The impact of changes in stakeholder salience on CSR activities in Russian energy firms: a contribution to the divergence / convergence debate

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Abstract

This empirical paper examines the drivers underpinning changes to socially-responsible behaviours in the Russian energy sector. Responding to recent requests to contextualise CSR research, we focus on the changing set of stakeholders and developments in their saliency as reflected in corporations' CSR activities. Based on interviews with more than thirty industry professionals, our findings suggest that Russian energy companies' CSR is strongly stakeholder driven, and organisations adapt their activities according to their dependence on the resources that these salient stakeholders possess.

We challenge the proposition that CSR in Russia arises from purely endogenous, historical, paternalism or neo-paternalism. We identify stakeholders that now shape CSR in the Russian energy sector, both endogenous (institutional and contextual forces relevant to the national business system) and exogenous (relating to the organisational field of the energy industry - international by nature). We thereby contribute to the convergence /

divergence debate within CSR theory by demonstrating that both national business systems and the organisational field must be taken into account when analysing the forces that shape CSR strategies in any one country.

Keywords

Corporate social responsibility, Russian energy, resource dependency, stakeholder saliency, *hotelki*

Introduction

In this empirical paper we examine the drivers underpinning changes to socially-responsible behaviours in the Russian energy sector (oil, gas, electrical power and coal). Responding to recent requests to contextualise CSR research (Crane, Matten and Spence, 2013; Crane and Matten, 2016; Crotty, 2016), we focus on how changing stakeholder saliency is reflected in Russian corporations' CSR activities. Based on interviews with more than thirty industry professionals, our findings suggest that Russian energy companies' CSR activities are strongly stakeholder driven, and organisations are adapting their activities according to their dependence on the resources that these salient stakeholders possess.

While there has been much debate on the differences in CSR between the United States and Europe (Matten and Moon, 2008) research in developing or transitioning economies is still limited (Jamali, Lund-Thomsen and Jeppesen, 2017). Our research highlights how stakeholders influence CSR activities (Sztompka, 1999; Nguyen, Bensemann and Kelly, 2018; Mitchell, Agle and Wood, 1997; Charan and Murty, 2018; Thijssens, Bollen and Hassink, 2015), and how these change during periods of flux. By uncovering the changing salience of the sector's stakeholders during the transition from communism to capitalism, we contribute to the convergence / divergence debate of how CSR is shaped by both contextual forces relevant to the national business system and the harmonising policies and practices emerging from a globalised world (Matten and Moon, 2008; Jamali and Neville, 2011; Jamali et al., 2017). Stakeholders that now shape CSR in the Russian energy sector are both endogenous (institutional and contextual forces relevant to the national business system) and exogenous (relating to the organisational field of the energy industry). Their saliency has changed over time as they bring newly required resources and therefore companies have modified their CSR activities in response.

Much of the literature has focussed on the institutional differences found across national business systems; we enlarge the analysis beyond the boundaries of the nation state to include the organisation field, which in our case is highly international in nature. In so doing we challenge the view of CSR as simply a Western 'template' imposed on passive local institutions and actors in national business systems (Jamali and Karam, 2018). We also call into question the proposition that CSR in Russia arises from purely endogenous and historical (Soviet and Tsarist) forces which survive as paternalism or neo-paternalism attitudes and activities (Crotty, 2016; Henry, Nysten-Haarala, Tulaeva and Tysiachniouk, 2016; McCann, 2004), in which State-owned enterprises provided, without choice, facilities and services such as utilities, schools and medical care. Although we could identify areas where paternalism was still evident, our findings suggest that these conceptualisations cannot provide complete explanations for CSR in the Russian energy sector today. As a result of the vacuum left behind after the dismantling of the Soviet apparatus, new stakeholders are emerging as legitimate, salient, players within the Russian energy sectors (Ljubownikow, Crotty and Rodgers, 2013). These are both international and local, pushing energy companies to adopt a range of CSR activities, some new, and some closely related to their former roles, for example as guardians of the remotely-located 'mono-towns' created within the Soviet planned economy.

Our findings suggest that organizations' CSR activities varied according to different stakeholder types: environmental CSR, such as the control of emissions or recycling, is strongly 'linear' and regulatory (Scott, 2001), influenced directly by both national laws and international standards. In contrast, community-based CSR, such as the provision of education, health and social care, is more normative (Scott, 2001), based on historical Russian expectations of caring for one's neighbours (Bjørgo, 2018; Gjertsen, Didyk, Rasmussen, Kharitonova and Ivanova, 2018; Pappila, Nysten-Haarala and Britcyna, 2017). In this case there is little discernible influence from Western pressures as local traditions predominate.

In the remainder of this paper we first review the literature relating to CSR, stakeholder salience and resource dependency, theories which appeared most relevant to our arguments. We then provide some background information on the Russian energy industry. Following this, we describe our qualitative methodology and then present and discuss our findings, finishing with recommendations for further research and practice.

Literature Review

Frynas (2012, p.4) describes CSR as an umbrella term for a number of theories and activities, "all of which recognise that companies have a responsibility for their impact on society and ... that CSR activities are normally conducted on a voluntary basis beyond legal compliance”. The classic idea of CSR was first limited to philanthropy, but then shifted to an emphasis on business and society relations, when companies have an obligation to work for social betterment (Frederick 1994; Ismail 2009). In a more comprehensive approach, CSR is presented in the literature as a standard, globalised practice, with emphasis on business economic, legal, ethical and philanthropic responsibilities (Carroll 1979; Kim, Amaeshi, Harris and Suh, 2013). However, these views are part of a longstanding debate (Hörisch, Freeman and Schaltegger, 2014; Charlo, Moya and Muñoz, 2017; Lock and Seele, 2015; Garriga and Mele, 2004; Dahlsrud, 2008) as to what CSR is. In this paper we do not attempt to engage fully in this debate, we simply note that the relationship between business and society takes many forms across many nations, and therefore different forces drive different CSR strategies across the different industries and national business systems.

The convergence / divergence debate

In examining the question of the convergence and divergence of CSR strategies, we build on Jamali and Karam’s (2018, p.32) work on the “institutional antecedents within the national business system”, and ‘complex macro-level antecedents outside’.

CSR in a Western context takes into account a variety of activities, which include environmental protection, health and safety, ethical trading, human resources management, social benefits to employees, and relations with stakeholders - local communities, customers, suppliers and financial institutions

(Frynas 2012; Matilainen 2011; Jamali and Neville, 2011). CSR activities may be instrumental, regulatory or institutional in origin (Scott, 2001, Garriga and Mele, 2004). However, Crotty (2016) and Jamali and Karam (2018) argue that CSR is not simply a ‘Western’ or ‘developed core’ phenomenon, and challenge scholars of CSR to take account of the different socio-economic and institutional structures found within transitional and developing economies in order to contextualise it (Argandoña and Hoivik, 2009; Devinney, 2009; Dobers and Halme, 2009; Halme, Roome and Dobers, 2009; Preuss and Barkemeyer, 2011, Crane et al., 2013). Some of the problems linked to defining CSR (see Dahlsrud, 2008; Moratis, 2016) stem from different manifestations of CSR activities in different societies across the world, contributing to the debate as to whether there is one archetypal CSR, implied to be ‘Western’ or ‘developed core’ (Jamali, et al., 2017), or whether there is a multitude of varieties that come from the need to respond to different societal and institutional settings (Preuss and Barkemeyer, 2011).

We position this study within the convergence versus divergence debate (Jamali and Neville, 2011) which examines whether CSR activities will converge on one model or adapt to local national business systems (Crane et al., 2013). The literature largely concentrates on examining how CSR differs across diverse national contexts. However, while agreeing with the proposition that CSR activities will differ across different national business systems, we expand the frame of reference to examine the interplay between organisational field forces (international and external to national business systems) and local norms and institutions, because the national context, important though it is, cannot be considered the sole driver of CSR activities and strategies.

CSR faces different institutional forces in developing, emerging and transitioning countries (Kim et al., 2013; Campbell 2007) - different regulations, norms, cultures, expectations and behaviours. Closer to our chosen context, Barkemeyer (2009) found that Western CSR dimensions have limited use in transitional countries that were previously subject to domination by the Soviet Union, contributing to the argument that CSR activities are not converging, and therefore that Western concepts of CSR are not wholly relevant. Central concepts may not be transferable or applicable in different cultures. Xu and Yang (2010), for example, found that in China there was no direct equivalent of ‘shareholder interests’ in Chinese applications of CSR, putting in doubt the relevance of what many Western scholars and managers consider central to CSR, the owners of the company and therefore, in a capitalistic world, the most important stakeholders.

Resource dependency and stakeholder saliency

In order to examine the relationship between CSR strategies and stakeholder saliency in the Russian energy sector, we draw on a combination of stakeholder theory (Wei, Shen, Zhou and Li, 2017; Xie, Jia, Meng and Li, 2017; El Ghoul, Guedhami and Kim, 2017; Jamali and Karam, 2018) and resource dependency theory (Hillman et al., 2009; McNamara, Pazzaglia and Sonpar, 2018). In this way we focus attention on the instrumental nature of CSR (Boesso, Kumar. and Michelon, 2013; Charlo, Moya and Muñoz, 2017; Lock and Seele, 2015) where companies implement strategies in order to respond to the power of those salient stakeholders that possess key resources (Jahdi and Acikdilli, 2009; Lock and Seele, 2015).

Identifying the most salient stakeholders is a vital question for managers (Vos, 2003). CSR motivations and strategies will be driven by the saliency of a particular stakeholder and the resources that need to be obtained by the focal firm (McWilliams and Siegel, 2001). Theorists who have examined CSR in non-Western contexts have found the range of salient stakeholders is larger because CSR has a broader meaning than typically characterised in the West (Nguyen et al., 2018). For example, African societies may consider a different set of stakeholders to be more salient than would be the case in the West, even within the same industry. The driving principles of Western CSR are at variance with African traditional approaches to community, leadership and business, as Africans are “community-conscious, have a high respect for power distance relationships and believe in harmonious win-win relationships” (Dartey-Baah, 2011, p.133).

Changes in stakeholder saliency

Power is defined as the capacity of one actor to “bring about the outcomes they desire”, (Pfeffer and Salancik, 1974). Power can be based on the type of resource employed by the stakeholder; it can be coercive where the power is based on threat of punishment, and/or utilitarian when power is based on the supply or withdrawal of a resource and, as such, is closely linked to resource dependency or normative power, which relies on a symbolic influence (Mitchell et al.,1997). Adopting an instrumental and transactional approach to the saliency of stakeholders and their influence on CSR strategies leads us to propose that the power of stakeholders will vary according to the type, quantity etc., of resources they possess and how important these resources are to the focal firm (Ferrary, 2018). Some resources (permits to drill or licences to trade, for example) are of a ‘must have’ variety and will therefore provoke strategies from the firms concerned. The power of stakeholders comes from their capacity to influence strategies because they have resources that the firm needs to access in order to attain organisational goals. Stakeholder strategies can mean both withholding resources or influencing the use of a firm’s resources (Park, Chidlow and Choi, 2014; Hörisch, et al., 2014; Ferrary, 2018; Charan and Murty, 2018).

Each national business system has different institutions and norms (Matten and Moon, 2008). Each will have a particular set of (endogenous) stakeholders with different resources and expectations. International (exogenous) stakeholders, such as investors or partners (Hinkkanen, Jääskeläinen and Väätänen, 2012; Cheng, Green, Conradie, Konishi and Romi, 2014) will possess those resources essential to all organisations within the field, independent of the national context. Their saliency and expectations will be similar across different national business systems, therefore evoking similar CSR responses from firms in that field.

Stakeholder saliency is a function of the dynamic relationship between the stakeholder and the focal firm. It varies according to the possession of one or more of the following attributes; urgency and legitimacy and power (Mitchell, et al., 1997, Ferrary, 2018; Frooman 1999). Power, was discussed above in relation to resource dependency. Urgency relates to the necessity to act on a stakeholder’s claim in a timely or immediate fashion (Thijssens et al., 2015), while legitimacy finds its source in “the assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs and definitions” (Suchman, 1995, p. 574). Both urgency and legitimacy clearly draw their relevance from the importance and strength of local (i.e., national) norms and institutions, thus giving rise to different reactions from managers when dealing to these stakeholders.

Managers must identify and then satisfy the requirements of those stakeholders whom they consider capable of influencing their firm’s outcomes. How managers define the most salient stakeholders will depend on their appreciation of each stakeholder’s power, legitimacy or urgency (Cantrell et al., 2015; Harrison, Bosse and Phillips, 2010). The saliency of stakeholders at any given moment can be defined “as the degree to which managers give priority to competing stakeholder claims” (Mitchell et al., 1997; 854). Because of changes in the legitimacy, urgency and power of stakeholders, the firm-stakeholder relationship, is inherently dynamic. Firms needing to satisfy stakeholders will need to re-evaluate stakeholder saliency and modify their strategies accordingly. Changes in the institutional framework for a given country can change the saliency of those national stakeholders. Differences in CSR activities across different countries take their roots in the way that different stakeholders will emerge due to the different resources that they possess. The perception of stakeholder saliency will vary from country to country and thus contributes to the divergence of CSR activities across different national business systems. But in any attempt to contextualise CSR activities, it is equally important to take into consideration, beyond purely national business systems, the extent to which the industry or field in question is international because salient stakeholders may be present on both the national and international stage.

Social license to operate

Social license to operate (SLO) (Mele and Armengou, 2016; .Demuijnck and Fasterling, 2016) is a continuation of stakeholder theory concerned with ‘placating’ or answering the needs of salient stakeholders who have the capacity to award or withhold permission to operate in an industry and/or a region. In the absence of this broad acceptance of the firm and its activities, it will not be able to operate without severe delays or added costs, (Mitchell et al., 1997). SLO was originally proposed by the United Nations as a way to ensure that (predominantly) extractive industries obtain ‘free, prior, and informed consent’ from local indigenous peoples, thus recognising their prior rights to their lands and resources. The term emerged in the mid-1990s in the mining industry as a response to social risk and is related to the concept of social legitimacy (Saenz, 2018).

In line with the questions of stakeholder saliency discussed above, Post, Preston and Sauter-Sachs (2002) underline the problems companies may have in obtaining free, prior and informed consent (from whom? through which mechanism) before operations begin. In any community, multiple groups with conflicting objectives and visions will compete to define what is acceptable to the community. Obtaining SLO may oblige firms to identify those groups and even engage in building communities (Post et al., 2002).

Stakeholders can be divided into two subgroups; vested stakeholders who have a right to the possession of something tangible in the community, and non-vested who have an interest in the proposed activity (Mele and Armengou, 2016; Demuijnck and Fasterling, 2016). In order to obtain SLO, Suchman (1995) proposed that companies ‘pre-set’ their projects with three types of legitimacy in mind; pragmatic, moral and cognitive. Pragmatic legitimacy stems from the community’s self interest in acquiring material benefits from the firm's operations. Moral legitimacy, as the name implies, originates in the morality surrounding the means to an outcome, does the project contribute to the common good for example. Cognitive legitimacy can be divided into comprehensivity, i.e., actions being explained logically, or ‘taken for grantedness’ where the firm is accepted as part of the social fabric in the country or region. Thus, SLO is an important concept when considering what type of CSR projects and strategies are implemented by extractive industries.

In this paper we illustrate how the changing saliency of stakeholders (and the emergence of new, salient stakeholders) has influenced CSR strategies in the Russian energy industry. In the following section we discuss the context of the Russian energy sector.

Background to the Study - Modern Russia and the Russian Energy Sector

Russia is one of the world's largest producers of oil and gas and is a major exporter to Europe and elsewhere (Goodrich, 2013). The majority of the Soviet Union's energy resources (90%) is located in remote northern and eastern parts of the country, leading in the past to the creation of Soviet mono towns that formed around a single energy company (Kryukova, Vetrova, Maloletko, Kaurova and Dusenko, 2015). They provided a social economic and industrial infra-structure, in order to meet the needs of local residents most of whose families were employed in one form or another by the company. By the end of the Soviet Union, almost 30% of Russia's population lived in mono towns (Collier, 2011).

The Soviet Union was one of the first to introduce laws and strict standards to manage environmental responsibility, somewhat earlier than in other Western countries (Komarov, 1981). These were aimed mainly at the efficient exploitation of natural resources in the Soviet Union. However, the legal enforcement and protection for the environment was weak in the Soviet Union, leading to some of the world's worst environmental disasters (Soderholm, 2001; Komarov, 1981) and an increase in the quantity of pollution per unit of production (Crotty and Rodgers, 2012). Such environmental damage was tolerated in exchange for the provision of social benefits (Wilson, 2015), however, the consequences of the Soviet regime for most post-communist countries was broad-scale environmental degradation (Soderholm, 2001).

Following the collapse of the Soviet Union in 1991, the energy industry was privatised. Today the Russian energy sector is dominated by a few large oil and gas companies (Gazprom, Lukoil, Rosneft, Surgutneftegas, Tatneft and Rushydro) that are highly profitable. In 1991, both the State and the newly privatised energy companies attempted to reduce the provision of social welfare to communities (Ljubownikow et al., 2013). However, these attempts failed (Fifka and Pobizhan, 2014). Activities that had been inherited from the Soviet Union were difficult to eliminate (Blam, Vitálišová, Borseková and Sokolowicz, 2016). The scope of social benefits provided by State enterprises during the Soviet era resulted in Russian citizens coming to regard companies as ‘social caretakers’ (Fifka and Pobizhan, 2014). Russian citizens expected companies to provide social welfare (Henry et al., 2016), a tradition in Russian society (Mizobata, 2011; Ralston, 2002). The social benefits to be provided by the company include housing, schools, kindergartens, health centres, hospitals, sport and cultural events (Müller and Pflege, 2014; Khan, Lew and Park, 2015; Scott, 1995).

In an attempt to contribute to the convergence/divergence debate and therefore the contextualisation of CSR, this paper examines a cross-section of Russian energy companies in order to uncover the changing saliency of stakeholders and firms’ modification of their CSR activities accordingly.

Methodology

In order to understand how stakeholder salience is changing in the Russian energy sector, and how companies' CSR behaviour is changing as a result, we conducted semi-structured interviews with thirty three participants over a twelve month period in 2016-17. Twenty nine of these were with personnel with relevant knowledge of CSR activities in their own organisations. Most were senior managers, others were in public-facing roles such as Public Relations or were sustainability specialists (see Appendix 1). All had direct knowledge of, or responsibility for, corporate social responsibility strategies and activities within the company. Our interviewees were based in nineteen different companies from a range of energy sector types, two consulting companies, one research institute and one NGO. The majority of firms were based in Moscow, along with two from Usinsk and one from Perm. Usinsk and Perm are Soviet industrial mono towns. Four additional interviews were carried out with UK-based experts on Russian energy industries in order to help us develop an understanding of the sector and gain access to recommended information.

Five interviews were face-to-face, six were conducted via Skype and 18 by phone. This reflected the considerable difficulty we had to get agreement to interviews in the first place. Interviewing commenced not long after the instigation of international sanctions against Russia in 2014, making new international contacts difficult. This was exacerbated by the geographical distance between interviewees and the London-based researchers. In an ideal world all interviews would have been conducted face to face. This was not possible. However, we have minimized the risk of data loss through the absence of personal interactions by comparing the data from telephone, Skype and face-to-face interviews. We judged that for our purposes, which was not intended to be a deeply ethnographic study of observed behaviour (Bass and Milosevic, 2018), the phone-based interviews provided as rich data as the face-to-face conversations.

Interviews were typically one hour in length. The first two subjects were selected through personal contacts with the first author, who is of Russian origin, and then others were recruited through a snowballing strategy. Twenty eight interviewees were born in the Soviet Union, lived through the 'perestroika', and had worked mainly in the energy industry. One interviewee had moved to Russia in 1991, although there was little evidence of this from his responses. The average age was 43 years old, and the majority were male. Access to Russian managers was not easy to accomplish, despite having a Russian-speaking researcher. Interviews were mainly conducted in Russian and one was conducted in English. Significantly, many subjects were not familiar with scholarly research projects. After 29 interviews the subjects' responses to many of the questions were very similar, hence we judged that saturation had been achieved. Interviews were recorded and then transcribed and translated by one of the co-authors, a native Russian speaker.

Based on a semi-structured protocol that commenced with themes derived from prior theory we explored the following topics with the interviewees: their understanding of CSR within their company; motivation/drivers for engaging in

CSR; impact of various stakeholders on CSR measures and the challenges and barriers that they perceived regarding CSR. Given the semi-structured format, interviewees were also allowed the freedom to discuss matters of importance to them, which allowed discussions to flow naturally and previously unidentified themes to emerge.

The interview data were supplemented by CSR consultancy reports, newspaper articles, the companies' own CSR policy documents and annual reports, and other documents provided by respondents that were material to the discussion of CSR implementation in their companies. We followed Thomas' (2006) five guidelines in the analysis of our data:

- Data cleaning or organizing transcripts
- Close reading of the text in order to gain an understanding of themes and details
- Creation of categories on two levels. The upper levels correspond to categories derived from research aims . Lower categories are created from meaning units or actual quotes used in transcripts.
- Overlapping coding and uncoded texts. Not all of a text can be used and one segment of text may be used in more than one category.
- Continued revision and refinement of the category system. Categories can be combined or linked under a superordinate category (for example, sources of information and transparency in our case).

Results and Discussion

In common with the conventions of many qualitative studies (e.g., Kobayashi, Eweje and Tappin, 2018; Bass and Milosevic, 2018), in this section we both present and discuss our findings. These concern the impact of changes in stakeholder saliency on Russian energy firms' CSR activities and, specifically, how these changes to CSR in the Russian energy sector have emerged as a function of the arrival of new, salient stakeholders (Mitchell, et al., 1997) with different claims to legitimacy and power.

Table 1 summarises the main stakeholders, the resources sought and the consequent CSR activities.

[insert Table 1 here]

Organisations looking to appease or obtain resources from these stakeholders have engaged in new (for them) activities relating to CSR, as we discuss below. Since the collapse of the Soviet Union, two of these stakeholders have become increasingly influential in the energy sectors; international financial investors and local authorities (municipalities and regional governments). Many of our interviewees supported the notion of CSR being activated and developed with the express intention of obtaining resources from the newly important and legitimate stakeholders, both nationally and internationally, who possess those resources the firms require for their operational needs.

Notably this includes the commencement of environmental reporting, adhering to international norms and conventions and, in the case of regional governments and local authorities, entering into discussions centred on what our interviewees described as ‘*hotelki*’ - wish-lists that the government agencies wished the companies to provide. In the first case, this is in order to obtain access to international finance and, in the second case developing partnerships with local authorities by responding to their hotelki of CSR projects in order to gain legitimacy with potential employees and collaborators, as well as gain access to the materials and permits to drill that they control.

Exogenous Stakeholders and Convergence to International CSR Norms

A major modification of this industry’s organisational field has led to the emergence of new stakeholders, which in turn, has led to modified CSR activities. Conformance to international reporting standards is an example of where Russian energy companies are converging to global CSR norms. As privatised Russian energy industries have internationalised, and the Russian state and its national energy companies have withdrawn from their Soviet era roles and obligations, new international stakeholders who control important industry resources have become more salient. These include banks, equity investment funds, large buyers, and suppliers of technology. Managers in the Russian energy sectors we studied all now pay more attention than previously to their firms’ environmental impact and engage in new socially-focused organisational activities because international financial markets have started to become important sources of capital. This capital is lacking in the domestic market (Henry et al., 2016).

In the desire to conform to these new stakeholders' expectations, most of our interviewees' companies have adopted external standards such as ISO 14000, 14001, 26000 and Global Reporting Initiatives (GRI, 2018). They also adhere to the UN Global Compact OECD Guidelines and Responsible Care Initiatives. The prime motivator is the desire to access international financial markets:

> *"If you have a bad environmental impact, any reputable international bank won't give you any credit. Obviously, we are compliant with environmental laws in Russia. But international banks assess your performance when it comes to social, environmental and governance issues. In Russia it's at an early stage, plus financial institutions are not as developed as in the Western countries, so it's more the international investors" Manager A2*

While previous research has similarly linked CSR activities (specifically adopting ISO 14001 environmental standards) to conformance to external markets (Crotty, 2016), our data permits us to directly link the change in organisational activities to a newly salient group of stakeholders, international banks and investors, and a specific resource, finance. This purely exogenous driver demonstrates that some forms of CSR can occur even in the absence of domestic prerequisites such as a strong civil society monitoring the firm's actions (Ljubownikov et al., 2013; Campbell, 2007).

GRI is the world's most widespread framework of voluntary CSR reporting (Gilbert and Rasche, 2008). Many of our companies adopted GRI standards in order to report on non-financial information. It promotes and develops a standardised approach to reporting, responding to demands from a range of different categories of stakeholders for more transparency, and reduces capital constraints (Cheng et al., 2014). Reporting to GRI standards is important because conforming to international standards and initiatives increases Russian companies' acceptance in the global business world, granting access to resources that come from international markets, and also providing information to investors. Importantly, the GRI reporting process exposes areas of poor ethical behaviours or CSR activities which should be improved.

> *"Many companies are trying to employ international audit groups to carry out social and environmental monitoring in order to reveal issues…They carry out audits to comply with international standards, then report as per GRI standards. This is then presented on international financial markets. And this influences a lot investment attractiveness. This is very important, especially for a company, which is operating on an international market…" (Manager A2)*

Conforming to GRI standards improves the capitalisation of the company, protecting the survival of the organisation, and therefore jobs, incomes and the wider social health of the company's community:

> *"We report according to the GRI standards…The reporting is very important to us….This is an instrument. It affects the capitalisation of the company. There are a lot of funds that act as investors, and this is the instrument companies use when establishing a dialogue. Not only investors, but also with authorities, banks, local communities, environmental associations…Many companies especially in Russian energy sector publish sustainability reports for similar reasons.'"(Manager AI)*

Another type of stakeholder, international joint venture (JV) partners, typically large oil majors, contribute substantially to capital investment projects (Panibratov and Abramkov, 2012). Some of these investments are risky due to operational lack of control over assets, and therefore reassurance as to compliance to international standards becomes even more important. JV partners also provide another resource, technological expertise, in managing deregulated markets and new exploration and production engineering processes (Hinkkanen et al., 2012) In order to help build trust, the international JV partner expects to see audits reported to GRI standards. The international audit groups (typically large accounting firms) have established a robust reputation with the JV partners, hence may be perceived as more legitimate than local or national Russian auditors. The saliency of JV partners is increasing as they now provide two resources, cash for investment and technology expertise, on which the Russian energy firms are increasingly dependent. Because surging global energy demand creates many opportunities for new capital projects which are both expensive and technologically complex, the salience of the international funds and JV partners stakeholders has increased substantially.

There are long time delays between commencing the process of achieving conformance and receiving the necessary investment. Compliance to GRI reporting standards can be a time-consuming and costly process. Just as costly is the need to build relationships with potential investors for some considerable time before they will provide any investments. These forces are likely to encourage the companies to achieve the highest reporting standards in order to mitigate the risks of failure to win the funding.

Changes to the formal institutional framework in Russia*: "Knut i pryanik"* [1]

The strengthening of a major stakeholder, the Russian state, under the presidency of Vladimir Putin has led companies to take new environmental laws into account where they might have been ignored or simply shrugged off in the past, as one of our interviewees said:

> *"because it was cheaper to pay the fines (in the Soviet era) than to invest or remediate. Over the last few years, 15 or so, the government*

[1]literally this means "whip and gingerbread" or as we might call it "stick and carrot"

> *has become much stronger in enforcing these regulations and the fines became much higher" (Manager G1)*

That situation has now changed, and the companies' behaviour has been modified to take into account of an increase in saliency (power) of the state. In the energy sector especially, laws have been toughened and punitive fines have been introduced, forcing companies to invest in methods to reduce their environmental impact:

> *"If we breach the environmental laws, then we are liable to the Russian Federation legislation...it is more sticks than carrots you know".*
>
> *(Manager A2).*

Managers interviewed clearly perceive the change in power of the state. Changes to the formal institutional framework, a reinforcement of the regulatory pillar (Scott, 2001), accompanied by managers' belief that these fines will be enforced have thus become important drivers in altering corporate CSR activities with respect to environmental compliance. This is the only category of CSR that we found to be directly regulated (Scott, 2001) by the Russian state. The question remains; does an increase in the regulatory environment affects managers' attitudes towards going beyond compliance (Frynas, 2012)?

Partnerships and hotelki

In contrast to the increasingly important role of the state in controlling environmental activities, some of the categories of CSR that we identified are based on expectations for social goods set out by local stakeholders, including regional governments, local authorities and communities in the geographic vicinity of the firm's activities. As we discuss below, the implementation of these expectations is negotiated. In line with the SLO literature, one can see companies searching for legitimacy in these projects, which correspond to pragmatic and moral legitimacy (Suchman, 1995).

After the collapse of communism the Russian state and state-controlled firms withdrew from involvement in mono-towns, and notably from their provision of social activities (Ljubownikow et al., 2013). Since then, new stakeholders, with different expectations have emerged. These now have to be met and/or managed by the energy companies in order to obtain their social license to operate. In contrast to the Soviet era, where the major stakeholder was the central government and organizations were concerned only with completing the current plan, our respondents now regard local communities, regional governments, local authorities, and employees, as increasingly salient stakeholders, influencing what the company can and cannot do. Regional governments and local authorities have moved into the post-communist void (Ljubownikow et al., 2013). They have the power to stop or at least slow down exploration and exploitation activities, as they issue the permits to drill, a dependent resource:

> *"… (it is) impossible to start drilling without first meeting locals and discussing needs' (Manager G).*
>
> *Such projects are considered 'a way to keep the license' (Manager AM).*

Energy firms now sign “socio-economic partnerships” (Henry et al., 2016) with local authorities and regional governments, promising to contribute to infrastructure and welfare. There is no regulatory framework governing these partnerships, nor are there rules that regulate the amount companies are required to spend in the region.

> *“We discuss, we obviously differ, they offer. This is negotiations. We are trying to find options.” (Manager EL).*

It is a strong expectation of state officials and local communities that companies will deliver social services and supporting infrastructure in local communities, activities that are legitimated by historical expectations and church-sanctioned norms concerning social care.

This negotiation process seems to contrast with notions of Russian CSR being a continuation of “embedded paternalism” left over from the Soviet era (Crotty, 2016). Managers see the agreements and the CSR provisions within them as a necessary instrument to form good relations with local authorities, and therefore gain access to permits. What is provided is negotiated and only formalised at the end of the negotiations in a form of barter exchange contract, rather than through money or regulation. In exchange for access to licences, Russian energy companies have now taken on the role of ‘social care-takers’.

> *"every year we sign an agreement … between the company and regional authorities…the company takes financial responsibility, financing for example holidays for children, building hospitals, leisure facilities" (Manager A)*

The newfound legitimacy and power of these stakeholders has forced firms to modify their processes. Not just by discussing CSR needs before drilling as the above quotes show, but also by sending teams into the regions to meet local authorities, in order to understand the main problems of the region and what kind of CSR activities are needed in that area:

> *"If they need a school, we build a school…" (Manager EL).*

The partnership agreements are significant regional development tools, which address social and economic problems in the area. Several managers discuss their partnerships with local authorities, which include specific levels of investment based on the local authorities' *'hotelki'*. But whereas Henry et al., (2016) would see this as an example of 'neo-paternalist governance' and argue that the concept of stakeholders in this type of agreement is underdeveloped, our findings suggest that the process of choosing CSR initiatives is a much more negotiated process than 'neo-paternalism' would imply:

> *"we receive their 'hotelki', review them. We try working in a 50/50 regime. Which means 50% of hotelki from local*

> *authorities and 50% of hotelki from our company and our employees" (Manager SG).*

Thus, interactions with local stakeholders would seem to take place on a peer-to-peer level rather than via any form of paternalism. In order to demonstrate their trustworthiness and their commitment to ethical treatment of their partners, companies write their own code of conduct documents, declaring values and showing commitment to treat stakeholders respectfully. Such a negotiated approach, where companies are listening to and discussing CSR priorities with local authorities without many preconceived ideas of what they should do, stands in contrast to some of the other studies carried out in Russia (Henry et al., 2016; Crotty, 2016) which maintain that many CSR activities constitute a form of paternalism left over from the Soviet era. These different approaches are illustrated by two of our respondents, the first of whom epitomises the paternalistic style:

> *"no one forces us to invest. This is our decision. We agreed to have a certain percentage of our profits to be spent on social initiatives…then we go to local authorities, indicating that this is what we want to spend and then we sign these socio-economic agreements with them" (manager IG)*

However, in contrast, Manager O in common with many of our interviewees, rejected this type of approach as old fashioned:

"this is paternalism, which came from Soviet times, but it is no longer here" (Manager O).

Such differences in views presumably reflect the transition from one institutionalised approach to another, although as we suggest below, our data do not allow us to identify the transition path. This is something for further research. The hotelki question illustrates the interplay between stakeholder power and institutions. Stakeholders exert their power; forcing companies to adapt. But norms and institutions frame those actions which define what is acceptable as CSR; in this case energy firms are constrained to work with regional authorities but local norms rooted in traditional Russian values (helping the needy), and echoing Soviet era behaviour (mono towns) dictate the form of the process (negotiation rather than imposed), and define what constitutes value to the community (social programmes).

Implications for theory

In this paper we have endeavoured to 'contextualise' CSR by examining CSR strategies and organizational changes in the Russian energy sector (Tilt, 2016; Crane et al., 2013). These changes occurred at a time when the country's institutions were unstable, also unclear and in a state of flux (Ljubownikow et al., 2013). As well as demonstrating the exogenous/endogenous dichotomy of CSR influences on organisations, our research has confirmed the importance of the stakeholder approach in understanding the influences on CSR activities, and where these are converging towards international norms. Taking a (target) country as context may not be sufficient in itself for understanding CSR activities in that country. Instead, industry or organisational field elements need to be combined with country and more local level phenomena, including the full portfolio of salient stakeholders in order to understand more fully the different forms that CSR may take in different contexts. Further research is needed in order to understand the interplay between industry, sector, national (i.e., host nation) and international influences. In particular we need to test the hypothesis that external (i.e., field) forces and stakeholders lead to convergence of activities while local (i.e., national) forces and stakeholders lead to divergence of activities.

If stakeholder theory is to be developed then we need to know more about how stakeholders attain legitimacy. For example our data did not really show how the elements of hotelki were negotiated, by whom, on what power base and with what resource exchanges. What is the balance of power between stakeholders and companies when it comes to negotiating CSR projects? Is there a market for CSR, for example, in different energy companies competing to provide hotelki services? Furthermore, the CSR literature (for example Matten and Moon, 2008, Campbell, 2007) has developed the idea that norms and institutions are the driving forces behind managers undertaking CSR. As discussed above, we do not negate the role and importance of institutions in shaping CSR behaviour, but we do plead in favour of the importance of stakeholders from a transactional point of view. Future research could examine the interplay between these two approaches and CSR theory will be greatly enhanced by synthesizing transactional and institutional approaches.

We have noted in this paper a considerable reinforcement of environmental regulations in the Russian energy sector; a fruitful line of enquiry would be to examine how much influence this regulatory pressure influences the decision making of managers when considering other environmentally oriented CSR actions? The question remains, how much does an increase in the regulatory environment affect managers' attitudes towards going beyond compliance.

Implications for practice

There are a number of different practical implications of our findings. These vary according to the different types of organisations involved in CSR activities in the Russian energy sector. Many companies operating within this sector are international, whether directly or indirectly (for example their markets or partners are based abroad), and overseas partners especially need to understand the CSR implications of their participation in the sector.

For non-Russian firms, the right to participate in the local energy industry is dependent on their partners being able to obtain permits to drill or to work in the local environment from local authorities. We have identified what seems to be a rather informal process of negotiating permits based on the ability to provide the things that local communities need - the hotelki wish list. Although we would suggest that more research be done into exactly what this type of negotiation involves, it appears to be something that is central to energy companies' ability to work in any particular community. For international players without such local knowledge, working effectively with local stakeholders is likely to be difficult without a competent and well-connected partner.

There are also implications for new entrants into the field, even if they are Russian owned and managed. They will need to negotiate their way through what appears to be a rather opaque process of obtaining licenses to operate. New entrants may be more efficient and/or have something new or different in their product offerings, but may not be able to be succeed because of the established relational capital, and perhaps resistance, from the hotelki negotiators. In other words, product innovations or processing efficiencies may not be enough to gain traction in an established field without having also something to offer to the local communities. The relationships involved in this process appear, from our data, to be difficult to uncover, from the outsiders perspective at least; they appear to be both exclusive and evolving.

Similarly, stakeholders and companies are likely to be able to take different messages from our study. In the case of Russian local authorities, at the moment it seems that they are replacing their former roles with a more negotiated and less paternalistic or hierarchical approach. Our data did not allow us to say how they are dealing with the process, how they choose which companies to work with, or what makes the process successful. This is something for further research, but it implies that the local authority negotiators are likely to need a new class of skills, and knowledge about the energy companies' activities, in order to make the best choices of company with whom to work and form productive synergistic relationships.

Companies in all categories need to modify their environmental activities to take into account the increase in saliency of the Russian state. No longer is it possible to shrug off any state expectations, given that fines are becoming punitive, and too difficult to ignore. In this case, and in the need to conform to international reporting standards, we find examples where Russian energy companies are increasingly required to converge to global CSR norms. As a result, companies with experience and competencies in managing compliance with standards are likely to be especially welcomed as partners by those traditional Russian firms who lack the experience to understand the practical implications of compliance.

A key insight for Russian energy companies is that they may need to over-perform in CSR activities that relate to their ability to attract international investment and technology. We found that international investors (equity funds, banks, FDI from energy companies and JV partners) set very high expectations for various CSR activities, including ISO 14001, GRI and transparent financial reporting. Russian energy companies need to build capabilities to excel in these particular CSR activities. Working with partners (for example global accounting firms) and hiring international Russian specialists (for example MBAs educated outside Russia) would help build relational capital with the international investors. However to be successful, much work is required initially for no return, and there is always a risk that the investment will fail, given the pervasive uncertainty in both the energy sector and the Russian business environment.

Conclusions

Our research has uncovered some distinct changes in the salience of stakeholders in the Russian energy sector. These have changed what companies do and what types of CSR activities they adopt. What factors are salient also now varies according to the type of CSR activities implemented.

Resource-dependent power is a common aspect of saliency in the sector that we examined, but legitimacy - inherent within the idea that companies have to look after their communities - is also important in some aspects of Russian CSR. Resource-dependent power comes from the provision of money, or access to money, from institutional investors and from the permits to drill that are made available by regional and local authorities. But managers in the Russian energy sector also embrace what they see as their responsibilities to their communities, employees and families. These institutionalised norms and expectations provide fertile ground for community-focused CSR activities, which we believe have not been sufficiently recognized in the existing CSR literature (Crane et al., 2013; Crane and Matten, 2016; Nguyen et al., 2018). CSR activities are based on expectations left over from the paternalistic Soviet era (mono towns) but also from much more deep-rooted cultural philanthropic and charitable values from earlier periods in Russian history. The country’s orthodox religion provides a cultural institution that still provides philanthropy and charitable works within an industrial environment (Ershov, Fursov and Lutsenko, 2018; Zasimova and Kolosnitsyna, 2018; Jakobson, Toepler and Mersianova, 2018).

In this paper we go beyond Matten and Moon’s (2008) conclusion that divergence in CSR across nations can be traced to deep-rooted institutions. Our data suggest that organisations are exposed to a variety of forces, some endogenous (institutional and contextual forces relevant to the national business system), some exogenous (relating to the organisational field of the energy industry - international by nature), resulting in convergence in some areas of CSR practice but not in others (Jamali and Neville, 2011, Jamali and Karam, 2018).

Thus CSR should not be considered solely as a Western phenomenon, copied and adopted slavishly by different countries (Örtenblad, 2016). Rather, the development of CSR in different societies is a function of both exogenous (relating to the organisational field) and endogenous (relevant to the national business system) forces that come out of both national and industry traditions. Societies’ norms, cultures, histories and traditions provide a variety of opportunities for companies to shape and develop their own idiosyncratic frameworks and praxis according to the ever shifting landscape of salient stakeholders and evolving institutions (Tilt, 2016; Davidson, 2016).

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Table 1

Stakeholder	**Resource dependence**	**CSR activities**
International finance investors (Crotty, 2016; Gilbert and Rasche, 2008; Cheng et al. 2014)	Investment dollars	ISO 14001; GRI
International firms (FDI/JVs) (Henry et al, 2016; Hinkkanen et al., 2012)	Technology; Investment dollars	GRI; Transparency of financial reporting
Local and regional government **(**Gjertsen et al., 2018; Tysiachniouk, Pappila, Nysten-Haarala, Britcyna and Tulaeva, 2017)	Permits to drill or conduct business	Hotelki or 'wish lists'; Codes of conduct
Communities / orphans / veterans / employees **(**Bjørgo, 2018; Pappila et al., 2017)	Goodwill and cooperation: permission to operate	Charity and social benefits
Russian State	Reprieve from financial	Adherence to new

(Fifka and Pobizhan, 2014; Ljubownikow et al., 2013; Fifka and Pobizhan, 2014)	penalties	environmental laws

Appendix 1: List of Interviewees

	Code	Job Title	Sector
Pilot Study in the UK			
1	AUK	Partner Communications	Consulting
2	BUK	CSR Director	Consulting
3	CUK	Head of Corporate Communications Corporate Affairs/Marketing	Banking
4	DUK	CEO	NGOs
Fieldwork in Russia			
5	A	General Director in Oil Extraction	Oil and Gas
6	G	Head of PR and Government Relations (GR)	Oil and Gas
7	EL	Head of Corporate Communications	Oil and Gas
8	L	The Audit Manager	Oil and Gas
9	N	Chief Specialist of the Production Division	Oil and Gas
10	M1	Head of CSR	Oil and Gas
11	A2	Communications Director	Oil and Gas
12	T	Senior Product Manager	Oil and Gas
13	AN	Sales and Operations Supervisor	Oil and Gas
14	AF	Sustainable Development and HSE Manager	Oil and Gas
15	M	Communications	Oil and Gas

16	O	Social Performance Manager	Oil and Gas
17	AM	Senior Sustainable Development Specialist	Oil and Gas
18	D	General Director	Oil and Gas
19	IG	Vice-President of Charity Fund	Oil and Gas
20	IV	Head of Corporate Communications	Oil and Gas
21	AA1	Head of Advanced Development and Strategic Planning	Oil and Gas
22	SZ	Public Affairs and Community Relations	Oil and Gas
23	K18	Head of CSR and Partner Relations	Oil, Gas and Coal
24	IP	CSR manager	Oil and Gas
25	SG	Public Relations and Communications Director	Coal
26	ML	Project Manager	Coal
27	A1	Head of the General Director Office	Coal
28	RU	Head of the Corporate Governance and Property Management	Electricity
29	AI	Senior Sustainability Manager	Electricity
30	RK	CSR consultant	Consulting
31	G1	CEO	Consulting/ Academia
32	VL	Deputy Director	Research Institute

33	DB	Director of Charitable Fund	NGO