

## Corporate Strategies for Sustainability: the Experience of Leading Russian Companies

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### INTRODUCTION

At a glance the very idea of sustainability continues to be one of the keystones of the long-term positioning of leading Russian companies in society. Nevertheless, many of them are looking for more pragmatic and profit-oriented corporate strategies for sustainability (corporate sustainability) or just waiting for new theoretical insights or practical impulses on the crossroad. These developments are generally in line with the global trend emphasized in 2012 Rio+20 Corporate Sustainability Forum: “Despite progress, corporate sustainability has not penetrated the majority of companies around the world, nor have we seen the depth of action needed to address the most pressing challenges. To reach scale, economic incentive structures must be realigned so that sustainability is valid and profitable” [Advancing Innovation. 2012. P. 8].

In search for such “structures” scholars try to reintroduce the idea of value creation for business and society and go through the debates on creating value for multiple stakeholders [McWilliams & Siegel, 2001; Freeman, Wicks, Parmar, 2004] and for the stakeholders network [Post, Preston, Sachs, 2002], creating shared value (CSV) via resolving societal problems [Porter, Kramer, 2011], and creating integrative value (CIV) in connection to the global sustainability issues [Visser, Kymal, 2014] among others. Number of leading Russian companies, including the so-called “Russian MNCs”, are actively introducing the respective terms and approaches in their vision and mission statements and trying to develop the necessary KPIs and managerial routines. They have already passed the stage of unsystematic and barely controlled social investments and

have been working on their business processes in order to strengthen responsible leadership within the organization, communicate it among the stakeholders and share it with the followers. But at the same time the real process of developing corporate strategies for sustainability through the lenses of creating value is quite specific, clearly reflecting the national economic and social circumstances.

### METHODS AND DATA

In 2012-2015 the PwC Center for Corporate Social Responsibility at St.Petersburg University Graduate School of Management (SPbU GSOM) has been leading two continuing nation-wide research projects in the field of corporate sustainability: “Report on Social Investments in Russia” (release of 2014: “Creating value for business and society”) conducted in cooperation with the Russian Managers Association [Doklad o sotsial’nykh investitsiyakh v Rossii — 2014, 2014] and the “Report on Corporate Philanthropy in Russia” (releases of 2012 and 2015) settled on survey data collected from participants of the national “Corporate Philanthropy Leaders” award competition [Blagov, Savchenko, 2012; Blagov, Petrova-Savchenko, 2015]. These projects covered about 80 leading Russian companies from different industries which tended to be the national champions in all sustainability/CSR-related activities. These activities are studied through questionnaires, deep interviews and corporate documents disclosure and analyzed in accordance with the concept of corporate social performance as a set of CSR principles realized in the managerial processes of corporate social responsiveness which bring measurable outcomes of the responsible corporate behavior. The sustainability concept can be

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embedded into “principles”, “processes”, and “outcomes” (triple bottom line). The evolution of the methodology, the variety of sectors, and relatively low repetition of participants make it difficult to claim that results of these studies are representative for Russian business as a whole. Nevertheless, these investigations provided a chance to describe and systematize the experience of Russian companies that publicly position themselves as socially responsible ones, and present the “best practices” of sustainability.

## FINDINGS

As it was pointed out in the conclusion to the “Report on Social Investments in Russia 2008,” corporate social performance of leading Russian companies “is generally in line with the global trend of CSR principles being integrated into corporate strategy and the transition to social investments ideology matching the long-term interests of both society and business” [Report on Social Investments in Russia 2008. 2008. P. 8].

The data presented in the above mentioned reports for 2012–2015 in general supported this fundamental conclusion but have led to the following particular findings in the field under review:

1. Even the formal commitment to the sustainability orientation is not typical for the majority of leading Russian companies. Only 17% of them follow sustainability-based ISO 26000 guidelines. It is significant that about 40% created original CSR definitions, but only 55% of these definitions included the inter-connected economic, social and ecological concerns as a very sense of sustainability/corporate sustainability.
2. The development of corporate strategies for sustainability in Russian business is becoming more oriented toward obtaining competitive advantages through value creation for business and society. Nevertheless, the value creation process is usually fragmented both in conceptual and managerial sense and not necessarily results in sustainability/corporate sustainability KPIs.

3. Implementation of new strategic approaches to sustainability is largely hindered by the deeply-embedded view of corporate social performance as a source for maintaining reputation through social value creation (60%) rather than for gaining long-term competitive advantages (47%) and creating shared value (42%). In such context the responsible innovations offered by these companies are mainly limited by the unclear “social innovations” (62%) rather than connected with the process-, product-, or marketing ones.
4. Leading Russian companies usually create particular strategies for corporate philanthropy (95%) with a purpose to create social value for multiple stakeholders (88%). In many cases these strategies actually substitute the officially proclaimed corporate “CSR strategies”. Paradoxically, some companies (34%) have been trying to connect these efforts with the competitive advantages through transforming their traditional philanthropic projects into multisided networks, for example, to develop social entrepreneurship in cooperation with the NGOs and local governments.
5. The Global Reporting Initiative (GRI) standards for sustainability reporting have been used by 46% of leading Russian companies. On the other hand, only 48% of these companies present non-financial reports as such. The Integrated Reporting is just started in Russia (11% of responding companies) but companies interpret this option as a substitute for the sustainability reporting rather than its development. It is also worth noting that only quarter of the companies use their non-financial reports in order to correct the direction and volume of social investments for the next period.

## CONCLUSIONS/RECOMMENDATIONS

The studies demonstrated that the existing system of business approaches to and government support of sustainability barely take into consideration the identified findings. To solve these issues we can propose the following recommendations:

1. View (and promote the very idea of) corporate social performance as an integral “portfolio” which not only helps to address societal problems/create social value, but also provides companies with sustainable competitive advantages through creating value both for business and society.
2. Actively introduce the sustainability-based ISO 26000 guidelines into companies’ strategies and managerial routines in order to integrate sustainability into corporate governance system, and develop periodic GRI sustainability reporting or Integrated Reporting.
3. Maintain an open dialogue between business community and government on how jointly to tackle the current economic, societal and environmental problems of Russian society, focusing on the ways to reciprocally rewarding public-private partnership.
4. Further disseminate “sustainable development” ideas through educational system, governmental entities and NGOs, and the media.

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