
© KSENIYA A. SALNIKOVA

ksalnikova@yandex.ru

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**USING SOCIAL (NONFINANCIAL) ACCOUNTING
TO DISCLOSE INFORMATION
ABOUT THE CORPORATION CULTURE OF COMPANIES**

SUMMARY. This article is devoted to the analysis of using corporative social accounts as the effective instrument (method, practice) of information disclosure about the corporative company's culture for the general public.

KEY WORDS. Social report, corporate social responsibility, corporate culture, image.

Evolution of the philosophy and ethics of business in the second half of the 20th century has led to the emergence of new principles relating to the so-called corporate social responsibility (or CSR). CSR suggests that a company not only converts the resources and manpower into a finished product, making a profit from its realization, but also seeks to promote development of the region or country in which it operates. The CSR principles came into the modern Russian business from the USA and Europe relatively not long ago (though we can not forget about the prerevolutionary traditions of Russian patronage of arts, developed institution of charity, etc.). As for the USSR, all the enterprises at that time had high social responsibility. They were responsible for the housing conditions of their employees, medical care and treatment in the health resorts. They sponsored schools, kindergartens and Culture centers. However, this situation came to an end with the change of the political regime. Though, of course, various social programs existed in the Russian enterprises in the 90s, they were not standardized and could come to life and disappear spontaneously. The first one to transfer their social programs into line with world standards were the leaders of the tobacco industry. In 2002 the OJSC "British American Tobacco Russia" with the support of the Agency of Social Information launched the first social report in our country, which was developed in accordance with the standard AA 1000 [1; 314-315]. Further on other Russian large-scale enterprises joined this initiative. The development of "Social Charter of Russian Business" launched in 2004 proves that the corporate social responsibility as it is viewed in the Western countries also appears to be in Russia. Currently, 230 companies of federal and regional level from 65 subjects of the Federation have joined the Charter. The total number of employees is more than 5.5 mil. [2].

The organization that supports Russian businessmen in their social activity and also keeps a register of companies' nonfinancial reports is the Russian Union

of Industrialists and Entrepreneurs (also RUIE). These companies' documents are public and generally accessible and, as a rule, are published in the following way:

- the number of printed copies is distributed to the stakeholders*;
- the electronic version of the documents is placed in the appropriate section on the corporative site of the company;
- the documents are registered in RUIE and posted on the official website of the Union.

The deposition on the website of the RUIE [3] makes it possible to trace the dynamics of change in the number of companies (Fig. 1) that had presented their corporate reports to the public. On January 12, 2011 the registry contains 250 nonfinancial reports of 92 companies. The reports cover the period since 2000. In the total amount of the reports: 140 are social reports, 74 are reports on sustainable economic development and 36 are environmental reports.

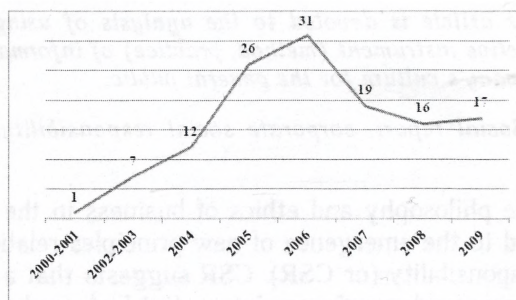


Fig. 1. The number of social reports given by Russian companies and registered by the Russian Union of Industrialists and Entrepreneurs

As we can see in Fig. 1, the number of published corporative reports had been increasing until 2006, at that time it was at its maximum. Then it began to decrease till year 2008. Most probably it can be explained by the global financial crisis of 2008-2009, which also affected the issues of support of companies' social programs. It is also very interesting to study to what industrial sectors the companies adhering to the principles of CSR belong. The register of the Union of Industrialists and Entrepreneurs helps to track the share of enterprises from different industrial sectors (Fig. 2). The leaders in the number of published documents are companies in the area of finance and insurance (23.48% of reports that are in the registry). They are followed by the companies of electric-power industry (21.74%) and metals industry and mining (16.52%).

* Stakeholders are individuals or a juridical entity which have interests in organisation's activity (such as shareholders, creditors, bondholders, members of board, state structures, employees, contractors and members of the wider community).

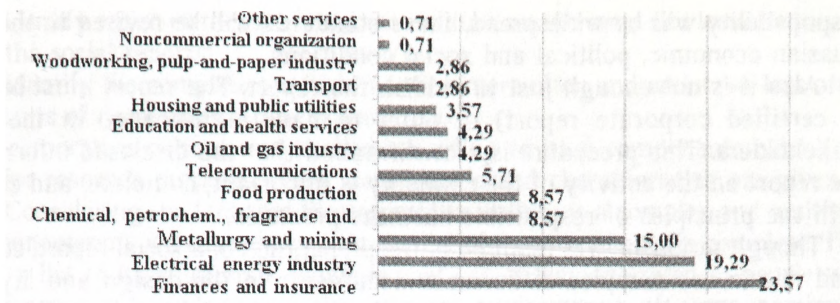


Fig. 2. Sectorial distribution of the companies providing social reports, 2000-2009

The leadership of the representatives of the banking sector in the registry can be explained by several reasons:

- The banks are institutions that work with large amounts of money, and so they have been always regarded by the population as recipients of considerable profits. In order to support a favorable image in the eyes of the public they donate a lot of money to social programs and report on this.

- The banks should have a perfect and solid reputation in the eyes of their clients, who trust them with their money. Corporate social policy helps them to achieve this goal.

- To make a report that would meet world standards is not an easy task, while banks have a great experience in dealing with various documentation, and complex documentation as well.

As it was mentioned above, that the nonfinancial accounting is made preferably not in the free format but in accordance with international regulations. Contents of a corporate report are defined by the following documents:

- Guidelines on reporting on sustainable development or Global Reporting Initiative (GRI) [4];

- Series of standards AA 1000 (AA 1000 Framework, AA 1000 SES, AA 1000 AS);

- United Nations Global Compact;

- The Social Charter of Russian Business and basic effectiveness indicators of RUIE.

In 2010 the improvement of the international standard ISO 26000 "Guidance on Social Responsibility" was over. The standard came to operation in the end of 2010.

The fact that the standards are already developed in the foreign countries has some advantages and disadvantages for the Russian companies. An obvious advantage is that the reporting guidelines have already been created. This means that the produced documents correspond to the standard requirements, and the top management does not have to spend time on the approval of a list of sections that should be displayed in the report. As for the disadvantages, we can mention that report criteria and various indicators were formulated abroad and may not fit specific features of the Russian business or even be irrelevant to Russian companies. We hope that by the time the Russian practice of corporate social

responsibility will be widespread, these standards will be revised in the light of Russian economic, political and social conditions.

Also it is not enough just to publish the report. The report must be audited (a certified corporate report) in order to have significance in the eyes of stakeholders. This procedure is a confirmation that the disclosed information in the report on the activity of the company is important, complete, and consistent with the principles of responsible business practices.

Though seriousness is required in the preparation of a social report, companies tend not to use samples of business documents in the design and layout of a report. As a rule, social reports are designed in bright colors, they include pictures, photos from a corporate or charity events, children's drawings can be used in design of some of the reports (Fig. 3). This will attract attention of the readers and let them see the strategy of a large bank or oil company from another point of view, not only in terms of financial or exchange rates, but also in terms of conformity with universal values.



Fig. 3. Page of the corporate social report of the financial corporation «Uralsib», 2008

As we study the social reports as a way to convey the corporate culture of the company to the public, it is appropriate to examine the texts of the reports in order to analyze elements of culture they include. For this study we have selected five reports from each of 12 industries*. We have studied 36 social reports relating to years 2004-2009. The evaluation was conducted with the help of content analysis. We defined the list of the elements of corporate culture and counted the total amount of their references in the text of the social reports of different companies.

The aim of this research was to analyze the possibility of using social reports as an effective instrument of opening information about the corporative company's culture. For achieving this goal we have set and fulfilled the following tasks:

- to count the number of references to the constituent elements of the corporate culture in the social reports of various companies;
- to classify the companies by industry, and to find regularities while comparing the social reports of the companies of different industry sectors;

* In the sectors, where the number of social reports was less than 5, we analyzed the quantity of material available.

- to identify which elements of corporate culture are the most and least frequently cited in the social reports;
- to identify the companies, which mention more often and which — less often the elements of corporate culture in their reports.

The corporate culture was studied according to its 9 components, which we defined for research purposes. Their descriptions and characteristics are given in Table 1. Considering the fact that the corporate culture is a complex and multiple-factor phenomenon, we cannot say that the list of its components is complete. This is rather a list of its «material» elements that can be demonstrated to people who have no specific knowledge of the internal environment of some particular organization.

Table 1

The components of corporate culture and their brief description

№	Element of corporate culture	Description
1	Company's mission	Reflects social purpose of the company's activity at the market. Usually it is given at the beginning of a social report, for example in the address of company's leader or in the section "About the company"
2	Corporate culture in general	Counting the references to this element we took into account the provided information about current state or perspective of development of the corporate culture
3	Traditions of the company	This element describes company's unique traditions, shared by all employees
4	Characteristics of the personnel	This element contains a description of personnel of the company and its role in achieving the goals of the organization
5	Education	This element includes various forms of professional development and personal development of the personnel (including training, seminars, training sessions, corporate internal training and tutorship systems and adaptation for young professionals, etc.)
6	Company's standards	By this element we mean all internal corporate standards governing the activity of the organization (for example, a code of corporate ethics, a standard of service, information policy, etc.)
7	Social security	This element includes a description of the material and non-material motivation of the personnel (including salaries, bonuses, social package and awards, etc.)
8	Corporate events	By this element we understand events that take place in the organization but are not related to the main activity of the personnel (celebrations and sport events, volunteering, environmental measures, etc.)
9	Communication system	This element includes a system of internal (corporate publications for employees, forums, internet resources, etc.) and external (corporate website, annual reports, corporate publications for clients) communications

The results concerning the number of elements of corporate culture in social reports (Fig. 4) are as follows: the companies of the transport sector most frequently describe their company's culture (81 references on the average). Companies in the housing and public utility sphere (78 references), communications (77 references) and chemical industry (75 references) mention their corporate culture fairly often, too. The companies in education and health service (28 references on the average) and companies in woodworking industry (34 references) pay least attention to the corporate culture in their reports. The results of this phase of the study lead us to the following conclusions:

- in general companies disclose their corporate culture within the reports rather actively;
- taking into consideration the realities of Russia, such sectors lead in the number of references, that we can hardly call customer-oriented (as opposed, for example, to the banking sector). However, this may be due to the fact that enterprises in these sectors are functioning in the market for decades and they have developed their own strong tradition of corporate culture [5-9].

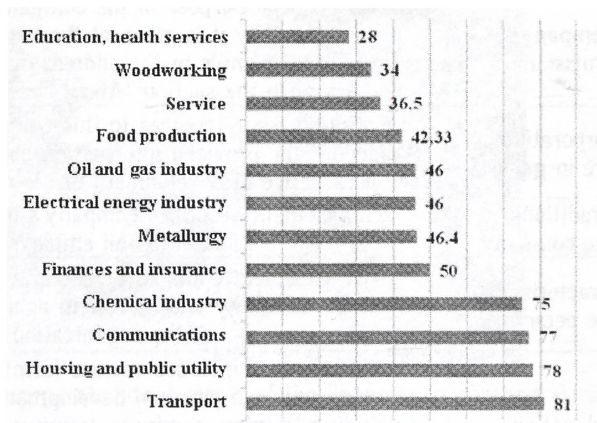


Fig. 4. An average number of references of the elements of corporate culture in the social reports of the companies working in different economic sectors

If we examine the number of references of every element in the social reports (Fig. 5), we can see that most often such components of corporate culture are mentioned as “social security” and “corporate events” (11.22 and 10.94 references on average). Repeated references to the social security are made due to the specific character of social reports. A company wants to show its efforts in bringing some benefit to the society, and, first of all, to the employees of the company. Frequent references to corporate events are made due to the fact that corporate events are very common to maintain the corporate culture in Russian companies.

The least frequently mentioned elements are the traditions of the company (1.5) and the company's mission (1.11). But this does not mean that these items do not exist in the corporate culture. It is more likely that for various reasons they are just not reflected in the reports.

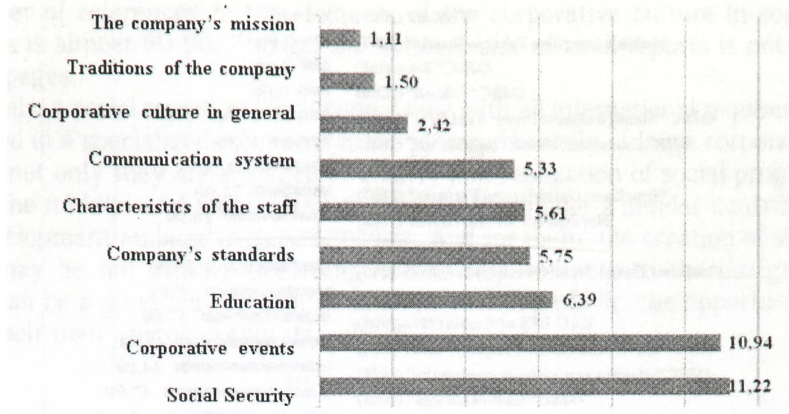


Fig. 5. An average number of references to different elements of the corporate culture in social reports

One of the most important results of the study is that we can see a total number of references of the elements of the corporate culture in every social report (Fig. 6).

As we can see in Fig. 6, the leaders in disclosing their corporate culture in social reports are the following companies (more than 80 references):

- OJSC MMC "Norilsk Nickel" (98);
- OJSC "SIBUR Holding" (96);
- OJSC "Lukoil" (90);
- OJSC "Comstar — United Telesystems" (90);
- OJSC "Russian Railways" (87);
- "Coca-Cola HBC Eurasia" (85);
- Financial corporation "Uralsib" (80).

The companies that almost do not mention their corporate culture in their social reports are (less than 10 references):

- "TNK-BP" (2);
- "British American Tobacco Russia" (7);
- OJSC «Severstal» (8).
- OJSC «Sibneft» (9).

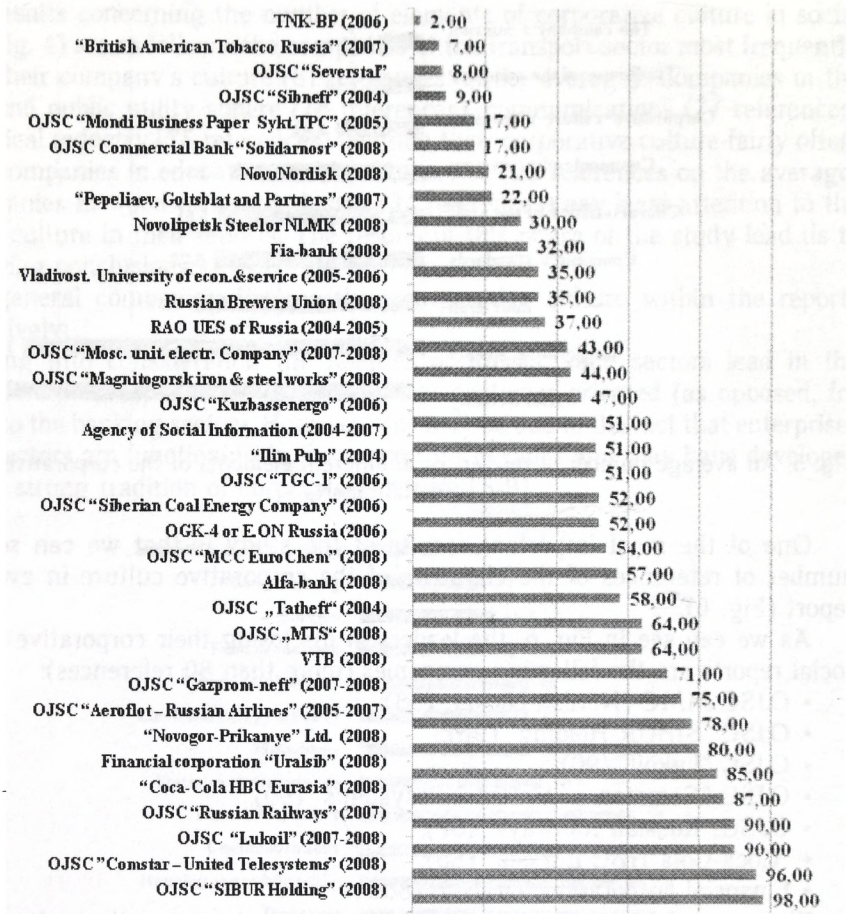


Fig. 6. The total number of references to the elements of corporate culture in social reports of various companies

Taking into consideration the results of this study we can conclude that the social reports (both their content and presentation) provide a clear idea of the company's corporate culture. If we assume that the primary aim of nonfinancial reporting is to disclose social orientation of the organization and its charity programs, environmental protection, etc., then the fact that the companies provide the public with information about their corporate culture through these reports looks very logical. The results of the study lead to the following conclusions:

- a lot of companies publishing their social reports use them as a tool that discloses company's corporate culture to the general public;
- companies that do it most actively are companies of transport industry, housing and public utilities, communications and chemical industry;
- companies focus on such elements of corporate culture as social security provided to employees and corporate events.

All in all we can say that the hypothesis that the social report is used as a way to disclose the corporate culture of the company to the society is true.

The number of references to the elements of the corporate culture in some of the reports is almost 80-90. Though the average size of such reports is not more than 100 pages.

Certainly, a social report, made in compliance with all international requirements and audited in a specialized company, is the prerogative only of large corporations. However, not only they are engaged in charity and realization of social programs. Many of the middle- and small-sized companies also make a similar contribution to the development and well-being of society. And for them, the creation of similar reports (may be not strictly according to the requirements to the design and content) can be a good way of communication with the public, the opportunity to disclose their own unique corporate culture.

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