent creation of the preconditions of production suitable to develop rational and comprehensive actions on the basis of partnership between business and government:

- conclusion of the socio-economic co-operation agreements between the company and the regional authorities in order to maintain social stability and human welfare;
- conduct grant competitions of social projects;
- implementation of programs for training and development for the purpose of continuous training, job rotation, targeted training for professional and career growth;
- preventive measures for the protection of the environment at all stages of the production cycle, and others.

6. Conclusions

Clarification of the essential characteristics of social responsibility of business and studying its principles develops the theoretical and methodological aspects of corporate social responsibility as a component of strategic management, revealing the possibility of its integration into the strategic process.

The algorithm processes integrating social responsibility into the organization's strategic management system based on the improvement of the strategic management of its enrichment by the principles and norms of socially responsible behavior. Total content is enhanced with authoring template of corporate social responsibility to determine the potential integration into the system of strategic management and the choice of path of development, and balanced scorecard modeling, aimed at the achievement of socially significant results.

Proposed in the study of scientific and practical guidance on integrating social responsibility of business in strategic management can be the basis for study of business strategy implementation mechanism for companies in various fields of activity for their economic and competitive advantages.

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