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Gagalyuk, Taras; Hajdu, Anna

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Why Do Farms in Russia Engage in Corporate Social Responsibility? An Assessment of Survey Results

by Taras Gagalyuk and Anna Hajdu

(both Leibniz Institute of Agricultural Development in Transition Economies—IAMO, Halle/Saale)

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Abstract

This article presents the results of an analysis of the institutional, organizational and individual (personal) drivers of socially responsible activities of Russian agricultural enterprises. Assessment of the results of a farm survey in Russia reveals notable positive effects of farm size (in terms of land area), access to local labor, and insecure land use conditions on enterprises' engagement in corporate social responsibility (CSR) activities. Moreover, individually owned farms tend to have more CSR affinity than corporate farms. Additionally, livestock-specialized farms are more likely to engage in CSR than pure crop-producing farms.

Multilevel Nature of CSR Motivations

CSR is generally considered to be a firm's action that appears to further some social good beyond the interests of the firm and beyond that which is required by law. Recent empirical evidence suggests that farming enterprises in the former Soviet Republics increasingly conduct various CSR activities. For instance, commercial farms in Russia have been found to sponsor social infrastructure and services, such as clearing roads from snow and supporting schools and culture clubs. In addition, farms invest in improvements of rural technical infrastructure: roads, electricity lines, and water and gas pipelines. Based on these findings, CSR in the agriculture of Russia can be generally defined as the social and technical infrastructure provided by farms in rural areas. This is in line with a broad consensus among CSR researchers that context-specific definitions of CSR have become increasingly relevant. However, it is rather unclear why agricultural enterprises in Russia engage in these seemingly economically unrewarding activities.

Existing research suggests that, in general, the likelihood of enterprises' engagement in CSR activities is shaped by the factors arising at different levels, namely, institutional, organizational, and individual levels. At the institutional level, CSR is a way to respond to the pressures of legitimacy and power that society grants to businesses. At the organizational level, it represents public responsibility for problems and social issues that derive from business operations and interests. At the individual level, CSR is characterized by managerial discretion or the morality of managers. Thus, understanding the reasons for CSR engagement requires a multilevel analysis, a task that has rarely been undertaken or accomplished before. The present article presents the results of a unique research effort that employed a multilevel approach to study the drivers of

farms' social engagement at different CSR levels in Russia¹. Prior to proceeding to the research results, we provide background information on the institutional preconditions for farms' interactions with rural society in Russia.

Farms' Social Engagement in Russia: Historical and Contemporary Developments

Historically, a symbiosis between large-scale collective farms and small-scale rural households existed in all Soviet Republics. In addition to being a major source of food and agricultural products for the urban population, the Soviet Republics' large-scale farms were nearly exclusive employers for the rural population. While being a cornerstone of the Soviet rural economy, collective farms also maintained a tight 'informal contract' between large-scale producers and the rural population. Economically, such symbiosis implied (and often forced) a flow of labor from rural households to farms. However, in exchange, workers gained wage top-ups and subsistence farming support that was informally encouraged by the collectives. Due to this symbiosis, the rural population received secure employment and gained access to production inputs such as seeds, fertilizer, and machinery. In the long term, such symbiosis provided rural communities with secure employment, social services (education, medicine, legal services, cultural life, etc.) and infrastructure (roads, post office, electricity, water, sanitation, energy resources, etc.).

The end of the Soviet era and ensuing farm restructuring dismantled this social contract. No central planning office forced the agricultural enterprises to continue their social obligations anymore. Legislation entrusted local authorities with the task of providing social, cultural, entertainment, and servicing facilities, tasks that had previously been done by collective farms, while some facil-

1 The original study is based on the analysis of survey results conducted for farms in Russia and Kazakhstan. This article presents the results only for Russia although our findings did not differ much between Russia and Kazakhstan.

ities were privatized. However, central governments did not provide sufficient financial resources to allow local authorities to meet their new duties. As a result, many social facilities were closed, whereas privately owned facilities adopted a commercial orientation with higher service charges that took them out of reach for average rural people. With decollectivization and privatization, a substantial share of the rural population became unemployed. Increasing migration of the economically active population to urban regions and an increasing mortality rate among elderly individuals within the rural population have emerged as a consequence. At the same time, land market reforms enabled millions of rural inhabitants to become private landowners of small farmland plots, which they could either use for their own agricultural production or lease out to (now privatized) farms, thus improving their own income.

As a result of these transformations, farming enterprises, i.e., now privately owned individual/family and corporate farms, face a number of economic and moral challenges. From an economic perspective, farms are particularly threatened by a deficit of farm labor caused by growing outmigration and ageing of the rural population. In addition, access to farmland as a production factor is associated with high transaction costs induced by the need to manage numerous lease contracts with small-holder landowners. From a moral perspective, farms are confronted with high societal expectations. Empirical evidence shows that rural communities, farm employees and local authorities demand various forms of social support from farming enterprises in Russia. In part, the reminiscences of the abovementioned symbiosis between collective farms and rural households that existed during Soviet times drive these expectations. However, new expectations of the farming sector have also arisen in the transition period as a result of worsening living conditions in rural areas. Overall, these developments provide the baseline for farms' motivations to engage in a broad range of CSR activities in Russia. However, the exact institutional, organizational and managerial determinants of farms' CSR aspirations, as well as the magnitude of their effects on actual CSR implementation, remain largely undisclosed and, therefore, require more in-depth scrutiny.

How Farms' CSR Engagement in Russia was Analyzed

The subsequent analysis draws on survey data collected from a sample of 600 agricultural producers in Russia. Questionnaires were administered among randomly selected farms in five regions (Belgorod, Ryazan, Stavropol, Altai Krai and Novosibirsk). These regions were purposively selected for data collection to capture the diversity of the main agricultural regions in Russia, inside and outside of the Black Earth Region, as well as in the European and Siberian regions.

To determine whether a farm participates in CSR activities, we asked the respondents four questions to inquire whether their farm conducts CSR activities targeting the development of (1) the local community, (2) rural inhabitants, (3) physical infrastructure, or (4) social infrastructure. Each question allowed for Yes/No/Don't know answers. Based on the four questions, we constructed a dependent variable 'conducts any CSR activity', which takes the value of 'Yes' if any of the four CSR variables states 'Yes'.

The remaining part of the questionnaire included questions that aimed to identify the institutional, organizational and managerial (personal) determinants of farms' CSR engagement. The institutional-level questions concerned farms' actual figures and farmers' perceptions of access to land, labor and capital as well as farmers' assessment of the strength of existing institutions. At the organizational level, the survey inquired about farm size, ownership (legal form) and specialization (crop vs. livestock production). Finally, at the managerial level, the survey collected data on the sociodemographic characteristics of farm managers: age, gender, and education. To test the effects of all these indicators on farms' likelihood of CSR engagement, we assessed the survey data using a logistic regression model.

Determinants of Farms' CSR Engagement

The results of the analysis at the institutional level show that primarily the risk of losing farmland, dependence on sourcing of local labor and, to a lesser extent, farm credit constraints make farms decide to engage in CSR activities. These findings point to turbulence within the local institutional environment in which farms operate. At the same time, farmers' perceptions of the strength of general institutions are not an important driver of CSR. For instance, farmers' trust in the courts' conflict resolution capacity has no statistically significant effect on farms' CSR engagement.

Our results at the organizational level show that the likelihood of CSR engagement increases with growing farm size. Farms that both lease and own larger land areas are more likely to engage in CSR. Previous research has underlined land lease as a factor that makes farms conduct CSR to address the uncertain lessee-landowner relationships in transition countries. Our novel finding is that a farm's ownership of land increases the likelihood of the farm's CSR. On the one hand, this result points to a potentially positive effect of farms' embeddedness within local communities through land ownership. On the other hand, the effect of land ownership has to be juxtaposed with a strong effect of land use insecurity at the institutional level, which implies that landowners may fear losing land just as land lessees do.

One possible reason for this finding is the presence of individual farms in our sample. In contrast to corpo-

rate farms, individual farms operate mainly on their own land. They are considerably smaller and have less power in the land market than large corporate farms, and thus, they may be concerned about the resilience of their own operations. To this end, our results demonstrate that individual farm ownership makes farms' engagement in CSR more likely than corporate farm ownership. Our analysis also shows a lower likelihood of CSR engagement by farms with a greater value of assets. We relate this result to the need of farms with large asset endowments to commit vast farm resources to maintain and operate those endowments, which reduces the possibility of using resources for other purposes, e.g., CSR. In addition, investments in those assets are mostly credit-financed, which makes farms spend additional resources to service debts.

Another farm-level characteristic—the share of livestock production on a farm—is positively associated with CSR engagement. More CSR in livestock-producing farms can be attributed to their role as an 'infrastructure improver' in a region. Associated with high capital

intensity, livestock farms attract a large volume of state subsidized investments to build new production facilities. These construction works involve not only farm buildings but also access roads, electricity lines, wastewater disposal and sanitation facilities. Another reason why livestock farms would engage in CSR is their closer consumer proximity than that of pure crop farms. Livestock farms, especially in Russia, are often vertically integrated with processing facilities and produce foodstuffs, such as processed milk and meat products, under their own brands. Along with infrastructural improvements, these enterprises may engage in explicit CSR activities to gain a positive public image for their brands.

Surprisingly, the study has not found any significant effects of managerial-level indicators on farms' CSR engagement. This result suggests that farms engage in CSR regardless of their managers' age, gender and educational characteristics. Using a different set of managerial-level indicators in studying farms' CSR in the future may produce more insightful results.

About the Authors

Dr. *Taras Gagalyuk* is a research associate in the Department Structural Change at the Leibniz Institute of Agricultural Development in Transition Economies (IAMO) and heads the LaScalA project. The International Competence Center 'Large Scale Agriculture in Developed and Transition Economies' (LaScalA), funded by the Leibniz Association, is an international network of scientists and young researchers. Gagalyuk's research addresses entrepreneurial strategies and the organization of agroholdings with a regional focus on Eastern Europe, Central Asia and Latin America. The results of his research have been published in the *European Review of Agricultural Economics*, *Agribusiness: An International Journal* and *International Food and Agribusiness Management Review*.

Anna Hajdu is a PhD student in the Department Structural Change at the Leibniz Institute of Agricultural Development in Transition Economies (IAMO) and has a master's degree in environmental and resource management from the Vrije Universiteit Amsterdam (VU Amsterdam). Within the LaScalA project, she conducts research on the social responsibility of large farms and agroholdings in Eastern Europe, Central Asia and Latin America, on discourses of social movements and their ethical and social effects. Her research results have been published in *International Food and Agribusiness Management Review* and *Sociologia Ruralis*, among others.

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Further Readings

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