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**Podkorytova Elena,**

Student,

Graduate School of Economics and Management,

Ural Federal University

named after the first President of Russia B.N. Yeltsin

Ekaterinburg, Russian Federation

## **PROS AND CONS FOR THE CORPORATE SOCIAL RESPONSIBILITY POLICY: EXAMPLE OF CISCO SYSTEMS**

### *Abstract:*

For quite some time people, companies and international organizations began to talk about the concept of sustainable development. Today, there are real examples of the company's implementation of social responsibility. In our time, the ignoring of such concepts by firm executives jeopardizes moral, human, even criminal aspects, and also stimulates a drop in production and sometimes brings the firm to the bankruptcy zone, thus condemning its company to a slow extinction. However, it is interesting that not all organizations, including global ones, are thinking about this. What exactly can motivate these corporations to become socially responsible? Are there any real examples of companies that are interested not only in obtaining a positive economic profit? The study of these issues is one of the main objectives. But not everyone agrees with this statement. Some academics and scientists believe that this is contrary to the activities of any commercial company. As the discussion is under way, the relevance and timeliness of the topic can not be overemphasized.

### *Keywords:*

CSR, economics, sustainable development.

One of the key processes in the development of the world economy on the verge of the twentieth and twenty-first centuries is progressive globalization, that is, a qualitatively new stage in the development of the economic life internationalization. It leads to the emergence of a fundamentally new concept within the framework of corporate governance — the concept of

corporate social responsibility. Also, it is impossible not to mention another important definition of sustainable development which means a development in which satisfaction of the vital needs of people is achieved and for future generations there is still the opportunity to satisfy needs [1, 2].

Any innovation suggests both positive reviews and negative ones. In the CSR topic, the latter have a fairly thorough assessment. Critics argue that the words «sustainable» and «development» contradict each other, since development in principle can not be sustainable: for some reason it is necessary to refuse — either from development or from sustainability. And yet development is stable if it implies some kind of invariance.

Despite a fairly high level of awareness of the sustainable development importance, many companies sometimes question the importance of environmental and social factors, arguably proving the significance of only economic indicators. The main issue in this discussion is the ability of sustainable companies to prove that the introduction of sustainable development policies can be an important “lever” for achieving high market outcomes. Corporations exist to produce products and provide services that bring profit to their shareholders. Milton Friedman and other scientists are considering this issue deeper, arguing that the corporation’s goal is to maximize the incomes of shareholders and therefore only people can bear social responsibility, corporations are only accountable to their shareholders, and not to society as a whole [3]. Although they recognize that corporations have to obey the laws of the countries in which they work, they argue that corporations do not have obligations to society. Some people perceive CSR as a contradiction to the very nature and purpose of business, and also as an interference in free trade. Critics of this statement perceive neoliberalism as the opposite of the welfare of society and interference in human freedom. They argue that the type of capitalism practiced in many developing countries is a form of economic and cultural imperialism, noting that these countries usually had a lower degree of labor protection and therefore their citizens are at a higher risk of exploitation by multinational corporations.

Of course, there are a lot of controversial questions about the theory, as well as the implementation of sustainable development in practice, but if the concept is used in the right way, the company will manage to reach a new level for itself, increasing not only financial and non-financial indicators for itself, but also public welfare. This example is considered as practical

part in the example of Cisco Systems company. To conduct an in-depth analysis, it was used the report on the company's activities for 2012 – 2016, the corporate social responsibility report in 2014 – 2016, and the annual accounting reports in 2014 – 2016. The following regularities were examined: how strategic and system investments, as well as R&D costs, were influenced by strategic and system investments in non-financial indicators within the framework of sustainable development of Cisco Systems.

The empirical part of this work was the study and comparison of indexes and indicators of financial and non-financial reporting of Cisco — company that develops, manufactures and sells networking hardware, telecommunications equipment and other high-technology services and products. In the table 1 we can see all the financial indicators which we can compare with non-monetary data [4]. In appendix 1 there is specific values which will be useful for observation and research.

Table 1. Financial data

FY	2012	2013	2014	2015	2016
Strategic and Systemic Outstanding Investments, billion \$	92,2	129,7	128,8	140,1	144,9
R&D Expenditures, billion \$	5,5	5,9	6,3	6,2	6,3
Expenditures per one student in NetAcad, \$	—	—	6290	6210	5779,8
NOPAT, billion \$	8,25	10,3	7,766	9,849	11,513

When we have all the relevant data, it will be appropriate to evaluate and interpret them in order to understand the company's progress in terms of CSR. Observing the statistics in the table below, it should be emphasized

that the number of investments in turnover increased 1,5 times, which confirms the implementation of sustainable development goals, starting from 2015, as well as the concept of sustainable development.

Digitization enables countries to maintain global competitiveness, increase GDP, foster innovation, and create new jobs. That is why Cisco is trying to invest more and more money on information analysis, development and research centers. The cost of R&D has a slightly unstable dynamics, as they increased significantly in 2014, and in 2015 — after the introduction of sustainable development goals — slightly decreased. The costs per student in Cisco's Networking Academy have also decreased. It is impossible to interpret unequivocally: the number of students has increased and the costs have increased, but not in proportion. Since research costs are quite large, it is possible that after the introduction of sustainable development goals, Cisco redistributed resources in a more efficient direction and investors are expecting the improvement of the education quality while reducing costs. To understand whether a CSR strategy is profitable for a company, a net operating profit indicator after taxes should be interpreted: the emergence of 17 sustainable development goals as well as the introduction of many social programs in 2014–2015 influenced the profitability of the company, as reflected in the table below, however, we can see a significant return on the invested funds in the increased profit of 1,16 times.

By comparing financial and non-financial indicators using the table in the application, we observe a purposeful cash flow in the development of corporate social responsibility, and here it is necessary to emphasize — the efficient allocation of monetary resources. This is confirmed by the increased R&D costs, as well as the increased flow of investments. Efficiency is determined by a positive change not only in financial indicators — profit, ROI, and so on, but also non-financial ones, which were considered in this paper.

Ultimately, it is important to add that any firm strives to realize a commercial goal, like any socially responsible company. However, it is very important to consider the role of priorities. When we observe huge target expenditures for development, implementation of the concept of sustainable development, as well as a large number of attracted investments — and most importantly — their return, and see how the company assumes the risks of non-return of this money and potential failure, the main question

arises: does only profit excite a socially responsible company when it so risks? It is also necessary to realize that a successful socially responsible strategy has a significant impact on the company's image, which is why companies such as Cisco should motivate other corporations to implement this concept.

As recommendations, it will be appropriate to advise Cisco to pay attention to all the goals of sustainable development, since the previous experience of considering each goal results in a positive return. Of course, Cisco's strategy will depend on the trends of the global community and the principles of implementing the strategy will eventually change and be adjusted. In any case, every firm that wants to be successful in the current market should think about the principles of CSR and decide on the potential implementation of this policy, placing all priorities and considering the opportunities and threats. Ignoring this trend is not the best solution and this is shown by other companies like Cisco, who have already successfully implemented the principles of sustainable development.

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Appendix 1. Special values of indicators

Measurement	Years/indicators	2013	2014	2015	2016
<i>2013 – base year</i>	R&D expenditures	100,00%	105,89%	104,55%	106,06%
	Investments	100,00%	99,25%	107,95%	111,68%
	audits	100,00%	100,00%	135,29%	161,76%
<i>by the percent of spend</i>	Contract manufacturing	100,00%	100,00%	100,00%	100,00%
	Approved Vendor List (AVL) components	86%	87%	87%	87%
	Global transportation	98%	95%	96%	96%
<i>2013 – base year</i>	Total supplier and partner facilities	100,00%	65,38%	88,46%	105,77%
	Total System Power Efficiency	100,00%	102,50%	103,75%	106,25%
<i>2014 – base year</i>	GHG Emissions Reduction	-	100,00%	66,29%	54,39%
	Supply Chain Emissions Avoided (cumulative metric tonne CO <sub>2</sub> e avoided)	-	100,00%	180,87%	286,29%
<i>percent progress against reduction goal</i>	Electricity Usage from Renewable Sources	-	37,10%	71,90%	77,10%