



**Corporate Social Responsibility of a Russian large business  
company during the COVID-19 pandemic. Institutional,  
economic, and financial analysis.**

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## Chapter 1. Introduction

The year 2020 has posed unprecedented challenges for the entire world. The Corona Virus, officially called SARS-CoV19, spread around the globe and led to worldwide safety measures because this virus was proven to be much more deadly than any seasonal flu. Governments were faced with a tough decision: enact a lockdown, closing businesses and straining the economy for the sake of safety, or instead leave everything open but risk a high death toll and widespread infections. During the first wave of COVID-19, which happened in the spring of 2020, most of the western countries chose to enact a lockdown. To avoid negative consequences for the economy, they provided economic relief packages to both businesses and citizens. The UK government, for example, compensated up to 80% of an employee's salary (up to a maximum of £2,500) (BDO United Kingdom, 2020), the Swiss government provided guaranteed loans to small and medium enterprises for up to CHF 20 million (Guinard, 2020), the government in Brazil provided "corona vouchers" to its poorest citizens (Amorim, 2020).

In Russia the policy of self-isolation was introduced in the end of March, when most of the European countries had already had lockdowns for weeks (Deutsche Welle, 2020). Each region was given the power to decide locally on the appropriate measures, since the virus was not spreading evenly across the country. The strictest measures were introduced in Moscow, the most severely affected city during the first wave of COVID-19 (BBC, 2020). All the businesses except for essential ones had to close, citizens could only leave their houses for emergency medical help, trips to work and back (if they were considered essential workers). They could also go to the closest grocery shops, throw away garbage, and walk the dog within 100 meters from home (TASS, 2020).

At that time no economic support measures were introduced, although they were expected by the population. However, in the absence of state support, Russia witnessed a rise of socially responsible behavior by business organizations. Some of them were acting locally. For example, in Novosibirsk a local bakery provided free bread to those in need (Precedent, 2020). Others were helping at the country-wide level. Yandex, the Russian IT company, provided free taxi service for doctors, social volunteers, people with weak immune system, and blood donors (Pumka, 2020). Industrial companies, including Metalloinvest, Irkutsk Oil Company, and many others, provided masks, googles, gloves, ventilators, and COVID-19 tests to the hospitals (Zakvasyn and Gusarov, 2020).

The initiatives described above are examples of corporate social responsibility. Corporate Social Responsibility (CSR) is a relatively well researched phenomenon in the business ethics and administration literature. However, little research were done on CSR in crisis contexts. Here, COVID-19 presented a unique set of conditions to research various aspects of CSR during economic, health, and social crisis. Although the crisis is very recent, some research on CSR during COVID had already been conducted (Ordonez-Ponce and Talbot, 2020; He and Harris, 2020; Manuel and Herron, 2020). It was already found that although the general public viewed the state to be primarily responsible for dealing with the pandemic, a large proportion of the population viewed business to be responsible too. Therefore, extensive CSR initiatives by the big corporations were expected (Manuel and Herron, 2020).

Companies in different countries reacted differently to COVID-19 crisis. In the UK, manufacturing companies transformed their factories to produce ventilators, hand sanitizers, and other useful equipment to deal with pandemic; supermarkets allocated certain hours for the elderly and National Health System employees; banks waved interest on overdraft fees (He and Harris, 2020). In the United States many of the large companies made donations to helplines, food banks, schools, and hospitals, provided free services or reduced their prices (Manuel and Herron, 2020). Canadian banks showed little engagement in the COVID-19 crisis and provided little support to their stakeholders and the society at large (Ordonez-Ponce and Talbot, 2020). If we turn our attention to CSR practices in the developing world, we will witness a lower number of CSR activities. This can be due to the lack of general CSR culture, insufficient marketing tactics, and little customer awareness of the importance of CSR (Popkova et al., 2021).

Generally, the literature in the field of CSR is quite extensive (although lacks unity), and it has covered many aspects of this phenomenon. Yet, there are two particular areas of CSR which are under-researched by the current state of literature. First, CSR activities in the context of developing nations, specifically Russia (Fifka and Pobizhan, 2014), are rather scarce (Jamali and Karam, 2018). Second, CSR activities in the context of crisis situations are also lacking in the literature. This thesis attempts to close this gap by investigating the factors that can affect a large corporation's decision to implement CSR initiatives during a crisis in the Russian context. The research question of this thesis will therefore be: Which factors shape a large company's decision to implement CSR initiatives during a crisis? To address this question, a process-tracing research design will be used. Theoretical expectations based on the social

science scholarship on CSR will be organized into a causal configuration which will be further tested against the case of RUSAL. RUSAL is an aluminium producing company which has several factories spread across Russia and a few factories abroad (RUSAL, 2020d). It is one of the Russian largest companies which employs about 35.000 people in Russia alone (RUSAL, 2020d). The company was chosen as an example of an enterprise which originated in the Soviet Union (many of RUSAL's factories were built in the second half of the twentieth century under the rule of the communist party), was privatized in the 1990s, and whose owners have close relations with the Russian head authorities (like Roman Abramovich, Alisher Usmanov, Vladimir Potanin, and others). It was also selected because RUSAL had an extensive CSR program prior to COVID-19 (RUSAL, 2019).

This thesis will proceed as the following. Chapter 2 will present a literature review which will consist of the factors that might affect the decision of a company to implement CSR initiatives and a description of relevant features of the Russian context RUSAL operates in. Chapter 3 will cover methodological aspects of this thesis. It will present the causal configuration, operationalize the variables, describe data collection and data analysis methods, and consider the issue of validity and reliability. Chapter 4 will present the empirical evidence and the analysis of those evidences. Chapter 5 will end this thesis with a discussion and conclusion where a new causal configuration will be presented, together with a summary of findings. Also, in the last chapter limitations of this study and implications for future research will be addressed.

## Chapter 2. Literature review

### 2.1 Corporate Social Responsibility – General overview

The central concept of this thesis that needs to be defined is the one of Corporate Social Responsibility, later referred to as CSR. This concept emerged in the USA reflecting the American traditions of self-help and participation (Matten and Moon, 2007). The first definition of CSR was provided by Bowen, who is sometimes called as the father of CSR (Carrol, 1999). He referred to it as “the obligation of businessmen to pursue those policies, to the make of those decisions or to follow those lines of actions which are desirable in terms of objectives and values of our society” (Bowen, 1953, p. 6). Although the concept was created several decades ago, one should not expect to see a coherent body of literature on it. CSR had often been discredited, marginalized, or overlooked in favor of new or supposedly better ways of conceptualizing relations between business and society, such as sustainable business, corporate citizenship, corporate social performance (Crane et al., 2008). Even now when the concept of CSR is quite prominent in academic literature, there is no common definition of CSR, there is no unified understanding of what it means to be socially responsible, and whether business should be socially responsible in the first place (*Ibid*).

There are broadly four different theories of CSR. The first one is the Corporate Social Performance theory. This theory states that business is not only responsible for generating profit but also for social issues created by business activities, beyond its economic and legal responsibilities (Melé, 2008). Improving corporate performance then means “altering corporate behavior to produce fewer harms and more beneficial outcomes for societies and their people.” (Wood, 1991, p. 68). Those adhering to this theory of CSR stressed that society gives business a license to operate in, and consequently business has a responsibility to create wealth, but also to contribute to solving issues which arise in that society (Melé, 2008). Second is the Corporate Citizenship theory. This theory comes from a political concept of a citizen, and it views companies as a citizen of a society they operate in (Melé, 2008). Carroll’s pyramid of CSR consists of four layers, where the first building block is the economic responsibilities (be profitable), the second block is legal responsibilities (obey by the law), the third block is ethical responsibilities (be ethical). The top block is philanthropic responsibilities which imply being a good corporate citizen (Carroll, 1991). There, business is expected to contribute financial and human resources to the community and improve quality of life (Carroll, 1991). This theory views firms to be parts of communities and not as autonomous entities.

Third comes the stakeholder theory. According to this theory, a company is responsible for creating value for all its stakeholders (Freeman and Velamuri, 2006). By stakeholders are understood all the parties who benefit or are harmed by the company's actions. These include customers, suppliers, local communities, etc. Last is the shareholder theory. This theory assumes that the only social responsibility of business is to increase profits and therefore to increase economic value of the company to its shareholders. All the social activities would only be justified if they are required by law, or if they contribute to the increase of shareholder value (Friedman, 1970). Leaving the last theory out of scope due to its contested nature, this thesis will take the most common understanding of CSR which is closer to the concept of Corporate Citizenship: "the social involvement, responsiveness, and accountability of companies apart from their core profit activities and beyond the law requirements and what is otherwise required by government" (Zhao, 2012, p. 441). In other words, by CSR will be understood those voluntary social actions that do not lead to immediate profits, and that do not aim to satisfy legal requirements. This thesis will try to identify the factors that can influence a company's decision to adopt CSR policies. The next sections will look into two large clusters of factors identified in the CSR literature: economic and financial and institutional factors. Each of the factors will be further split into the national-level and company-level factors.

## 2.2. Economic and Financial factors

### 2.2.1. National-level factors

A significant set of factors that affect a company's engagement in CSR are economic and financial factors. On the national level those are macroeconomic economic conditions that exist in a certain society at a certain point of time. There are two ways in which poor economic conditions may affect the supply side of CSR. First and most obvious, an unfavorable economic situation can lead to companies having fewer financial resources to invest into CSR (Lee et al., 2013). Second, turbulent times affect not only companies, but also consumers' disposable income. As a result of decreased incomes consumers will be less willing to pay a higher price for additional CSR attributes (McWilliams and Siegel, 2001). Realizing these tendencies companies can cut spending on CSR policies while economic conditions are poor and increase it while those conditions are more favorable.



### 2.2.2. Company-level factors

While national-level economic factors might play a significant role in a company's decision to promote CSR initiatives, one should not overlook financial factors that exist on the company level. The first factor here is financial health of an organization. If a company has enough financial resources, it will be more inclined to invest in CSR (Hasan and Habib, 2017). On the other hand, if a company has fewer financial resources, it will be more interested in investing into activities that will have a more direct effect on revenues rather than CSR actions (Roberts, 1992).

Other substantial reasons for companies to promote CSR initiatives are to improve their reputation and future financial performance. Blair and Chernev (2015) argued that perception of a company can change, even if its CSR activities are not directly related to its business. This is because products of companies engaged in social action are perceived to be performing better. CSR activities are likely to lead to a better brand perception (Marin et al., 2009), higher loyalty from customers and increased purchase likelihood (Du et al., 2007), decreased sensitivity to price alterations (Green and Peloza, 2011), and higher chances for a company to be defended against criticisms (Murray and Vogel, 1997). All of the above are manifestations of improved reputation which are eventually expected to lead to an improved financial performance.

At the same time, it is important not to overlook another body of literature that argues for a possible negative link between CSR activities and company's bottom line. The logic here is that a company is engaging in certain actions that might be costly and not bear a clear economic benefit (Blair and Chernev, 2015). It is therefore important to choose wisely which CSR initiatives to promote, so several factors should be taken into account. First, a company needs to make sure the quality of a product or a service is not negatively affected. Only then CSR practices can lead to higher revenues, since the functional value of a product can be considered more important than the social or the emotional one (Green and Peloza, 2011). Second, it should be conscious about perceived sincerity of CSR. Customers will improve their perception of the brand if the motives of CSR activities are perceived to be sincere, they will not affect brand perception if motives are ambiguous, and they will harm brand's reputation if motives are perceived as insincere (Yoon et al., 2006). In order to make sure the sincerity is perceived correctly, a company should be aware of the source consumers learn from about CSR actions (ideally it should be a neutral source), the ratio of CSR contributions and CSR-related

advertising (the cost of contributions should exceed the costs of advertising), and the benefit salience of the cause (it should be as low as possible) (Yoon et al., 2006; Groza et al., 2011). Third, if a company needs to improve its harmed image, it should select those CSR activities that are highly related to the company's corporate image (Jin and Lee, 2019).

## 2.3. Institutional factors

### 2.3.1. National-level factors

Apart from financial and economic factors, there is a set of institutional factors that can affect a company's engagement in CSR (Campbell, 2007). Neo-institutionalism suggests that companies are substantially influenced by the institutional settings in which they operate, and they are shaped by the institutional legacies that reflect the history and culture of a particular country (Doh and Guay, 2006). The system of institutions includes formal institutions, such as laws, constitutions and policies; and informal institutions, such as behavioral norms and mental models individuals have depending on their cultural heritage, religious or political beliefs, or geographical location; (Doh and Guay, 2006). A theory that takes a closer look at how institutional settings affect companies' CSR is Variety of Capitalism.

In their book 'Varieties of Capitalism' Hall and Soskice (2001) claimed that a company's success depends on its ability to coordinate effectively with internal and external actors, and the type of coordination depends on the organization of market economy those companies operate in. Hall and Soskice (2001) distinguished between two types of organization of market economy: liberal market economy (LME) and coordinated market economy. In LMEs companies coordinate through hierarchies and competitive market mechanisms which are characterized by market competition, arm's length exchange of goods and services, and formal contracting. In CMEs, on the contrary, companies coordinate through non-market mechanisms which imply a more relational incomplete contracting, collaboration instead of competition, and network monitoring which is based on the exchange of private information shared inside the networks (Hall and Soskice, 2001).

Gjølberg (2009) took the framework developed by Hall and Soskice and applied it to CSR. According to her, there are three factors of CMEs that are likely to increase adoption and performance of CSR policies. First, in CMEs companies tend to care about their reputation much more than they do in LMEs. This is because in CMEs strategic interaction and relations among the companies and other actors play a substantial role. CSR then becomes relevant for

a company's reputation, and hence companies are more likely to engage in CSR activities. Second, in CMEs employees have a very powerful role, and being considered as the primary drive for CSR, it is expected to observe more CSR from companies located in CMEs. Third is the high importance of inter-firm cooperation in terms of transfer of knowledge, skills, technology, etc. that exists in CMEs. It is then expected that inter-firm cooperation can be very helpful for implementation of new CSR activities because companies can engage in joint CSR projects, share experiences and help each other gain new necessary competencies (Gjølberg 2009). However, it does not mean that institutional context of LMEs does not support companies' adoption of CSR strategies. The argument is that the less regulation a system has, the more engaged companies will be in CSR. This is because a stronger regulation can easily 'squeeze out' CSR initiatives, while a weaker regulation leaves a greater room for selecting an appropriate type of CSR, hence incentivizing its development (Jackson and Bartosch 2016).

Another way of looking at the institutional system is to consider public policies regarding CSR. There are five policy instruments a government can employ to promote CSR activities (Steurer et al., 2012). First are the legal instruments which result from the state's legislative, judicial, and executive power. These instruments imply a hierarchical state-business relationship, however, in the context of CSR laws, regulations, and directives have a recommending rather than mandating character. Second are financial instruments which come from the tax authorities and treasury. With these instruments a government is trying to influence business through financial incentives and market forces. Third are informational instruments which are grounded in morality and factual persuasion. Examples of these instruments can be websites, guidelines, trainings, or campaigns sponsored by the government which promote CSR. Fourth are partnering instruments which constitute all sorts of public-private partnerships, agreements, or forums. Last are hybrid forms which combine several of the abovementioned instruments (Steurer et al., 2012). Arguably, there are no instruments that promote CSR 'better' or 'worse', and each state employs a unique set of these instruments which results into a unique institutional environment companies operate in.

Apart from considering the influence of the variety of capitalism and public policies on a company's decision to adopt CSR policies, it is equally important to consider the institutionalized business environment a company operates in. What one should be looking at is whether that environment calls for a socially responsible action. Managers of a company will promote CSR activities if those are expected by other managers and significant actors in their

environment (Campbell, 2007). This environment is formed by business publications, managers' educational background, conferences those managers attend, organizations their companies participate in. The stronger the importance of CSR in that society, the more likely a company will adopt CSR policies.

### 2.3.2. Industry- and Company-level factors

Besides the institutional factors on the national level, there are several factors on the industry and company levels which can pressure business to promote CSR initiatives. It is claimed that those initiatives can result from pressure by internal and external stakeholders to meet the fast-changing expectations about social responsibilities of a business (Aguilera et al., 2007; Sharma and Henriques, 2005). This section will describe the different stakeholder groups which can exercise such influence.

On the internal level, there are several of those groups. First are employees who can influence a company's CSR policies through their right of participation and association (Crane et al., 2004). Aguilera et al. (2007) argued that employees can seek and promote CSR to maximize their own outcomes. For example, if a company is interested in fairness (e.g. by promoting better working conditions), it will be fair to them as individuals too, so employees might benefit themselves from CSR (Aguilera et al., 2007). They can also try to force their company to engage in CSR to enhance their own feeling of belonging within a valued social group, or because they perceive certain CSR activities to be essential based on their moral and ethical beliefs (Aguilera et al., 2007). Second are company's top management team. They can propagate for CSR to increase a company's competitiveness by presenting it in a better image, improve relations with different outside actors, or because certain CSR activities are perceived appropriate based on the stakeholders' perceptions (Aguilera et al., 2007). Firms can also engage in CSR activities that are common in their industry (Jackson and Apostolakou, 2010). Third are shareholders, which could be another important stakeholder group. However, while they have certain power to force an organization to engage in CSR activities, that power is mostly retrospective, so they have fewer possibilities to influence the future of a company. This is because most of the times the large shareholders meet once a year at the annual meetings which tend to have a bigger focus on the past activities of a company (Crane et al., 2004).

In addition to the stakeholders operating on the internal level, here are also various groups on the external level which can exercise certain pressure. First in this group are customers.

Arguably, the biggest mean of forcing a company to do a certain thing is their purchasing power (Waddock and Bodwell, 2004). It was stated that nowadays, instead of showing the needs and demands at the voting booths, consumers do so at the supermarket or at a shareholder meeting because corporations will indeed respond (Crane et al., 2004). Hence, the pressure consumers can exercise over companies shall not be overlooked. Second are employee and trade associations. They can exercise significant pressure over the company if they value and promote socially responsible behavior, and if there exists an institutionalized dialogue with these associations (Campbell, 2007). Third are the different actors in the organizational environment that monitor their behavior and mobilize to change it, if necessary. Those actors can be institutional investors, other private independent organizations, social movements, media (Gjølberg, 2009). NGOs are said to be quite effective in influencing a company's decision to engage in CSR activities if there exists a system where NGOs have a significant role (Doh and Guay, 2006).

The last institutional factor on the industry level that can influence a company's CSR is the existence of a system that ensures effective industrial self-regulation of such behaviors. The system can be composed of all kinds of self-regulatory agreements promoting the importance of CSR. The efficiency of the system will be even higher if members would feel a potential threat of a government intervention in the case of violation of those agreements (Campbell, 2007).

In short, a total of thirteen factors were identified. All the factors were categorized as institutional or economic and financial factors. Each of those categories were further divided into national and industry and company level factors. Most of those theories were formulated in the context of Western countries. What the literature above did therefore not pay attention to, is the national context. CSR is a concept that relates business to society. Considering that different societies have different institutional, cultural, and social settings, one should pay close attention to these settings (Halme and Laurila, 2009). The next section will explore those in the Russian context, which will make it possible to create expectations about which of the national-level factors will be most crucial for the case of a Russian company's CSR.

## 2.4. Corporate Social Responsibility in Russia

In order to understand the environment in which Russian companies operate in, it is first important to consider the historical context of Russia and the legacies it created.

#### 2.4.1. Historical legacies of the USSR in modern-day Russia

For more than seven decades of the twentieth century, Russia had been a part of the larger state of USSR. It was a non-capitalist state which enforced strong hierarchical relationships across the entire society; a state that provided all the social goods and services to its people, from free apartments to free education and medicine; a state that did not appreciate private initiative unless it was going exactly in line with the interests of the Communist Party; a state that ruled the economy (Kenez, 2006). Although nowadays the state is not monitoring every aspect of life, it still has a very strong role in the entire political sphere, economic, social, and cultural domains. For instance, it is the government that decides on the local urban projects (Kinossian, 2012); it is the state that is a sole decisionmaker on the budget spending (with the large restrictions on freedom of speech (Denisova, 2017); it is the state authorities alone who can make a decision about annexing a part of another state (Bukklov, 2016).

As was mentioned above, during the Soviet times the state fully controlled the economy (Kenex, 2006). It would be wrong to assume that Russia saw a smooth transition from a planned economy to state capitalism. The country came out of the Soviet system in 1991, where the absolute majority of all the companies, small and big, were in the hands of the state. The decade of 1990s was marked by a large process of privatization. Russia wanted to become a democratic country with a well-functioning market economy, and it could not achieve this without developing a private sector. Unfortunately, large factories and oil and gas extraction companies did not go through a transparent and fair process of privatization (Kenez, 2006). Very soon big capital was accumulated in the hands of the very few individuals who also came to possess a lot of political power (Aslund, 2012). In late 1990s and early 2000s the general public, the government and the big companies experienced very little trust to each other (Kenez, 2006).

In 2000 Vladimir Putin came to power, and the trend of democratization was reversed. Slowly but certainly the state started to gain its powers back, and in the realm of economics it eventually resulted into state capitalism (Kuznetsov et al., 2009; Dagoumas, 2018; Zhang, 2015). The term of state capitalism, as outlined by Alami and Dixon (2020), has various definitions that include but are not limited to 1) a national variety of capitalism, 2) a specific type of state-business relations, 3) a threat or an alternative to Western (neo)liberalism. This is how one of the researchers described it. Governments in state capitalist countries use state-owned enterprises to manage the exploitation of resources and to maintain a high number of jobs (Du, 2014). They can achieve it by either selecting private companies to dominate certain

economic sectors, or by using the so-called sovereign funds to invest extra assets to maximize state profits. The motive behind these actions “is not economic (maximizing growth) but political (maximizing the state's power and the leadership's chances of survival)”.(Du, 2014, p.410). As Aslund (2012) claimed in his book, the major goal of the Putin’s system is to enrich top officials, most of whom have been acquainted with Putin for a long time.

Corruption, which once used to be a significant problem for the Soviet Union, is a large problem for the Russian society on all levels (Aslund, 2012). As a result, personal relationships have a great value not only in political but also in the business environment. Jansson et al. (2007) investigated business networks in Russia, China and Western Europe. They found that business networks in Russia are characterized by the following: 1) networks are based on strong personal emotional bonds, favors and gifts; 2) there is a mix of formal business agreements, as well as informal practices and lack of transparency; 3) trust does not have a lot of value, and it only exists if perceived costs of cheating are more severe than benefits from behaving in a trustworthy manner; 4) firms inside a network can cooperate, but they can also compete (Jansson et al., 2007). Based on this description it becomes evident that Russia cannot be categorized as a CME (in the ideal type firms inside a network cooperate and do not compete against each other), nor as an LME (there is a clear presence of non-market mechanisms that play an important role). Therefore, any conclusions based on categorizing Russia as a CME or an LME will be irrelevant, and hence the Variety of Capitalism model will not be considered further.

#### 2.4.2. CSR in contemporary Russia

Moving from the general overview of the Russian economy and business networks to the realm of CSR, one will find another strong legacy there. In the Soviet times large state-owned enterprises, such as factories, were forced to provide social services to their employees (Kenez, 2006). It could be housing, sport facilities, hospitals, parks, etc. – something that was called Corporate Welfare in the older literature (McCallum, 1990). Nowadays the state is no longer pressuring the companies to provide these (free!) services, but the local focus of CSR activities of big companies has remained the same from the Soviet times (Fifka and Pobizhan, 2014). This same research has found that the modern types of CSR activities involve but are not limited to donations, corporate volunteering (when employees are allowed to volunteer during working hours), and social sponsoring (Fifka and Pobizhan, 2014).

Studies investigating the role of state in post-socialist countries found that citizens expect the state and not the business to engage in socially responsible initiatives. A report produced by the United Nations Development Program in 2007 which was investigating CSR in the new EU member states and candidate countries concluded: “Due to the socialist heritage, there is a general perception however, both in the business community and the public at large, that social responsibility and welfare is the primary role of government.” (Line et al., 2007, p.9). Also, considering the strong role of the Russian state, it would be expected for the government to promote CSR. However, despite these expectations, it was found that the state in has not shown substantive interest in CSR and did not try to encourage it (Khayrullina, 2017). The only exception is direct philanthropic activities, which are encouraged through tax incentives (Fifka and Pobizhan, 2014).

Moving to the attitude to CSR in modern-day Russia, the research conducted in late 2000s found that most of the Russian managers (66%) deemed CSR activities to be mere slogans and not actual actions (Kuznetsov et al., 2009). The same research found that most companies that were engaged with CSR at the time were the ones operating in the oil and gas or other lucrative industries where a positive international image of a company can contribute to a higher flow of investments and higher revenues (Kuznetsov et al., 2006). Another research on the attitudes of the Russian top managers towards CSR found that most of them considered CSR activities to be pointless. For them, CSR activities are the ones that shift attention away from the business goals (Galchenko, 2015).

Nevertheless, many of the Russian companies still have a CSR agenda. Among the small and medium enterprises (SMEs) financial health appears to be quite an important factor. In 2009, Kuznetsov et al. found that small and medium-sized companies operating in Russia in the 2000s were showing little enthusiasm about CSR practices due to low financial resources. However, as the time progressed and small and medium enterprises acquired more financial resources and became more stable, their attitude to CSR practices started to change in the positive direction. Research conducted in 2018 demonstrated that already 60% of the heads of SMEs were in favor of implementing CSR initiatives or have already done so (Batayeva et al., 2018).

A CSR scholarship dealing with stakeholder pressure described several of those groups which can pressure a company to promote CSR. Two types of actors have a specific role in the Russian context. First are the labor unions. While in countries like the UK these organizations

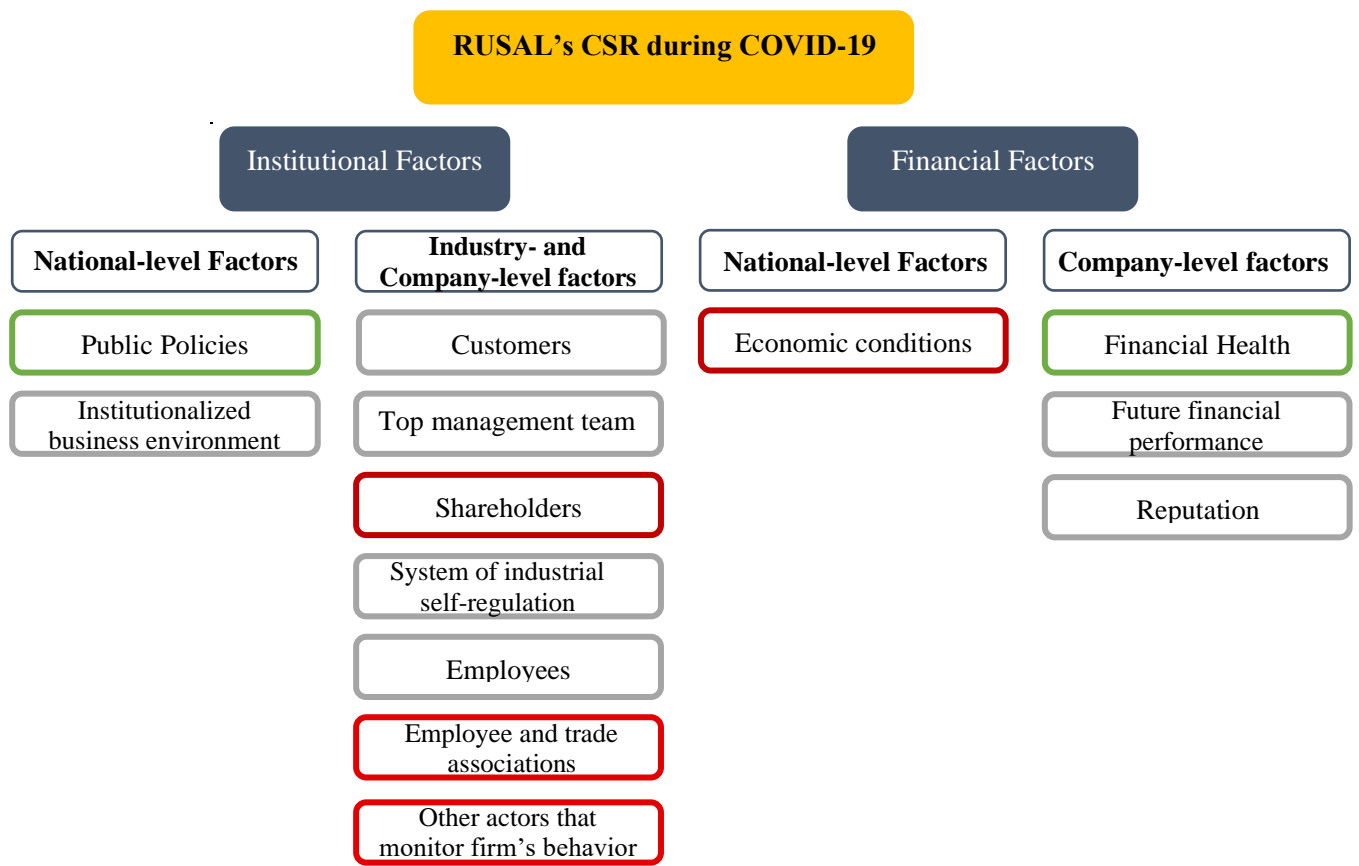


have very strong powers to influence an employer in a certain direction, labor unions in Russia were found to be particularly weak since there were no market mechanisms for representing collective labor interests (Olimpieva, 2012). The second actor is NGOs and other private independent organizations. In the Soviet Union there could not be a private organization involved with social issues. This is because there were no private organizations, and because all the society-related problems were monitored and attempted to be solved by the state (Kenez, 2006). As a result, Russian civil society of which NGOs and other independent organizations are part of, is at a quite immature stage (Crotty, 2009). Most of the NGOs are funded from abroad (mainly from the UK and the US), and in the recent years a new body of regulation had been issued which equates organizations receiving foreign funding to ‘foreign agents’ which puts certain restrictions on their activities (Oleinikova, 2017). For these reasons, one shall not expect to see any substantial pressure on the business to become more socially responsible.

#### 2.4.3. Theoretical expectations

Based on these considerations, the following empirical expectations can be made about some of the factors for the case study under consideration. If it is found that RUSAL has adopted CSR initiatives during the COVID-19 crisis, then it is expected that those initiatives were not affected by the economic conditions (Lee et al., 2013). It is expected that they will be driven by financial health of the company (Kuznetsov et al., 2009; Batayeva et al., 2018) and public policies (financial instruments) (Fifka and Pobizhan, 2014). Given the low importance of labor unions (Olimpieva, 2012) and NGO’s, (Oleinikova, 2017) it is expected to find little pressure by these actors. Last, considering the retrospective power shareholders exercise (Aguilera et al., 2007), it is not expected to find their pressure in RUSAL’s case.

Based on these theoretical expectations, the following causal configuration can be produced (Figure 1). All the thirteen factors are divided into three categories. Those in green are the ones that are expected to be present. Those in red are the ones that are not expected to be present. Last, the factors in grey are the ones there have no expectations about. They have an equal chance of being present or absent in the researched case.



**Figure 1.** Theoretical expectations model

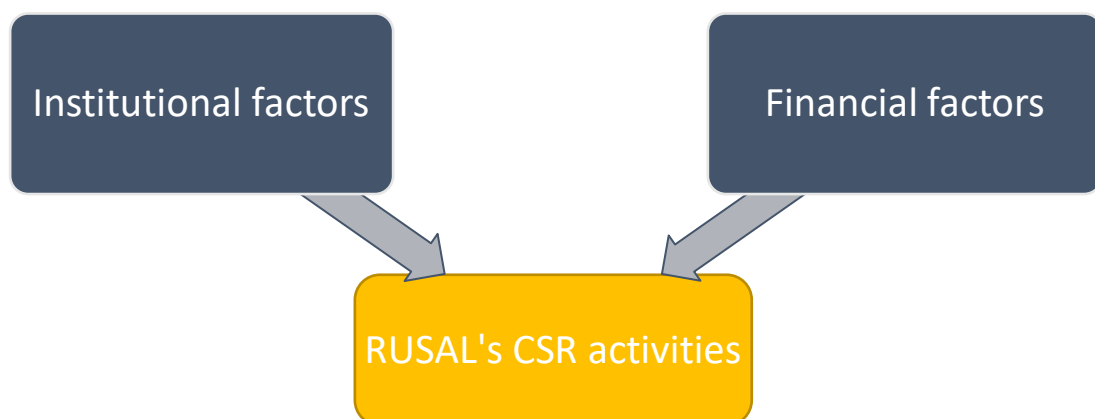
## Chapter 3. Methodology

This section will look into the methods that will be used in order to answer the research question: Which factors shape a large company's decision to implement CSR initiatives during a crisis? This research question will be answered through the case of RUSAL in the context of the first wave of COVID-19 pandemic in Russia.

### 3.1. Research design

The goal of this research is to identify the factors that shaped RUSAL's decision to adopt of CSR policies during the first wave of the COVID-19 pandemic. The dependent variable in this research is known – CSR activities of RUSAL, while the independent variable – factors that influenced it – remains unknown. The literature review outlined the factors that might have had an influence on CSR adoption. This research will test whether those propositions appear to be correct in a given case. A within-case causal process tracing research methodology, as described by Blatter and Haverland (2014), appears to be the most appropriate for answering the research question.

Process tracing distinguishes between three causal configurations: causal chain, causal conjunction, and causal mechanism. For this research a causal conjunction, which according to Blatter and Haverland (2014, p. 62), “indicates that two or more factors interact at a specific point in time for producing a specific outcome” will be used. The literature review outlined several factors that can affect coa company adoption of CSR policies. Those factors were divided into institutional and financial factors, and each of the categories was further split into factors that are relevant on the national level and those relevant on the industry and company level. Hence, a simplified causal conjunction looks the following way:



**Figure 2.** Simplified causal conjunction model

A total of thirteen factors identified in the general literature will be evaluated. Financial national-level factor is 1) economic conditions, and company-level factors are 2) financial health, 3) reputation, and 4) future financial performance. Institutional national-level factors are composed of 5) public policies and 6) institutionalized business environment. Institutional industry- and company-level factors to be analyzed are pressure by different stakeholders (7) employees, 8) customers, 9) shareholders, 10) top management team, 11) employee and trade associations and 12) other actors that monitor firm's behavior, 13) and a system of industrial self-regulation. Although the theoretical expectations model predicted only two factors to be present (public policies and financial health), this research will analyze all the factors against the case of RUSAL to find out the ones that are relevant for this specific case.

### 3.2. Operationalization

#### 3.2.1. Economic and financial factors

In order to assess whether national *economic conditions* were favorable or poor three indicators will be considered: USD – RUB exchange rate, inflation rate, unemployment level. To assess RUSAL's *financial health* during the pandemic, four factors will be assessed: RUSAL's net income for 2015 – 2019, key financial parameters, amount of debt, and share prices. The last two factors under this category are *future financial performance* and *reputation*. It was stated in the literature that a company might consider improving its future financial performance by improving reputation through CSR. To identify whether that was the case, media salience of RUSAL's CSR will be considered.

#### 3.2.2. Institutional context

As was described in Chapter 2, there can be five different *public policy* instruments promoting CSR activities (Steurer et al., 2012). Those are legal, financial, informational, partnering, and hybrid instruments. To establish whether any of these instruments were present, the presence of legal instruments recommending CSR, the presence of financial instruments promoting CSR, the presence of government campaigns promoting CSR, and the presence of public-private agreements incentivizing CSR, correspondingly, will be identified. It will be concluded that hybrid instruments were employed if more than two instruments were present.

Next is the *institutionalized business environment*. To establish its presence or absence, one can look at the educational background of the top management team, as was suggested in the literature (Campbell, 2007). Another evidence of the institutionalized environment could come from the organizations a company participates in. Therefore, it will be checked whether RUSAL is a member of such an organization. Another factor found in the literature was *self-regulatory agreements*. According to RUSAL's sustainability report, the company participates in several of them, of which ASI standard and Social Charter of the Russian Business will be reviewed. These agreements will be examined to determine their potential role in the promotion of CSR before and during COVID-19. In addition, there are three *trade and employee associations* RUSAL is a part of, and potentially these associations could exercise pressure over RUSAL for it to implement CSR initiatives. Those associations are The Aluminium Association, the Russian Aluminium Association, and Mining and Metallurgical Workers Union. The websites of these associations will be studied to find whether their pressure coincided with RUSAL's decision to adopt CSR policies.

Last are stakeholder pressures. In order to be able to identify whether *pressure by employees* was present or absent, it will be investigated whether employee initiatives promoting or pressuring for CSR took place. *Customer's pressure* was identified in the literature to be another factor that can lead to adoption of CSR initiatives by a company (Crane et al., 2004). To see if that was the case for RUSAL, concerns of customers for CSR initiatives will be searched for. In order to determine whether there was RUSAL's CSR activities were implemented due to *pressure from top management team*, one would need to conduct interviews with top managers, consider transcripts of their meetings, emails with tasks they sent, etc. None of these appears to be feasible to do in the context of this thesis, and on this basis this factor will be excluded from further analysis. *Pressure by shareholders* will be assessed through analyzing CSR-related pressure from shareholders at the annual shareholder meeting. Last, to determine whether *other actors that monitor firm's behavior* shaped RUSAL's CSR, campaigns or other initiatives by NGOs, social movements, independent private organizations, or media will be searched for.

### 3.3. Case selection

In order to answer the research question, RUSAL was selected as a representative of the Russian industrial companies. RUSAL is an aluminium-producing company that was officially

founded in 2007 by Oleg Deripaska (Wikipedia, 2020). It has multiple factories in Russia, and some supporting factories in other parts of the world (RUSAL, 2020d). Those factories in Russia existed long before RUSAL was established, and they represent the industrial legacy of the Soviet Union. Deripaska as a business owner represents the cohort of very powerful men who built their ‘empire’ in the 90s on the remains of the Soviet system. During the wave of privatization in the 1990s, he became the owner of all the aluminium factories that were built in the Soviet times, and united them into one company. From the theoretical perspective, RUSAL is a typical example of a Russian industrial company.

### 3.4. Data collection

In order to make the data collection strategies for each of the operationalized variables clear, this information was organized into Table 1.

Factor		Operationalized value	Data source	“Search terms”/ website section; periodization
Economic conditions		Exchange rate, unemployment and inflation rates.	Federal Service of State Statistics, Yandex Quotes	March 1, 2020 – June 30, 2020
Financial health		1. Net income 2. Key financial parameters 3. Amount of debt 4. Share prices	1. RUSAL’s website 2. Interim financial report 3. Interim financial report 4. RUSAL’s website	1. “Key indicators” 2. – 3. – “Quotes”; March 1, 2020 – June 30, 2020
Future financial performance + reputation		Media salience	RIA News, Meduza, Vedomosti, RBC, Forbes Russia, Russian Harvard Business Review; Financial Times, Bloomberg, Harvard Business Review, Forbes; RUSAL’s press releases	“RUSAL”; March 1, 2020 – June 30, 2020
Public Policy	Legal instruments	Presence of legal instruments recommending CSR	Consultant Plus <sup>1</sup>	Hot documents; March 1, 2020 – June 30, 2020 <sup>2</sup>

<sup>1</sup> Consultant Plus is a database which includes all the Russian legal documents, such as laws, presidential and governmental decrees, etc.

<sup>2</sup> March 1, 2020 was chosen to make sure not to miss any important information (at that time Europe was witnessing the first cases; Russia only introduced self-isolation policy in the end of March). June 30, 2020 was chosen because in the summer the first wave of COVID-19 declined significantly, and because June 30 is the end of the first half of year after which financial interim reports are published.

	Financial instruments	Presence of financial instruments incentivizing CSR	Federal Tax Service –	Business Support Measures; March 1, 2020 – June 30, 2020
	Informational Instruments	Presence of government campaigns promoting CSR	Ministry of Economic development, Ministry of Finance, Ministry of Industry and Trade	Press center; March 1, 2020 – June 30, 2020
	Partnering instruments	Presence of public-private agreements incentivizing CSR	The Russian Government, Ministry of Economic development, Ministry of Finance, Ministry of Industry and Trade	“Agreement” + “Business”, Press center; March 1, 2020 – June 30, 2020
	Hybrid instruments	If more than two of the above instruments are present	–	–
Institutionalized business environment		1. Educational background of top managers 2. Membership in business organizations promoting CSR	1. RUSAL’s website + Google 2. Russian Union of Industrialists and Entrepreneurs	1. “Name of top manager” + “education”; no periodization 2. Entire website, no periodization
System of industrial self-regulation		Presence of self-regulatory agreements promoting CSR	Aluminium Stewardship Initiative (ASI) standards, Social Charter of the Russian Business	Texts of ASI standards and Social Charter of the Russian Business; no periodization
Pressure by employee and trade associations		Membership in employee and trade associations promoting CSR	The Aluminium Association, The Russian Aluminium Association, Mining and Metallurgical Workers Union	Press center, March 1, 2020 – June 30, 2020
Pressure by employees		Presence of employee initiatives promoting CSR	Interviews with RUSAL employees <sup>3</sup>	–
Pressure by customers		Customer concerns for (more) CSR initiatives	RIA News, Meduza, Vedomosti, RBC, Forbes Russia, Russian Harvard Business Review;	“RUSAL”; March 1, 2020 – June 30, 2020

<sup>3</sup> Interview consent form (Appendix 1) which was signed by both of the interviewees prior to the interviews granted them full anonymity, so no personal details can be revealed. Interviewee 1 has been working for RUSAL’s financial department (first in one of the regions, later at the head office) since 2001. Interviewee 2 has been working in the commercial department (also first in one of the regions, later at the head office) since 2007. None of the interviewees was directly concerned with company’s CSR which assured their impartiality. The list of interview questions can be found in Appendix 2.

		Financial Times, Bloomberg, Harvard Business Review, Forbes; RUSAL's press releases	
Pressure from shareholders	Shareholder pressure for CSR at the annual shareholder meeting	Annual shareholder meeting report	–
Other actors that monitor firm's behavior	Campaigns or other initiatives drawing attention to CSR by NGOs, social movements, independent private organizations, media.	RIA News, Meduza, Vedomosti, RBC, Forbes Russia, Russian Harvard Business Review, RUSAL's social media	"RUSAL"; March 1, 2020 – June 30, 2020

**Table 1.** Operationalization and data collection.

### 3.5. Data analysis

The goal of this research is to test whether theoretical expectations (Figure 2) and the causal configuration based on those expectations (Figure 3) hold true in the case of RUSAL. To do so all the evidence described in the Operationalization and Data Collection part will be collected and evaluated using process-tracing methods of assessing the strength of evidence. These are Straw-in-the-wind (shows that an evidence is neither necessary nor sufficient); Hoop (shows that an evidence is necessary but not sufficient); Smoking gun (shows an evidence is sufficient but not necessary); and Doubly decisive (shows that an evidence is both necessary and sufficient) (Beach and Pedersen, 2013). Since almost no evidence can pass a Doubly decisive test, evidence passing Smoking Gun or Hoop tests will be considered to be sufficient to prove whether a certain factor was present or absent in the case.

### 3.6. Validity and reliability

The general validity of this study is ensured by employing process tracing research method. It was claimed that studying causal mechanisms with this method enables to draw strong within-case inferences about the causal process (Beach and Pedersen, 2013). The internal validity of the study is ensured in two ways. First, through employing measurements to identify whether the factors in the causal conjunction were present or absent in the selected case. Second, it is ensured by applying process tracing tests to assess the strength of evidence. This way the study ensures that conclusions will not be based on weak evidence (the one that is neither necessary



nor sufficient). As for external validity, although it is not possible to derive statistical generalization based on one case, it is possible to derive probabilistic generalization. This means that the identified causal configuration might hold the same in other similar cases. Such cases include other Russian industrial companies which were founded in the Soviet times. Content validity is ensured for most values, meaning that the measurements are constructed in a way to capture all aspects of a factor. The general reliability of this study is increased by clearly presenting data collection techniques which clarifies how observations will be made. Measurement reliability is ensured by creating measurement instruments in a way for them to produce the same or similar results if applied to the same data. In other words, measurement reliability of this research leads to the replicability of its findings.

## Chapter 4. RUSAL's CSR activities

The goal of this chapter is to investigate RUSAL's CSR activities. The chapter will start with the description of RUSAL's CSR actions prior to COVID-19 pandemic, then move to presenting CSP practices during the pandemic.

### 4.1 RUSAL's CSR prior to COVID-19 pandemic.

According to the RUSAL's Sustainability Reports, all the CSR-related company actions can be classified into three categories: Health and Labor safety, Environment, and Social Investment.

The importance of the first CSR component Health and Labor safety stems from the history of the company. RUSAL is an aluminum producing corporation based in Russia. Being the second biggest producer of aluminum in the world outside of China, RUSAL possesses several factories around Russia. Most of those factories were built in the Soviet times during the 1970-80s. The main negative implications of ageing factories are outdated production lines. In the past decades, technologies in aluminum production and casting have changed drastically, making the old factories an environmental hazard. Since changing the entire production lines at all the factories is too expensive, RUSAL is doing its best to keep its employees safe and with minimal health consequences within the existing production processes (RUSAL, 2020i). According to their reports, in 2018 49.3 million USD were spent on health and safety (RUSAL, 2019). However, it is hard to consider concerns for physical safety of employees as CSR actions. CSR implies that a company takes an extra step and does something that is not prescribed (Zhao, 2012). Since the labor law obliges a company to ensure health and safety of its employees, in this thesis Health and Labor safety component as described on the website of RUSAL will not be considered as CSR.

In the course of later research, 2 interviews were conducted with company employees. Those interviews revealed some actions of the company that can count as CSR, the actions that are not made public. First is health insurances. Both interviewees confirmed that both factory and office workers are provided with advanced health insurances (Respondent 1, Respondent 2). Second is the program 'cafeteria of benefits'. Within this program each employee is granted with a certain amount of money per year, and this money can be spent in a certain number of ways, based on the employee's request. It can be a gym subscription, paid parking by the office

building, meals at the office cafeteria, etc. (Respondent 2). Both of these company actions are not mandated by law, they do not lead to any immediate profits, and they can be considered to be that extra social step a company takes on the voluntary basis. On these grounds these actions can be considered to be CSR. In order to not confuse later with the first official component of CSR, these actions will be called Internal CSR (those actions aimed at internal stakeholders, such as employees (Matten and Moon, 2008)).

The second component of RUSAL's CSR according to the Sustainability reports is Environmental protection. The main CSR activities in this domain according to the RUSAL's website are:

- “Modernization of production, equipment of enterprises with new modern equipment.
- Development and introduction of new environmentally friendly production technologies.
- Introduction of new ecologically effective capacities.
- Arrangement of sanitary protection zones.
- Research and development activity.
- Educational programs.” (RUSAL, 2020c).

Let us consider the first two components in greater detail based on the case of one of the factories. One of the world biggest factories owned by RUSAL is located in Krasnoyarsk, a city with over a million inhabitants. Being founded in 1964, it has an annual capacity of smelting 1,024,000 tons of aluminium (RUSAL, 2020k). In the last few years the company had made some significant attempts to reduce the environmental impact. However, after the environmental program of 2015, the company managed to reduce pollution levels by only 1.3% (RUSAL, 2020k). The city of Krasnoyarsk frequently appears in the rankings of the world's most polluted cities (The Siberian Times reporter, 2020), and a significant part of the pollution is blamed on RUSAL, or what people in Krasnoyarsk call it, KrAZ (which stands for Krasnoyarsk Aluminium Factory) (Litovchenko et al., 2020).

High levels of pollution have been causing protests for many years. One of the numerous instances of people protesting against KrAZ's activity can be seen on Picture 1. There, a man is standing in front of the city hall with a sign “KrAZ. Give our health back”. On the sign there is also a picture of one of KrAZ's smoking factory pipes and a depiction of lungs that are half black because of the smoking pipes.



**Picture 1.** (Tarasov, 2019).

The case of Krasnoyarsk was presented for two reasons. First, it was to illustrate that much of RUSAL's Environmental Protection CSR in the realm of modernization of production and implementation of new ecologically friendly technologies can be considered to be PR. Second, this case has demonstrated that although the company claims to implement the newest environmental standards of production, in reality many of their factories constitute an

environmental hazard to the cities they operate in, and therefore the attempts to slightly reduce environmental impact can be hardly considered as CSR.

Fortunately, there are other activities constituting the Environment component which can legitimately count as CSR. First is a program called ‘Green Million’. RUSAL realizes the excessive CO<sub>2</sub> emissions they produce, and in order to reduce this negative environmental impact, the company launched an initiative to plant 1 million trees in the regions where RUSAL has factories (RUSAL, 2020f). Second is a program ‘Green Wave’. This program provides grants to ecological and environmental initiatives in the regions of the company’s presence. The program has been launched in 2017 and every year the number of supported initiatives has been growing. In 2019 RUSAL supported 87 projects constituting 419 initiatives (RUSAL, 2020g). Third program is called ‘Yenisei Day’. The project was launched in 2011 as a onetime initiative aimed to raise awareness about Yenisei – one of the largest Siberian rivers. Later, it grew into a larger yearly event. Every year volunteers clean the banks of the river, there are organized quests and contests, lectures, exhibitions, sport competitions, master classes, and many other types of events. In addition, every year thousands of sturgeon and other valuable species of fish are released into the river (RUSAL, 2020r).

The third component of RUSAL’s CSR is social investment. There is a clear understanding in the company that almost all of their factories are located away from the well-developed cities of Moscow and Saint Petersburg (RUSAL, 2020d). For this reason, people need extra incentives, apart from the salary and the safe working environment, to work for the company. The largest program within social investment component is called ‘RUSAL territory’. The program was launched in 2010 and it led to a creation of 250 social infrastructure facilities (such as parks, sport clubs, and other public spaces) in 9 different regions in Russia (RUSAL, 2020n). After those places are built, they are usually handed over to the local municipal authorities (Respondent 1). This way the company makes sure the facilities are available to everyone, and not only the company employees. Additionally, by doing so the company does not have to look after those places and spend money and other resources on running the facilities (Respondent 1).

Apart from investing in the development of local infrastructure, RUSAL has shown substantial interest in volunteering movement. There are two volunteering-related programs in RUSAL. First is corporate volunteering. The company supports different kinds of corporate volunteering, such as cultural, charity, educational and research activities; assistance to the

organizations addressing social or environmental issues. Many of the projects are initiated by the company employees (RUSAL, 2020b). Another program is called ‘Helping is easy’. It promotes society-wide volunteering. This program consists of providing grants to help implement volunteering initiatives to support vulnerable groups of people, create and develop volunteering communities, organize educational events for them (RUSAL, 2020h).

In addition to the previously mentioned programs, RUSAL carries out several more projects that are of less importance for this research. Those are School of Urban Change – a program that is aimed towards training and supporting people interested in improving urban spaces (RUSAL, 2020o); ‘Center of Social Innovations – a program that supports small social business initiatives by providing grants (RUSAL, 2020a); ‘Go Skiing’ project which promotes cross-country skiing (RUSAL, 2020e); and RUSAL Festival – its activities have a goal of developing creative abilities and supporting interest in culture and art (RUSAL, 2020m).

Arguably, Social Investment is the largest and the least controversial of RUSAL’s CSR dimensions. While RUSAL is not legally obliged to engage in these activities and has no financial incentive to do so, the social investment programs appear to be crucial for the surrounding populations and offer a large impact on the local communities.

#### 4.2. RUSAL’s CSR during COVID-19 pandemic.

After the pandemic hit and a strict lockdown was imposed in some cities (like Moscow), the company was forced to adapt quickly to the new ways of working. Considering that the production of aluminium is a process that cannot be stopped, RUSAL was included in the list of the companies that could continue to operate even under the most severe lockdown rules. However, it did not mean that any of the offices could stay open, so all the office employees started working from home. It is worth noting here that RUSAL was the first large company in Russia to send its workers to work from home. They did so almost 2 weeks before the official measures were announced (Foy, 2020a).

During the first wave of COVID-19 the company expanded its CSR-related actions in the previously existing streams: Health and Labor safety, Internal CSR, and Social Investment. Within the first stream, RUSAL provided all its employees with face masks, goggles, and sanitizers; thermal images were placed at each of the entrances to control for the body temperature of the workers and limit the spread of infection at the workplace (Respondent 1,

Respondent 2). The company did not announce these measures anywhere, yet both of employees considered these to be extra steps, something the company did not have to do. However, similar to the assessment of the Health and Labor safety component pre-COVID, these steps are viewed as a must and hence cannot be called CSR in this research.

Internal CSR which was discovered in the section above included those extra measures that could count as CSR activities. During the COVID-19 pandemic such measure can be the project ‘Time to Help’. Within this program the company allocated more than 42 million rubles to retired workers and veterans of the company and provided them with medicines and foodstuff (RUSAL, 2020s; RUSAL, 2020u; RUSAL, 2020v).

Similar to the pre-COVID time, the largest of the CSR streams was Social Investment. During the pandemic, the largest of RUSAL’s CSR actions was building hospitals in the regions of operation (RIA News, 2020). In addition, the company provided hospitals with free masks, goggles, gloves, protective suits, sanitizers, and PCR tests (Respondent 1); ventilators (Verbitskaya, 2020); and disinfection chamber (Official portal of Kamenk-Uralsky, 2020). Furthermore, RUSAL continued to support the volunteering movement. Corporate volunteers delivered foodstuff to more than 10,000 of the company’s retirees and veterans (RUSAL, 2020v).

Looking at the RUSAL’s CSR activities in regular times and during COVID-19, it is possible to notice peculiar connections. As was mentioned previously, the CSR actions during COVID-19 fall under the same categories as the ones prior to it. The only exception is the Environment component. This is because COVID-19 pandemic did not cause any environmental problems.

Table 2 summarizes CSR measures from the two periods. Two components are omitted: Health and Labor safety and Environment. The former is excluded because none of the actions falling into this category can be considered as CSR. The latter is excluded because there were no Environment-connected CSR initiatives during the pandemic.

CSR component	Pre-COVID-19	During COVID-19
Internal CSR	Advanced health insurances for all employees	‘Time to help’ project.
	‘Cafeteria of benefits’	

Social Investment	'RUSAL territory'	Newly built hospitals in some of the regions of operation.
		Provision of hospitals across Russia with medical equipment.
	Volunteering	Corporate volunteers helping to deliver foodstuff to more than 10 thousands of RUSAL's formal employees who are older than 70
	'Center of Social Innovations	–
	'School of Urban Change'	–
	RUSAL Festival	–
	'Go Skiing' project	–

**Table 2.** Summary of CSR actions of RUSAL before and after COVID-19 pandemic.

This table shows that for some of the activities that were initiated in regular times were expanded in the necessary direction during COVID-19 pandemic. The most prominent example is 'RUSAL territory program'. Before the pandemic it included building social infrastructure in the cities where RUSAL operates to make employees more inclined to stay in those cities and continuing to work for the company. After the virus hit, it became evident that those underdeveloped areas needed not only social infrastructure but also hospitals, and so the company invested a considerable amount of money into it. As for volunteering, the company had been promoting and supporting volunteering movement prior to pandemic, and it continued doing so during the lockdown. Last, within the component that was named Internal CSR (in order not to confuse it with the company's Health and Labor safety element) the company tried to support its employees in the regular times by providing them with some additional benefits. During the first wave of COVID-19 RUSAL allocated some of its funds to support veterans and retirees of the company.

What this analysis demonstrates is that prior to the COVID-19 crisis RUSAL had an extensive CSR agenda. During the COVID-19 pandemic it was expanded in the previously existing directions. All the actions during COVID constitute a continuation of those prior to the crisis. Therefore, it is possible to state that an important factor that was not mentioned in the academic literature, but which played a role in the case of RUSAL, is the **corporate legacy** of CSR. A company which had been valuing CSR prior to the COVID-19 and which had been investing into it, continued doing so in a crisis situation. Therefore, a corporate legacy can be viewed as a factor that coincided with RUSAL's CSR during the corona crisis.



## Chapter 5. Economic, financial, and institutional analysis

After having considered RUSAL's CSR policies prior to and during the first wave of the COVID-19 pandemic, the goal of this chapter is to evaluate all the twelve factors outlined in Chapter 2 in order to find out which of them were absent and which of them were present in the case of RUSAL.

### 5.1. Economic and financial factors. National-level factors

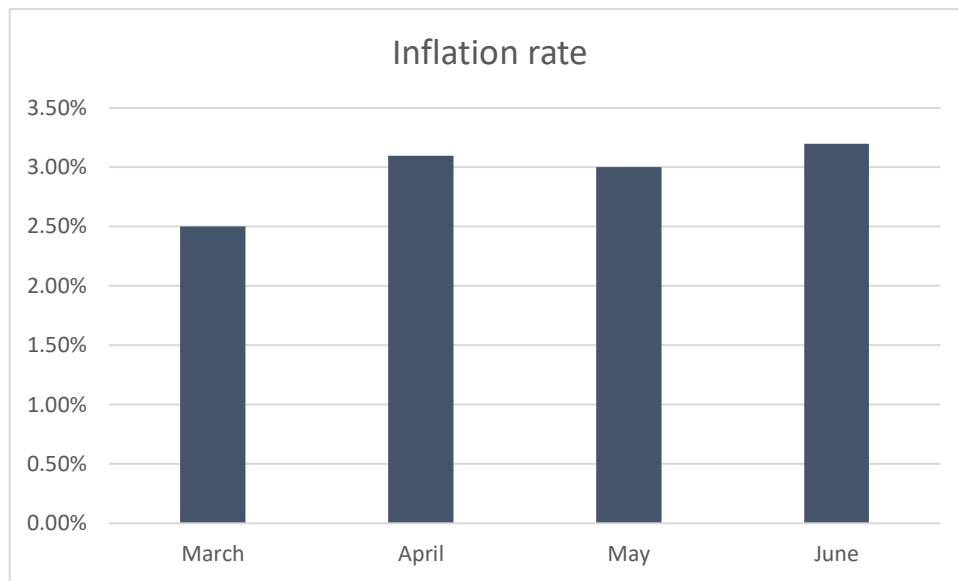
#### 5.1.1. Economic conditions

COVID-19 caused not only crisis in the health system but also in the economy worldwide. For this reason, economic and financial factors will be analyzed first.

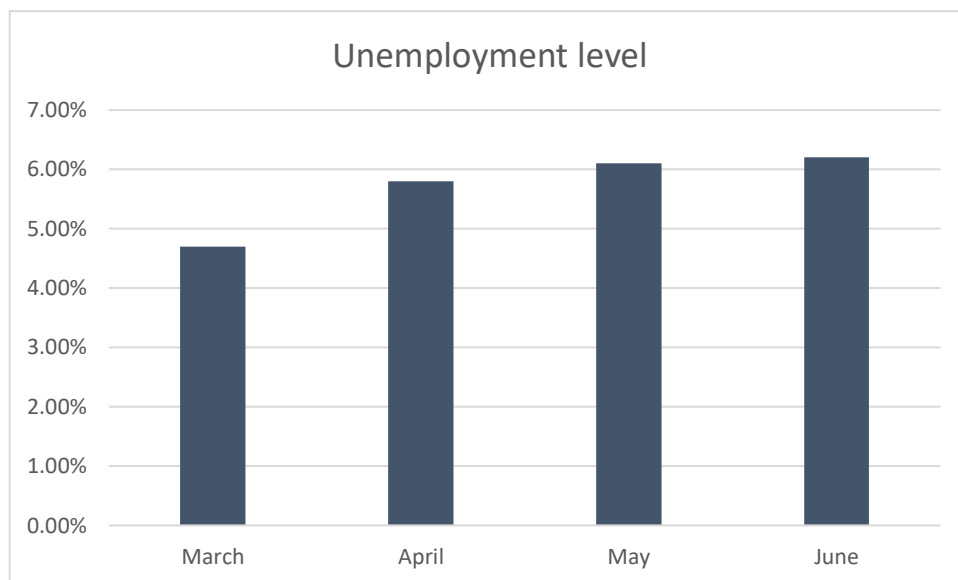
In order to make assessments of whether general economic conditions shaped RUSAL's CSR during the pandemic, one should consider whether those conditions were favorable. In order to make this assessment it was suggested in Chapter 3 to consider three macroeconomic indicators: exchange rates, inflation and unemployment levels. The graphs below will represent each of these components.



**Figure 3.** USD – RUB Official exchange rate, March 1, 2020 – June 30, 2020 (Yandex, 2020).



**Figure 4.** Inflation rate in Russia, March – June 2020. (Interfax, 2020).



**Figure 5.** Unemployment level in Russia, March – June 2020. (Federal Service of State Statistics, 2020).

These graphs demonstrate the following. First, it can be seen that in March ruble depreciated against dollar, but ever since the beginning of April, when the strict lockdown measures were imposed, it was slowly gaining back its value (Figure 3). In the beginning of the reviewed period 1 USD could be bought for 66,33 RUB, and in the end of the period 1 USD could be bought for 70,44 RUB, which indicates a total depreciation of 5.8% (Figure 3). Second, inflation grew quite significantly from 2.5% in March to 3.2% in June 2020. This is quite a significant inflation growth over such a short period of time. Third, in terms of unemployment rate, Russia experienced a very significant rise in unemployment levels from 4.7% in March to

5,8% in April. Ever since April the unemployment level had been slowly rising, further reaching a 6.2% mark in June 2020. This demonstrates that the lockdown measures that were widely imposed in the end of March had a very detrimental effect on the job market.

All in all, each of these three pieces of evidence was necessary but not sufficient to evaluate the factor. However, considering all of them combined, one can conclude that Russia was indeed negatively affected by the world economic crisis caused by coronavirus, and therefore the economic conditions in March – June 2020 could not be assessed as favorable. Nevertheless, RUSAL implemented several CSR initiatives as described in the section above. On these grounds it is possible to state that national-level economic conditions did not correlate with RUSAL's CSR policies, which goes in line with theoretical expectations about this factor.

## 5.2. Economic and financial factors. Company-level factors

### 5.2.1. Financial health

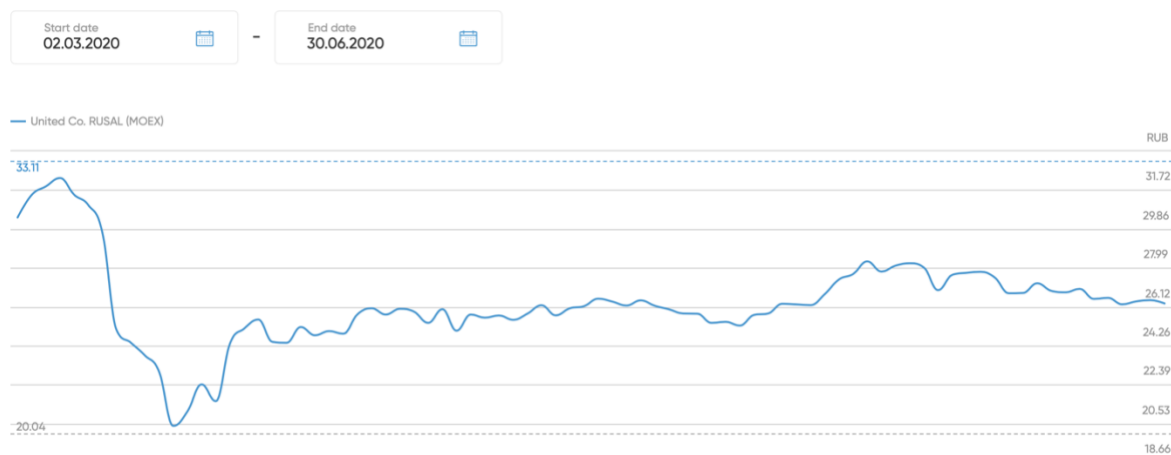
One of the important pre-conditions to CSR identified in the literature was a company's financial health. The idea behind it was that if a company is struggling financially, it will be less inclined to invest into CSR and will be more likely to invest in those activities that have a direct connection with revenues. To assess financial health of RUSAL it was suggested to consider the following factors: net income over the last few years, key financial parameters, amount of debt, and share prices. Similar to the section above, first the raw data will be presented, which will be followed by the summary of findings and their analysis.

Year	2015	2016	2017	2018	2019
<b>Net income, m USD</b>	558	1,179	1,222	1,968	960

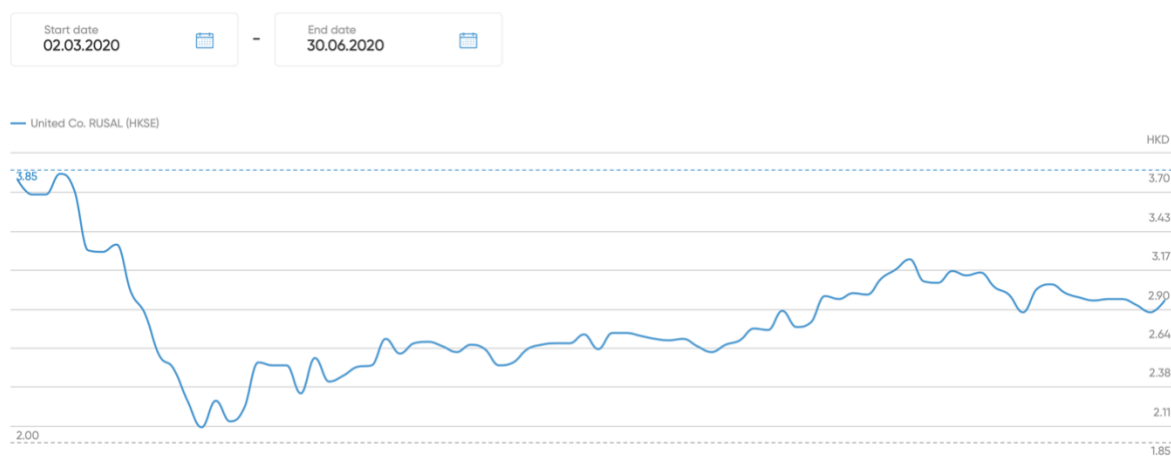
**Table 3.** RUSAL's net income, 2015 – 2019 (RUSAL, 2020j).

	1H 2020	1H 2019	Change
<b>Average aluminium price</b>	\$1,592/t	\$1,826/t	↓ 12,8%
<b>Total sales, kt</b>	1890 kt	1978 kt	↓ 4,4%
<b>Realized price</b>	\$1,756/t	\$1,960/t	↓ 10,4%
<b>Revenue</b>	\$4,015 mn	\$4,736 mn	↓ 15,2%
<b>Net debt</b>	\$5,964 mn	\$7,520 mn	↑ 20,7%

**Table 4.** Key financial parameters. (RUSAL, 2020y, p.4)



**Figure 6.** MCX: RUAL; February 3, 2020 – June 30, 2020. (RUSAL, 2020l).



**Figure 7.** SENK: 486; March 2, 2020 – June 30, 2020. (RUSAL, 2020l)

This data should be interpreted as the following. First, in the five years prior to the pandemic RUSAL has been experiencing net incomes, and not net losses. Although the incomes of RUSAL shrank significantly in 2019, they rose considerably in 2018. Therefore, a loss in 2019 compensated for the growth in the year before. Second, looking into financial parameters' comparison between the first half of 2019 and first half of 2020 we will see that there is a decline in almost all of them. The average aluminium price dropped by 12.8%, total sales of RUSAL declined by 4.4%. With the realizing price dropping by 10.4%, revenues decreased by 15.2% (RUSAL, 2020y). Third, while there are clear signs that the company was affected by the poor economic conditions as described in the section above, one parameter has been

continuously improving in the last years – net debt. In the first half of 2020, despite the turbulent times, it declined by 20.7% (RUSAL, 2020y).

The last parameter is the share prices. RUSAL has its stocks traded on two stock exchanges: The Stock Exchange of Hong Kong (SEHK), and Moscow Exchange (MCX). It can be seen on both graphs that RUSAL's share prices dropped around March 20<sup>th</sup> 2020, and had been slowly recovering ever since after (RUSAL, 2020l). Three reasons for this drop were listed by RUSAL itself in the 2020 interim report. Those three reasons were: outbreak of COVID-19; decreased oil prices; depreciation of the Russian ruble (RUSAL, 2020x). However, this drop in share prices did not only affect RUSAL, but also its competitors all over the globe in the aluminum industry. The company also expects the prices to remain low in 2021: "As aluminium prices are forecast to continue to remain at depressed levels in 2020, management is implementing a number of measures including, but not limited to, cost and working capital optimization" (RUSAL, 2020x, p. 12).

Similar to the economic conditions factor, each of the parameters alone would be necessary but not sufficient to make any conclusions. However, by combining them all together it is possible to state that although the company's financial health was undermined, it was not severely affected. The most illustrative proof is the net debt. If a company was in state of severe depression, it would have acquired more debt, instead of trying to pay it back. Also, although the share prices dropped in March, they recovered significantly towards the end of the reviewed period, making it a rather short-term period of decline. Therefore, RUSAL's CSR activities happened to coincide with the improvement of its financial health after a brief decline. This is consistent with the theoretical expectations which stated that a company needs to be financially healthy in order to be able to engage in CSR.

### 5.2.2. Reputation and future financial performance

In the literature it was suggested that companies can engage in CSR in order to improve its reputation and financial performance. Improved reputation can be expected to lead to a better financial performance because the company would become more attractive in the eyes of its customers (Blair and Chernev, 2015). Nonetheless, it was argued that in order for CSR to have a positive effect on a company's image, several conditions should be met. First, a company should make sure that whatever they are producing is not negatively affected by CSR practices. This is because customers tend to value functional value of a product much more than the social

one (Green and Peloza, 2011). Looking at the two streams of CSR activities – internal CSR and social investment – there appears to be no link with the quality of produced aluminium since none of the measures concerned production lines or factory employees. Hence, the production line was not affected at all, and therefore this condition is considered being met. The second condition of positive influence of CSR on reputation is the perceived sincerity of CSR actions – if customers perceive CSR motives to be ambiguous, it will harm a company's reputation (Yoon et al., 2006). For the motives to be considered genuine a company should 1) make sure consumers learn about CSR actions from a neutral source, 2) ensure that the cost of contribution does not exceed the cost of advertising, and 3) consider benefit salience of the cause (Yoon et al., 2006; Groza et al., 2011).

An extensive search was conducted in order to identify how consumers could learn about RUSAL's CSR. A search on the Russian media outlets revealed only one article mentioning RUSAL's CSR activities. The article spoke about the measures the company took to protect their employees (which, again, should not count as CSR) (Krasavin, 2020). After conducting a more general search, it was found that RUSAL's external CSR received some (yet little) attention in local media. For example, one such article mentioned that RUSAL provided 20 more backup beds for patients with coronavirus (19rus.info, 2020). As for sources in English, most of the found articles were about RUSAL opening a hospital for COVID-19 patients in Guinea<sup>4</sup> (RUSAL has a factory there) (Bloxsome, 2020). A few others covered health and safety CSR activities (which, once again, are not CSR) (Foy, 2020a; Foy, 2020b). It should be noted that prior to the pandemic RUSAL's CSR had not been attracting a lot of attention in press either. In the last few years RUSAL appeared on news mainly in the context of environmental protests across Russia and the sanctions imposed by the United States.

Considering the overall lack of information in press, it becomes particularly important to look at the company's press center page. On the English version of the website the only announcement in relation to the company's CSR activities in Russia during the first wave of the pandemic (so excluding the hospital in Guinea) was issued on March 16, 2020, and it spoke about safety measures provided to the employees (RUSAL, 2020h). However, on the Russian version of the website two additional initiatives were presented: corporate volunteers helping RUSAL's retired employees (RUSAL, 2020u), and 42 million rubles that were to be spent to

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<sup>4</sup> Since this thesis focuses on Russia and activity of RUSAL in Russia, construction of hospital in Guinea was left outside the scope of this research.

help retired employees (RUSAL, 2020v). It is worth realizing that RUSAL did not announce all the CSR activities, even on their website. In particular, nothing was said about provision of protective equipment and COVID-19 tests to the hospitals across the country. Therefore, it appears that regular consumers could hardly find any information about RUSAL's CSR activities during the pandemic, both in neutral and in company sources.

Considering the minimal media coverage of RUSAL's CSR, the condition of perceived sincerity of CSR motives, as outlined by Yoon et al. (2006), appears to be unimportant. Either the company tried improving its reputation and financial performance, but it did not work out, or the company was not interested in improving its reputation through CSR. In any case, the presented pieces of evidence are both necessary and sufficient to state that RUSAL's CSR actions did not coincide with attention in press, and hence reputation and financial performance factors were not present in the analyzed case.

### 5.3. Institutional factors. National-level factors

#### 5.3.1. Public policies

After considering potential financial factors that could have influenced RUSAL's decision to promote CSR during the first wave of COVID-19 in Russia, this section will move to institutional national-level factors. The most significant of those factors is public policies. The aim of this section is to identify relevant legal, financial, informational, partnering, or hybrid instruments promoting CSR.

Legal instruments are the laws, regulations, or directives recommending a company to promote CSR initiatives (Steurer et al., 2012). These instruments assume a hierarchical state-business relationship. After considering all the legal documents issued in the period between March 1, 2020 and June 30, 2020, no relevant policy constituting a legal instrument as defined by Steurer et al. was found.

Financial instruments were identified as the ones which create financial incentives for companies to promote CSR (Steurer et al., 2012). There were several of those measures the government employed to promote CSR among large companies. The most direct policy was the one abandoning taxes on medical goods. As Chapter 4 described, one of RUSAL's CSR activities during the COVID-19 crisis was importing medical equipment and donating it to the hospitals. On April 2 a governmental decree was issued which excluded medical equipment

necessary to cope with COVID-19 from import and VAT taxes. The table below provides examples of how that measure worked.

Type of good	Import tax prior to COVID-19	VAT
Disposable gloves	10%	20%
Sanitizer	5%	20%
Disposable protective suit	6,5%	20%
Medical face mask	€0,61 per 1 kilo	20%
COVID-19 test	5%	20%

**Table 4.** (Eurasian economic commission, 2012; The Russian Government, 2020b;).

The cells in green indicate that the tax for that good was temporarily abandoned. The cells in red indicate that the new measure did not make an exception for those goods. Therefore, a company could import disposable protective suits and not pay both the import and the VAT taxes. If they were to import disposable gloves, they did not have to pay the import tax of 10%, but they had to pay VAT. In order to be able to use this measure, a company needed to satisfy two conditions. First, the imported goods had to be included in the list of the goods which were temporary not taxed. Those were medical face masks, medical rubber gloves, medical goggles, PCR tests, protective suits, ventilators, and medicines (Hydroxychloroquine Sulfate, Mefloquine hydrochloride, Chloroquine Phosphate) (The Russian Government, 2020b). Second, one had to prove that those goods were to be supplied to hospitals and other public organizations for free (The Russian Government, 2020c; Council of the Eurasian Economic Commission, 2020). In other words, those importing these goods to sell at pharmacies could not avoid paying taxes. Considering that RUSAL never intended to sell these goods, this measure was a significant government incentive promoting CSR.

Another set of measures categorized as financial instruments concerned helping the companies maintain their financial health. On May 10, 2020, the government issued a decree on the measures of support to the ‘systemically important companies’. Those were 1151 companies which have a significant impact on the development of the Russian economy, which employ a great number of people, and which are the largest taxpayers. RUSAL was one of the companies representing the metallurgical sector (Ministry of Industry and Trade of the Russian Federation, 2020). The measures of support as announced by the government were:

1. Soft loans to up to 3 billion rubles (about USD 40.500.000) (The Russian Government, 2020a);
2. Moratorium on bankruptcy for 6 months;



3. Postponed tax and advance payments: if incomes dropped by 10%, then a company can apply for postponed payment or payment in installment; if incomes dropped by 50%, then the installment payments can last for up to 5 years;
4. Those systemically important companies that were most at risk could also apply for subsidies to reimburse the costs of production and provision of services, and state guarantees necessary for restructuring the existing loans or provision of new loans (The Russian Government, 2020).

Although these measures were not directed at promoting CSR, one could argue they had an indirect effect. As was claimed by Hasan and Habib (2017), if an organization has enough financial resources, it will be more inclined to invest into CSR. With these measures the government helped companies maintain financial stability, which could have contributed to their decision to implement CSR measures. Therefore, the presented pieces of evidence are considered to be sufficient to claim that of financial public instruments were present in the analyzed case.

The other two public policy instruments a government could use to promote CSR were informational and partnering instruments. None of the two were identified. Since only financial instruments were present, hybrid instruments were absent too.

### **5.3.2. Institutionalized business environment**

The second component of institutional national-level factors is the institutionalized business environment. In the literature this environment was formed by the educational background of top managers, the conferences they attend, and the organizations their companies participate in (Campbell, 2007). Let us consider the educational background of the top managers first.

RUSAL's board of directors is composed out of 14 people, only a half of whom are Russian citizens. Almost all of them have different degrees: business law, national security and public administration, political science, law, zoology and biogeography, economics & finance, power stations, economics and accounting & finance, global economics and management, and two MBA degrees. By looking at the educational background of the board of directors, one could assume that only 4-5 people out of 14 could have been taught about the importance of CSR during their university years.

Top management board of RUSAL has several committees, so each member has a unique portfolio. One of those committees is Health, Safety, and Environment board committee. Unfortunately, the responsibilities of this committee could not be found anywhere. However, the name of this committee includes names of two out of three RUSAL's CSR components (as described by RUSAL): Health and Labor Safety and Environment. Therefore, it is possible to assume that people on this committee overlook RUSAL's CSR activities. The committee has five members (RUSAL, 2020w) with the following educational background:

1. Kevin Parker – unknown
2. Dmitry Vasiliev – Economics & Finance
3. Vyacheslav Solomin – Global Economics; Management
4. Nick Jordan – Political Science
5. Evgeny Shvarts – Zoology; Biogeology

Looking this list of degrees, a conclusion can be derived about only one person – Evgeny Shvarts who appears to be an expert in the domain of environmental protection. Therefore, he can be the person responsible for the Environmental component of RUSAL's CSR. In order to derive valid conclusions about other members of the board, more information is needed. Such information could be the curriculum of their educational programs, their thesis topics, the list of conferences they attended while being students. The evidence presented is neither necessary nor sufficient to claim that educational background of the top management team coincided with RUSAL's socially responsible behavior during the pandemic.

#### *5.3.2.1. RSPP*

The institutionalized business environment was categorized as a national-level factor because there is a large organization which attributes importance to CSR on the national level called Russian Union of Industrialists and Entrepreneurs (RSPP). RSPP is a business organization that aims to represent the interests of the Russian business community in Russia and abroad. The union represents the interests of all the Russian businesses, regardless of their size, location, and industry (RSPP, 2020a). RUSAL is a member of this organization. Considering that environment is not something that can be formed in a short period of time, it is equally important to look at the RSPP actions prior to the corona crisis, as those during the crisis.

Looking at the RSPP organizational structure, one will find that it consists of several committees and commissions. One of the committees is the Committee on corporate social responsibility (CSR) and Sustainable Development that has existed since 2012. One of the

members is Rustam Zakiyev – RUSAL’s head of department of communication and social projects (RSPP, 2020b) which makes it impossible to argue that RUSAL was unaware of the existence of this committee. The committee has multiple goals, including “formation of a common understanding of terminology, principles, and boundaries of social responsibility and sustainable development in the context of principles and norms of business behavior; summary and wide distribution of information on responsible business practices of the Russian companies; organization of conferences, round table, seminars, and other events regarding CSR” (RSPP, 2020b). Being one of RSPP’s biggest committees, it is composed of 53 members, each of them being a representative of Russian big business or the government. Apart from organizing regular events promoting CSR (like a panel discussion on CSR during the Russian Business Weeks described above), participating in CSR-related projects initiated by other organizations (RSPP, 2020g), and publishing collections of business social practices (RSPP, 2020c), the committee composes two indexes for RSPP (vector of sustainable development and openness and responsibility index (RSPP, 2017) and promotes the Social Charter of the Russian Business (RSPP, 2008). Both of the indexes and the Social Charter have the primary goal of making CSR more valuable for the Russian companies. Together with other actions of the committee and of the Union as a whole, it creates an environment in which special attention is paid to CSR; an environment in which CSR is, in a sense, a must.

In addition to promoting CSR in ‘regular’ times, the RSPP did the same during the first wave of the pandemic. It did so in three ways: by sending official letters to the government, by publishing a summary of CSR practices during the pandemic, and by organizing a panel discussion of the importance of CSR during crisis.

Soon after the lockdown was imposed, RSPP sent several letters to various state officials on March 30, 2020, including the Prime Minister and a few other ministers. All of those letters concerned two topics: asking state officials to ease regulations on importing medicines and medical equipment essential to fight COVID-19 (Shokhin<sup>5</sup>, 2020a; Shokhin, 2020b), and asking state officials to ease the rules and regulations for importing COVID-19 tests (Shokhin, 2020c; Shokhin, 2020d; Shokhin, 2020e, Shokhin, 2020f). The section above on Public Policies has already described the measure issued on April 2 – just three days after the letters were sent – on abandoning taxes on certain medical goods. As one can see now, this measure

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<sup>5</sup> Shokhin Alexander is the president of the Russian Union of Industrialists and Entrepreneurs (RSPP), that is why he is the person who sends all the letters to the members of government on behalf of RSPP.

was issued at request of RSPP. Then, three weeks into the lockdown, the committee on CSR and sustainable development published a comprehensive summary of different CSR practices introduced by Russian companies (RSPP, 2020d). This summary demonstrated to the entire business community the importance other companies attributed to CSR, and it showed the best practices so that others could implement them too. Last, in the end of June 2020, RSPP held a forum ‘Russian Business Weeks’. One of the days was dedicated to discussing effective anti-crisis social strategies of state and business (RSPP, 2020e). During that day there was a separate discussion on responsible business behavior in post-crisis times (RSPP, 2020f). The discussion addressed the importance of staying socially responsible after COVID-19 pandemic. In addition, the measures that government needs to implement to help business be socially responsible were discussed (RSPP, 2020f).

All in all, the combination of evidence presented above is both necessary and sufficient to claim that RUSAL’s CSR activities during the first wave of COVID-19 coincided with the presence of the institutionalized business environment that valued socially responsible behavior. Therefore, this factor is considered to be present in the evaluated case.

#### 5.4. Institutional factors. Industry- and Company-level factors

##### 5.4.1. System of industrial self-regulation

The next factor that needs to be considered is somewhat connected to the previous one, since it also concerns the environment a company operates in. However, while the former factor concerned the environment as a driver, this one concerns environment as a binder. In respect to the self-regulatory agreements RUSAL is a part of, two of them should be viewed in detail: ASI standard and Social Charter of the Russian Business mentioned earlier.

According to the Sustainability Report, RUSAL joined Aluminium Stewardship Initiative (ASI) in 2015. The main objective of the initiative is “to maximise the contribution of aluminium to sustainable development.” (RUSAL, 2019, p. 24). ASI sets common standards in the aluminium chain on environmental, social, and governance performance (ASI, 2017). The Social component of the initiative is composed of human rights, labor rights, and occupational health and safety. Considering that none of this counts as CSR and that RUSAL did not develop any environmental or governance performance CSR initiatives during the corona crisis, it should be concluded that its CSR initiatives did not coincide with the ASI agreement.

The second agreement that should be reviewed is the Social Charter of the Russian Business, which has an emphasis on the social responsibility of business. The social mission is then understood as the following: “We, representatives of the business community, see our social mission in ensuring sustainable development of independent and responsible companies in line with long-term economic interests of the business, facilitating the achievement of the social peace, security and welfare of the citizens, preservation of environment and respect for human rights.” (RSPP, 2008, p. 6). The values can be summarized as the following:

- Trust of investors, shareholders, and owners
- **Health and safety of employees**
- Meeting demands and expectations of consumers
- Trustworthy relationships with business partners
- Human rights
- **Preservation of environment**
- **Participation in local community development** (RSPP, 2008).

The activities highlighted in bold correspond directly to RUSAL’s CSR streams prior to corona crisis. As was said earlier, RUSAL is a member of this charter, and it is clear it is complying with its principles and values. To determine the efficiency of this charter in promoting CSR activities, two factors will be taken into account. First are rules and procedures of excluding from the charter those organizations that do not comply with its principles. Second is the perceived opportunity of a state intervention in case members do not comply with the rules (Campbell, 2007). After looking at the charter’s full text, the procedure of termination the participation remains unclear, even if an organization violates the principles. In addition, after conducting a search on the legal database Consultant Plus nothing was found on “Social Charter”. Therefore, in the absence of valid evidence confirming that the charter principles can be enforced, it should be considered that there were no self-regulatory agreements promoting CSR present in the case of RUSAL.

#### **5.4.2. Pressure by trade and employee associations**

Having analyzed the overall environment RUSAL operates in, the analysis will move on to the company level and investigate whether there were any actors on that level that pressured RUSAL’s decision to behave socially responsible during COVID-19 crisis. The first of those actors are trade and employee associations.

From all the associations RUSAL is a member of, only two can be classified as trade associations. First is The Aluminium association. This association aims to represent US and foreign-based companies and its suppliers throughout the value chain. It provides global standards, business intelligence, sustainability research and industry expertise to its members, policymakers, and the general public (The Aluminium Association, 2020). The association is however not concerned with setting any CSR-related standards. The second association is the Russian Aluminium Association. This association supports innovative practices in the Russian aluminium industry, increases competitive edge of the Russian companies on the international markets, develops and implements educational programs to train specialists for the industry (Aluminium Association, 2020). Just like in the case of the above-mentioned association, this one also does not set any CSR-related standards for the member companies.

Next are the employee associations or labor unions. RUSAL's employees are a part of the Mining and Metallurgical Workers Union (MMWU). This union protects not only workers of the aluminium industry, but all of those employed in the mining and metallurgical sector. Prior to the pandemic, one of the main local activities of the union was negotiating the terms of the collective agreement between the company and the workers who are members of the union. A separate section was devoted to labor safety (Respondent 1), however, labor safety was stated not to be CSR. After the pandemic started, the union groups did not show any interest in raising importance of socially responsible behavior (Respondent 1). Thus, the presented evidence is both necessary and sufficient to state that adoption of CSR policies by RUSAL did not coincide with pressure by the trade or employee associations.

#### **5.4.3. Pressure by employees**

Although it had been identified that RUSAL exercised no CSR-related pressure from the labor unions, it does not mean that company employees did not create any initiatives which would promote or pressure for CSR. In order to identify whether that was the case 2 interviews were conducted. To avoid bias, it was made sure that the job of the interviewees did not directly concern implementation of CSR measures before or during COVID-19 pandemic. Both were asked about RUSAL's CSR prior to the pandemic and what preceded its implementation, and then the same was asked about the period of the first wave of COVID-19 – which CSR initiatives the interviewees were aware of, and why, from their perspective, the company did it. Respondent 1 came to be very informed about the company's CSR activities both before and

during the pandemic. However, the respondent failed to name any mechanisms of how employees could potentially pressure the company to implement CSR initiatives. Respondent 2 was not as informed about RUSAL's CSR actions, and they also did not manage to identify formal means of communication between employees and the management regarding CSR. Both respondents affirmed that from their perspective there has been no request from the employees for CSR measures during COVID-19. They learned about all the initiatives from corporate emails which described an already implemented initiative (Respondent 1; Respondent 2). These pieces of evidence are not necessary but sufficient to state that RUSAL's CSR was not shaped by employee pressure.

#### **5.4.4. Pressure by customers**

The next factor that had been identified in the literature as the one having potential influence on the company's decision to implement CSR measures is pressure by customers. To identify the presence of customer pressure on RUSAL, an extensive search on media was conducted. A few sources mentioned *what* RUSAL did, however none of them mentioned *why* they did it, or whether those actions resulted from any sort of customer pressure. Hence, it is not possible to affirm that RUSAL's CSR was or was not shaped by customer pressure.

#### **5.4.5. Pressure by shareholders**

RUSAL is a publicly traded company, and it was expected to find the results and/or minutes of the last shareholder meeting which took place on May 13, 2020 (RUSAL, 2020q). However, the only document found under 'Shareholders Meetings' tab was United Company RUSAL Plc 2020 Hybrid Annual General Meeting ("AGM") User Guide (RUSAL, 2020q). No information on the matter of what was to be discussed during the meeting, as well as what was actually discussed, and which questions were raised, was found. Although meeting took place in May while most of the initiatives were implemented in March or beginning of April, one could insist that shareholders did not pressure RUSAL to do so. However, since there is no evidence confirming this pressure did happen, or it did not, no valid conclusions regarding this factor can be drawn.

#### **5.4.6. Pressure by other actors that monitor firm's behavior**

An extensive research was conducted in order to identify presence of campaigns or other initiatives by other actors that can monitor a company's behavior and attempt to modify it in the socially responsible direction, as described by Campbell (2007). No such campaigns or initiatives were identified. The majority of sources mentioning RUSAL within the timeframe of March 1 – June 30, 2020 informed the reader about what RUSAL had already done, and not what it should do. Prior to the corona crisis, however, such campaigns did exist, as was described in section 4.1. Those were environmental campaigns calling for reduction of emissions (Tarasov, 2019). Yet, considering the absence of the actors calling for RUSAL's socially responsible behavior during the COVID-19 crisis, it will be considered that this factor was not present. It is therefore not possible to conclude on whether there were any actors monitoring RUSAL's actions during the pandemic, which could influence their decision to implement CSR policies.

#### **5.5. Summary of main findings**

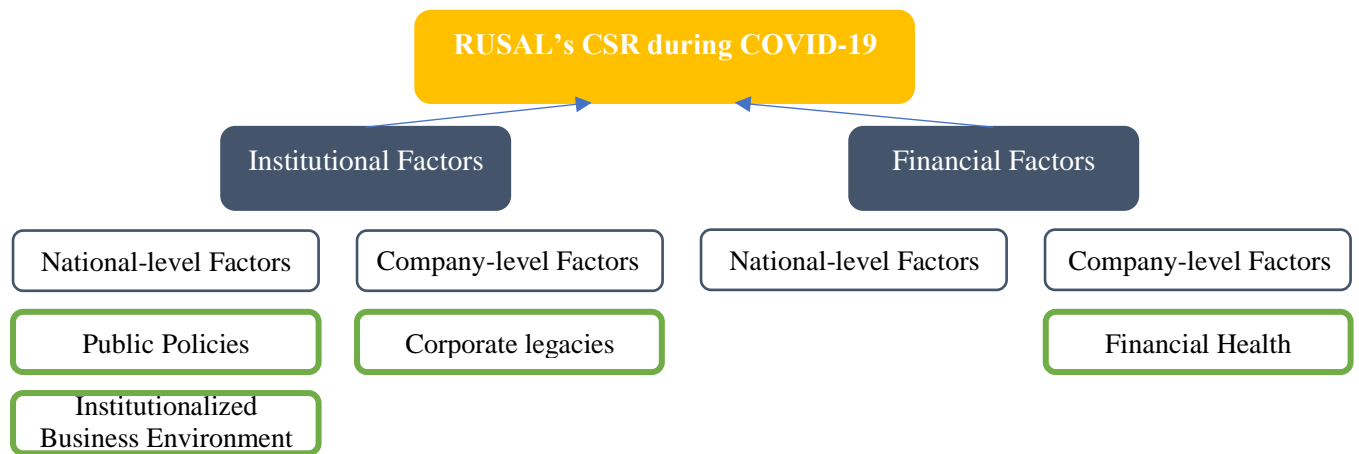
All in all, only a few factors were found to coincide with RUSAL's CSR activities during the first wave of the COVID-19 crisis. Those were 1) corporate legacies, which were based on the company's CSR activities prior to the COVID-19 crisis being expanded during the COVID-19 pandemic; 2) company's financial health, which declined at first, but was quickly recovered; 3) financial public policy instruments, in particular support of the systemically important enterprises (to a smaller extent) and abandoned taxes on certain medical goods (to a larger extent), and 4) institutionalized business environment promoting CSR which was formed by the Russian Union of Industrialists and Entrepreneurs. The factors that were not found to be present in the evaluated case were 1) economic conditions; 2-3) reputation and future financial performance; 4) system of industrial self-regulation; 5) pressure by trade and employee associations; 6) pressure by employees; 7) pressure by customers; 8) pressure by shareholders; 9) pressure by other actors that monitor firm's behavior. The next chapter will draw conclusions for the entire research and consider limitations and future research agenda.



## Chapter 6. Discussion and conclusion

This thesis attempted to evaluate the factors that shaped CSR activities of a Russian aluminium producer RUSAL during the first wave of the COVID-19 pandemic by answering the following research question: Which factors shape large company's decision to implement CSR initiatives during a crisis? It began with discussing academic approaches to CSR and presented the definition of CSR that was further used in the research. According to that definition, CSR actions were the voluntary social actions of a company which were not prescribed by law and which were not directed at generating immediate profits (Zhao, 2012). Then, the literature review proceeded with identifying thirteen factors that were found to be relevant in the CSR general (not country-specific) literature. All those factors were split into two major categories: economic and financial factors and institutional ones. Further, factors under each of those categories were differentiated as those on the national level or those on the industry or company level. The section ended with introducing Russia-specific context, which allowed to produce more accurate theoretical expectations. The factors that were expected to present in the evaluated case were public policies and financial health, and the factors that were not expected to be present were economic conditions, pressure by employee and trade associations, and pressure by other actors that monitor firm's behavior (Figure 1).

In order to find whether the theoretical expectations held true in the selected case, a process tracing research method was used. The causal conjunction was introduced (Figure 2), which pointed out to the interaction which should occur between the factors from the two categories to produce the outcome – RUSAL's CSR actions during COVID-19. After considering the methodology, the research moved to the dependent variable of this study – RUSAL's CSR. Two periods were reviewed: CSR before the COVID-19 pandemic, and CSR during the first wave of the COVID-19 pandemic. It was established that a factor that was not mentioned in the literature, but which was certainly present in the case of RUSAL was the corporate legacies. The company had a large CSR agenda prior to the crisis, and it expanded it in the previously existing directions by adding new relevant initiatives during the crisis. The two streams of CSR present in both periods were found to be Internal CSR and Social Investment. Then, the research moved to the analysis stage identifying which of the factors were present and which of them were absent in the case of RUSAL. It was found that only four factors coincided with RUSAL's CSR during the corona crisis. Those were financial public policy instruments, institutionalized business environment, corporate legacies, and financial health. Based on these findings, a new causal configuration can be produced.



**Figure 8.** Final causal configuration

It would be wrong to assume that each of the factors appeared in the vacuum and did not have connections to others. A coincidence of two pairs of related factors was found. First are financial health and public policies. Although it was shown that the company did not experience major issues which would undermine its financial health, the fact that RUSAL was included in the list of systemically important companies which could use certain benefits meant that the company could feel more confident about its future and hence made CSR slightly more possible. The second pair is that of institutionalized business environment and corporate legacies. It can be argued that those factors reinforced each other. As for the other nine factors presented in the literature review, either the evidence showed that the factor did not shape RUSAL's CSR (for example, economic conditions), or there was evidence which confirmed the presence of the factor (for example, customer pressure). Therefore, it is considered that those nine factors were not present in the analyzed case.

The findings of this research are consistent with some of the elements of the theoretical expectations model (Figure 1). Both financial public policies instruments (Fifka and Pobizhan, 2014) and financial health of a company (Kuznetsov et al., 2009; Batayeva et al., 2018) were expected to be present. There were no expectations regarding the institutionalized business environment, hence one should not claim that this factor was inconsistent with the theoretical expectations. The factors that were expected not to be present (economic conditions (Lee et al., 2013), shareholder pressure (Aguilera et al., 2007), pressure by trade and employee associations (Olimpieva, 2012), and pressure by other actors monitoring firm's behavior (Oleinikova, 2017) appeared to be in line with the theoretical expectations.

This research constitutes an important contribution to the CSR literature in the Russian context. First, it showed that Russian big companies can have an extensive CSR agenda, regardless of

the Soviet legacies. Second, it revealed that corporate legacies of CSR can play a role in a company's decision to invest into CSR during a crisis. Third, it showed that poor economic conditions do not always lead to cuts in CSR programs, but can coincide with the expansion of those programs. Last, this research demonstrated that even though the Russian state tries to control every domain, it leaves the area of CSR completely unregulated.

### 6.1 Limitations and future research agenda

This study has two significant limitations. First, it had to omit one factor from the analysis – pressure by top management team – due to the lack of feasibility of research. However, both interviewees affirmed that the decision to promote CSR activities was top – down. Therefore, by excluding this factor from the analysis, there is a reason to believe that the final causal configuration is incomplete. Second, although there had been conducted an extensive search on the literature for the relevant factors, there still exists an opportunity that some other significant factors were missed.

The future research can be conducted in several directions. The limitations of this study can be addressed in the future by including top managers as a factor of influence under consideration, and by conducting a systematic literature review to identify all the relevant factors suggested in the literature. In addition, while this research looked into correlational relationships between the dependent and the independent variables, further research can investigate the causal relationships between them. Also, a similar analysis could be conducted to compare CSR during the first and the second wave of COVID-19. During the second wave the Russian regions were much more severely affected than Moscow or Saint Petersburg, yet the lockdown was not imposed, and fewer companies continued with CSR actions. Last, scholars could consider other types of companies, such as companies in the IT or retail sectors. Some of the factors, especially those on the company level, might appear to be different. Conducting such studies is essential for creating a comprehensive understanding of the Russian CSR.

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## Appendix 1. Interview consent form (sample).

**Research project title:** Corporate Social Responsibility in Russia in crisis context.

**Research goal:** This research is aimed at identifying the factors that led to adoption of corporate social responsibility practices by RUSAL during the first wave of COVID-19.

**Research investigator:** Anna Azarova

**Research Participants name:** \_\_\_\_\_

The interview will take no more than 60 minutes. We don't anticipate that there are any risks associated with your participation, but you have the right to stop the interview or withdraw from the research at any time.

Thank you for agreeing to be interviewed as part of the above research project. Ethical procedures for academic research undertaken from Dutch institutions require that interviewees explicitly agree to being interviewed and how the information contained in their interview will be used. This consent form is necessary for us to ensure that you understand the purpose of your involvement and that you agree to the conditions of your participation. Would you therefore read the accompanying information sheet and then sign this form to certify that you approve the following:

- the interview will be recorded and a transcript will be produced
- the transcript of the interview will be analysed by Anna Azarova as research investigator
- access to the interview transcript will be limited to Anna Azarova and her thesis supervisor Natascha van der Zwan
- any summary interview content, or direct quotations from the interview, that are made available through academic publication or other academic outlets will be anonymized so that you cannot be identified, and care will be taken to ensure that other information in the interview that could identify yourself is not revealed
- the actual recording will be destroyed
- any variation of the conditions above will only occur with your further explicit approval

By signing this form I agree that;

1. I am voluntarily taking part in this project. I understand that I don't have to take part, and I can stop the interview at any time;
2. The transcribed interview or extracts from it may be used as described above;
3. I don't expect to receive any benefit or payment for my participation;
4. I can request a copy of the transcript of my interview and may make edits I feel necessary to ensure the effectiveness of any agreement made about confidentiality;
5. I have been able to ask any questions I might have, and I understand that I am free to contact the researcher with any questions I may have in the future.

Participant's Signature

Place

Date

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Researcher's Signature

---

Place

---

Date

### **Contact Information**

If you have any further questions or concerns about this study, please contact Anna Azarova's supervisor:

Name of researcher: Natascha van der Zwan

Full address: Turfmarkt 99, 2511 DP The Hague, Netherlands

Tel: +31 70 800 9574

E-mail: [n.a.j.van.der.zwan@fgga.leidenuniv.nl](mailto:n.a.j.van.der.zwan@fgga.leidenuniv.nl)

### **What if I have concerns about this research?**

If you are worried about this research, or if you are concerned about how it is being conducted, you can contact the Chair of the Faculty of Governance and Global Affairs Ethics Committee, Leiden University, Turfmarkt 99, 2511 DP The Hague, Netherlands (or email at [EthicsCommittee@fgga.leidenuniv.nl](mailto:EthicsCommittee@fgga.leidenuniv.nl) ).

## Appendix 2. Interview questions.

1. What is your role in the company and how long have you been working for RUSAL?
2. What do you understand by the concept of Corporate Social Responsibility? (*Clarifications will be made to ensure common understanding of CSR*).
3. What do you know about RUSAL's CSR prior to pandemic?
4. How would you describe RUSAL's corporate culture? How much CSR is valued? How do you learn about it?
5. Are there any groups/committees in the company that work on promoting CSR?
6. From your perspective, does the labor union promote CSR?
7. What do you know about RUSAL's CSR during the first wave of COVID-19?
8. In your perception, did any group of employees actively demand it?
9. In your perception, did the labor union demand it?
10. In general, how much is it important for you personally to work at a socially responsible company?