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**THE ASSESSMENT OF CORPORATE SOCIAL  
PERFORMANCE EFFECTIVENESS:  
RUSSIAN CASE**

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***Abstract***

*The research is devoted to a problem of assessment the effectiveness of social investments and Corporate Social Performance (CSP). We offer the original methodological approach to assess the effectiveness of CSP and social investments based on the conducted analysis. Qualitative and quantitative methods were used in the research. In our approach the effectiveness combines: the result (effect) of actions depend on goals that were set, comparison of the result and recourses invested (economy), comparison of goal setting and problems, including social problems, that can be solved (advisability). Moreover the approach considers the importance of both results for the subject and for the object of social investments (for business and for society). We focus on measurement not just social or economic effectiveness but social-economic performance. The methodological approach has been approved in the course of research included more than forty Russian companies. Approbation of the methodological approach proved the correlations between social investments costs and financial and reputation performance indicators. The offered methodological approach allows companies to realize self-assessment of CSP effectiveness, to highlight the priority departments and indicators of social investments, to improve corporate social strategy, to be prepared for Public Ratings / Contests on CSP. In addition, this methodological approach can be used for internal assessment of social*

*investments effectiveness that can improve planning of rational social investments. The presented methodological approach of assessment of CSP effectiveness opens an opportunity to compare the effectiveness of CSP of different companies of a region or industry.*

**Keywords:** *corporate social performance, social investments, CSR assessment indicators*

## 1. INTRODUCTION

Corporate social performance (CSP) is an activity that is focused on achievement of social welfare, environmental protection, care of employees, and other invested parties: consumers, suppliers, shareholders, investors, community groups, government etc., outside legal and economic commitments of the company (Holme and Watts, 2000). CSP is puzzled from certain internal and external social investments (socially responsible investments) in different spheres. So, internal and external accountability can be distinguished within CSP.

Internal social investments are limited by a company's space and is usually directed to its employees as well as the development of corporate culture. It assumes creation of flexible control structure of system interaction within an organization. This structure is based on records of the social needs of employees and is built in accordance with the social strategy of an enterprise. The adoption and adherence to social obligations, norms and values of both managers and employees are also related to internal CSP. External social investments focus the company on local communities and the development of the territory in which it conducts its business, also it includes ecological responsibility. This responsibility goes to the society and the external contact groups (consumers, investors, shareholders, government, community organizations, and the media).

The world practice demonstrates the possibility of the existence of different models of CSP. The American model assumes a minimal governmental involvement and gives maxim freedom to other members of the social processes. Companies are free to determine the direction and the size of the social investments as the government only encourages the most socially important directions through the mechanism of tax regulation. A fundamentally different approach has developed in continental Europe: the government implements the most significant social projects, which are funded by extremely low tax rates. The UK model is based on a synthesis of elements of the American and European models. The Japanese model of CSP focuses on the formation of social cohesion at the company level and business cohesion at the production team level.

The Russian approach to CSP has serious specificity, on the one hand, it depends on the influence of the government regulation experience of the social sphere as part of the administrative-command system and, on the other hand, it follows the spontaneous market practice of the 1990-s. In the West, where civil society has a real impact on business arrangements, the main driving force of

CSP is nonprofit organizations that shape public opinion.

The absence of a strong civil society in many ways complicates the process of CSP development in Russia. This leads to important differences in the strategies of constructing the interaction with different categories of shareholders. Companies pay more attention to work with categories of consumers, non-profit organizations and local communities in Western models of CSP. In contrast, Russian companies are more focused on the inner circle of shareholders: employees, owners and local authorities.

## **2. CSP POSITIONAL BENEFIT**

Corporate Social Performance, on the one hand, allows the company to build a constructive dialogue with various groups of society and, on the other hand, it is an effective tool of self-development of the company. CSP cannot be called altruism. The companies reduce profits by investing into social programs, but in the long run they create a favorable social environment that builds a base to receive stable profits in the future.

Positive effects of social investments, that are the most frequently noted in the study, include: reputation; the investment attractiveness of the company; increasing the possibility of new job openings and retaining highly skilled employees (Bagnoli and Watts, 2003; Orlitzky and Benjamin, 2001) the improvement of relationships between workers; creation and maintenance of the brand (Heal, 2005). In addition, the implementation of CSP allows the company to obtain the following reputational and economic benefits:

- the attraction of media attention, which provides additional advertising support to the business at no cost;
- an increase in confidence and the creation of positive opinions among the targeted audience of customers, governmental agencies and the general public;
- an increase of loyalty in existing customers as well as the attraction of new customers;
- a competitive advantage in the market in comparison to other companies;
- the expansion of possibilities for more favorable contracts with partners and suppliers;
- the acquisition of better terms in the negotiation process with authorities;
- the strengthening of personal contacts;
- a reduction in the cost of transactions by reducing the administrative resistance to conclude contracts;

- an increase in the competence and professionalism of employees;
- the growth of labor productivity;
- a reduction in the cost of recruitment and management of staff;
- the growth of economic indicators such as income, financial stability, shareholders' capital, and the sustainable development of business as a whole.

A number of Western researchers argue that social business activity and rationally organized and socially responsible investments may provide much more communication and may have a greater economic impact than traditional methods like increasing the effectiveness of advertisement, sale promotions, etc. (Weiser and Zadek, 2000).

### **3. TECHNIQUE OF ASSESSMENT OF CSP EFFECTIVENESS**

Authors of the article offer original methodological approach to assess the effectiveness of CSP. Qualitative and quantitative methods were used in the research.

Effectiveness here combines: the result (effect) of actions depend on goals that were set, comparison of the result and recourses invested (economy), comparison of goal setting and problems, including social problems, that can be solved (advisability). So, the approach considers the importance of both results for the subject and results for the object of social investments (for business and for society). We focus on measurement not just social or economic effectiveness but social-economic performance (Drucker, 2002; Mangeim, 1943; Simon, 1959).

Technique of assessment of CSP effectiveness bases on analyzing of the dynamic of CSP indicators (certain social investments indicators) and performance indicators, both material and immaterial. Points system was used for the distribution of the importance of the indicators that helped to transfer qualitative data into quantitative data. An approach concedes comparison of the preferable results (basic points) with actual results (actual points), depend on the dynamic of indicators before and after a time period (a year, for example). So,  $\text{dynamic (\%)} / 100\% * \text{basic points} = \text{actual points}$ .

To determine the significance of the chosen indicators (basic points), the authors did a survey of three groups of stakeholders and shareholders opinion and counted the mean in points. Opinion of business owners and social expectations of its stakeholders, also opinion of experts in CSP and external factors (social, political, social-economic and cultural environment) formed the significance of these indicators in points, in particular, qualitative analyses of documents and experts interview (importance for society) (group 1) and interviewing of business owners (group 2), employers and main partners (importance for business) (group 3). The mean between points of these groups can give the optimal basic points than can be used for the assessment. It provides an opportunity to overcome the limitations

of controversial/subjective results of distribution of indicators' significance that we face in most approaches presented in the article (Chen and Delmas, 2011; Hillman and Keim, 2001; Ruf et al, 1998; Turker, 2009; Waddock and Graves, 1997).

Using this approach for self-assessment of CSP inside the company 5-points system can be chosen as difference between points (opinion of respondents) shouldn't be very big. If the approach is used for the Public Rating or Contest of business social practices/social investments considering comparison of different companies on certain nominations (certain groups of indicators) or as a whole, significance of indicators is determined by experts (this article presents the results of the Technique approbation based on the expert distribution of points, in particular 50-points system for the sum of indicators in each nomination). So, the system is very flexible and can be improved with the years of approbation.

The basic tool of the Technique of assessment of CSP effectiveness can be used for self-assessment of companies and for the Public Ratings and Contests. Public Ratings and Contests should have some important limitations for comparison of companies like quantity of years in the market, size and market cost of companies – the difference between companies shouldn't be very significant.

The assessment process of CSP effectiveness consists of five steps:

1. Selecting main nominations with CSP indicators. Due to analyses of international social reports standards, research on CSP, modern techniques of assessment of CSP effectiveness, authors determined three main nominations: «Care» (internal development programs), «Fairness» (fair business practice, quality of goods and service, special events with competitors and partners), «Complicity» (external social investments in environment, culture, healthcare, art ...). And one performance nomination: «Success» (potential material and immaterial benefits for business, including marketing indicators like publicity and brand recognition).

Quantity of indicators in nominations can change. The main idea is the importance of these indicators for company's management and for the CSP goals. There are some requirements for indicators: sufficiency for the nomination, qualitative data, possibility to check/control the data. Thus each nomination includes groups of indicators combined into departments. Each indicator has the unit of measure. An example of indicators used to assess the nomination «Fairness» is presented in the table 1.

2. Determination the significance of all indicators, including performance indicators in «Success» nomination (basic points) due to the offered Technique described above.
3. Determination of the indicators dynamics during certain period (for example, one year).
4. Counting quantity of actual points of all indicators (dynamics (%) / 100% \* basic points). The sum of actual points describes the effectiveness of CSP of the company as a whole and in different nominations (in comparison with the prior period (a year ago, for example) if it is self-assessment

or in comparison with other companies if it is The Public Rating or Contest on social activity of business). Assessment of indicators considers absence or presence of indicators, increase or decrease of the indicator, or if it is a negative indicator (like number of lawsuits), actual points can be negative.

5. Results. Preparing a report and recommendations. In case of self-assessment the company will improve its corporate social strategy. If such a research is made just once, based on the described Technique, the results can be subjective, controversial in some case. But if it becomes an annual practice, the company gets an objective tool for the assessment of CSP effectiveness.

#### 4. ANALYSIS

45 Russian companies from The ESISP program (Tulchinsky et al., 2008) present the result of approbation of the Technique of assessment of CSP effectiveness. Table 2 presents a selection of these spreadsheets. Mostly SME companies were sorted for the research in order to illustrate all the possibilities for developing medium business to participate in Public Ratings/Contests in this sphere. Companies (SME) were from different regions of the country, with different characteristics of industries' activity. Results of the research show that the Technique can be used for the international Rating/Contest, considering limitations just in the size and market cost of companies, quantity of years in the market.

The sorted companies during the analyzed period didn't realize significant changes related to main business practice like new equipment purchases, entering new markets, significant staff reduction or staff increasing. All these changes can provoke financial results that are not connected with the subject of the research. Condition of admission of companies also was the absence of tax claims.

On the basis of collected data, authors made descriptive, cluster and correlation analyses for defining common standard for companies (standard/high/low results). Mean, mode, median, standard deviation presented in Table 3. Median is the most objective indicator for defining the common standard. Also for the statistics minimum and maximum are important. For example, to declare a condition to participate in the Rating (minimum sum of points).

Due to cluster analyses, all the companies were sorted in five clusters. The first cluster presents the winners, in particular three companies with best results as a whole (sum of all nominations). In fact, these companies are also leaders in all nominations including «Success» nomination. That proves the dependence of effective social strategy with successful financial results and brand recognition.

The second cluster presents companies with results more than mean in «Success» nomination (performance indicators) and more than median in all other nominations. An important fact is that there were no cases with the opposite dependence («Success» results are more than median, results of other nominations are more than mean). That supports the condition of admission of companies

(no significant changes related to main business practice during the analyzed period). Companies with the results more than mean in the final rating (sum of all nominations) form the third cluster. Finally, 20 companies (from the sample of 45 companies) demonstrated good and best results.

Table 1

## Nomination «Fairness»

«Fairness»							
Department	Indicators		Values of Indicators			Significance in Points	
Name	Name	Unit of Measure	Prior Period	Reporting Period	Dynamics (%)	Basic points	Actual points
<b>Quality</b>	Warranty repair of the total annual turnover	%			%		
	Return	%			%		
	Certificates of quality	quantity			%		
	Competition winnings, awards	quantity			%		
	Lawsuits	quantity			%		
	Partners' lawsuits	quantity			%		
<b>Partnership</b>	Participation in programs of business development, business to business	\$ *events			%		
	Events with competitors, joint initiatives	\$ *events			%		
	Events with authorities joint initiative	\$ *events			%		
	Events with media, joint initiative	\$ *events			%		
	Events with NGO, joint initiative	\$ *events			%		
<b>Total score of all departments</b>							<b>X,xx</b>
<b>Common data</b>	<b>The total amount of social investments in the category</b>	<b>\$</b>	<b>X,xx</b>	<b>X,xx</b>	<b>%</b>	<b>Do not fulfill</b>	<b>Do not fulfill</b>

The fourth cluster presented the results lower than median in all nominations. It concludes that these companies' social strategy is ineffective and it needs to be analyzed carefully or these companies are just too young now and they just started to form their social strategy. Reasons can be different. But the last cluster presents ineffective corporate social strategy as these companies show high result in one of nomination (Care, Complicity or Fairness), in particular more than median and even closer to mean, but in other nominations including performance nomination (Success) the results are lower than median. It means that the investments are irrational and they do not benefit.

Table 2

## Results of assessment of Russian companies (SME)

SME name	Sum of points <sup>1</sup>				Sum of points in all nominations
	Care	Fairness	Complicity	Success	Final rating points
SAON Sistema	123,046	99,935	67,949	35,000	325,930
BALKO	237,849	209,472	219,781	66,616	733,718
MISAR	149,794	152,988	387,894	76,993	767,669
Sovlaks batareia	121,773	74,648	85,7	40,000	322,121
Non-government partnership «Russian union system of the North, Siberia and the Far East native nationalities»	40,000	45,000	371,841	40,000	496,841
LUKOIL Nignevolsk nefteproduct	96,892	129,194	203,488	61,000	490,574
MALAVIT	58,649	45,000	64,750	20,000	188,399
VITA-B	97,5	105	135	109,718	447,218
RBU-1	960,355	188,877	283,003	156,617	1588,853
TATNEFT	165,418	70	72,5	95,915	403,833
SKAT	182,762	100	180,982	111,735	575,478
MICRON	305,39	168,771	731	106,611	1311,772
INTERMARKET	169,5	30	30	0	229,5
Tupperware	113,152	134	150	279,339	676,49
INTERMAST	300,881	166,923	327,333	180,333	975,471
INSOLAR-invest	179,176	174	240	124,778	717,954
TATNEFTTEOTDACHA	135,552	45	239,753	254,046	674,351
Avto-Express	149,45	75	132,667	115,357	472,474
LI-MAR	198,64	101,069	161,746	67,416	528,871
Nache-Delo	195,441	66,221	124,405	187,686	573,753
SV-Lising	186,154	96,667	50	100	432,821
Teresa-Inter	80	100	60	20	260
Liga-Cross	67,5	45	234,441	0	346,941
SILUT	86,429	45	20	20	171,429
Centroelectromontage	242,965	30	0	47,186	320,151
LAKT	110,51	65	89,5	20	285,01
Shopping mall Valday	147,48	84,53	140,319	111,252	483,582
Shopping mall ASB	112	67,5	200,857	54,286	434,643

Comments: 1 place—red (best results), 2 place – green, 3 place – blue

What is curious, leaders in the final rating are almost the same as leaders in the «Care» nomination. This fact suggests that the priority sphere of social investments in Russia in recent years is connected with internal development, including development of human capital and care about employees.

Qualitative analyses of individual results of companies also illustrated positive dependence between indicators of social investments and certain performance indicators. In conclusion, all social investments should be rational; there is no sense in investments that do not have positive effect on financial and image characteristics of business, at least in perspective. Thus, it is very useful for a company to make self-assessment to improve corporate social strategy.

<sup>1</sup> Significance of indicators were distributed by experts due to the illustrated method (sum of basic points in each nomination - 50 points).

Table 3

## Statistics

Nomination		Successes	Care	Fairness	Complicity
N	Valid	45	45	45	45
	Missing	0	0	0	0
Mean		74,91336	153,25958	90,04503	155,26664
Median		61,00000	132,59700	75	132,667
Mode		20,000	40,000	45,000	30,000
Std. Deviation		62,172406	137,19418	46,962945	129,899573
Minimum		0	31,5	30	0
Maximum		279,339	960,355	209,472	731

## 5. CONCLUSION

This article provides the solution of the problem of assessment of CSP effectiveness. On the basis of the carried-out analysis of modern methodological approaches to solve this problem, authors offer the Technique of assessment of CSP effectiveness.

Approbation of the Technique proved the correlations between social investments costs and financial and reputation performance indicators. The offered Technique allows companies to realize self-assessment of CSP effectiveness, to highlight the priority departments and indicators of social investments, to improve corporate social strategy, to be prepared for Public Ratings/Contests on CSP. In addition, this Technique can be used for internal assessment of social investments effectiveness that can improve planning rational social investments in corporate culture and employee's development.

The offered approach can be useful for organizing Public Ratings/Contests on CSP, including international Ratings/Contests as it considers criteria of international social reporting standards like Global Reporting Initiative (GRI-3), UN Global Compact, Account Ability (AA1000). Finally, the offered approach has practical value for managers, for CSR/social investments experts, for representatives and authorities and for the NGO, engaged in social development at corporate and regional levels.

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