

Values and perceptions of business representatives and the public about the implementation of the principles of sustainable development by business: results of a sociological research

Maya Rusakova¹, and Sergey Tkach^{1,*}

¹Saint Petersburg State University, 199034, Saint-Petersburg, Russia

Abstract. We conducted a study of public perceptions of the principles of ESG and relevant issues among entrepreneurs within this paradigm. The study was carried out in the methodology of mixed methods. The first stage of the study was a representative population survey. The second stage of the study is an expert survey of entrepreneurs. The results showed that society is predominantly positive about the principles of ESG, but expects that the state or the companies themselves will be most actively involved in monitoring the implementation of the principles of ESG. Small and medium businesses are experiencing problems with the implementation of the ESG policy due to the lack of developed tools and technologies.

1 Introduction

The principles of ESG (Environmental, social, and corporate governance) are widely used in leading business projects that are responsible for the environment and the ecology. ESG allows us to build business processes that take into account the specifics of local natural ecosystems and bring high attention to the environment, and the problems of rational use of resources. In addition, ESG-oriented business turns out to be resistant to crises and structural market transformations. All this makes the ESG paradigm a promising direction in research activities, as noted by Stuart L. Gillan, Andrew Koch et al. [1] Speaking about the main directions in ESG research, Li, T.-T.; Wang, K. et al. highlights research within "institutional theory" and "stakeholder theory". [2] Moreover, the authors note a trend towards an increase in the focus of researchers on the "stakeholder approach" after 2013. This is due to the increasing role of agency in solving the problems of sustainable development in harmony with the environment. A landmark example of this kind of research is the work of N. Nirino, G. Santoro, et al. The authors consider the concept of ESG in the view of corporate controversies, which belongs to the tradition of "stakeholder theory". [3] D. Daugaard and A. Ding's extensive study of the ESG theoretical debate is also specifically focused on "stakeholder theory". The same theoretical tradition, as the authors say, could be the main perspective for research. [4]

Another significant area of research is the financial performance of companies that adhere to the principles of ESG. More than 2,000 papers have been published on this subject since the 1970s by G. Friede et al. [5] In general, researchers point to a positive relationship between the implementation of ESG principles and the stability of companies in crisis and transformational market conditions. However, as noted by G. Halbritter, and G.

Dorfleitner, investors should be careful about the relationship between business ESG indicators and its profitability. [6] This is also confirmed by more recent research. In particular, E. Demers, J. Hendrikse et al. note that the pursuit of ESG principles did not affect the profitability of companies during the Covid-19 period. Investments in intangible assets had a much more significant impact. [7]

Public perceptions separately about the issue of climate change are considered in the work by Papoulis D. et al. [8], paradigm of green growth in the paper of Drimili E. [9], municipal waste management in paper of Drimili, E., Herrero-Martin, R. et al. [10], urban water use and ownership of water companies in the work of Drimili, E., Gareiou, Z. et al. [11], renewable energy source in the work of Gareiou, Z., Drimili, E. et al. [12] Deeply, the methodology for assessing public opinion on these topics is considered in the work by Gareiou, Z., & Zervas, E. [13]

In one way or another, the subject of the connection between the crisis of the Covid-19 pandemic and ESG principles is an important topic in research. For example, the work of V. Díaz, D. Ibrushi, and J. Zhao shows that, unlike the article by J. Hendrikse et al., the effect on income is still observable, but only for the situation when it comes to comparing the first and fourth quartiles of ESG ratings. [14]

As can be seen from the review of works on the topic, the main focus of attention in the ESG study is focused either on the economic efficiency of companies or on their interactions with other large institutions (the government, transnational corporations, etc.). This makes relevant the issue of the relationship between citizens and ESG, public perceptions about the need to implement these principles, responsibility for their implementation, and consequences. It is the purpose of our study to close the discovered gaps.

* Corresponding author: sergey@ngostellit.ru

2 Methodology

The research was designed in the mixed methods paradigm. It took place in May 2022. The first stage of the study was a telephone interview based on a stratified random sample extracted from a complete list of cell phone numbers used in the territory of the Russian Federation — 900 people took part in the telephone survey. The data are representative of socio-demographic parameters: sex and age. The marginal sampling error with a probability of 95% does not exceed 3.27%. The second stage of the study was a survey of experts. 90 representatives of business in Russia took part in the survey. The error of the second sample with a probability of 95% does not exceed 10.3%. The majority are limited liability companies (LLC), state and municipal unitary enterprises and individual entrepreneurs are also represented. Regarding the fields of activity of companies whose representatives took part in the survey, most of all - representatives of the education industry, as well as trade. It is important that the majority of business representatives are involved in the micro business (up to 15 people), and large and small businesses are approximately equally represented. The largest share of business representatives who took part in the survey are business owners and/or co-owners, approximately the same shares are top and middle managers.

3 Results

3.1 Public opinions

The overwhelming majority of working-age residents of the city consider environmental problems to be urgent - environmental pollution (about 93%) and depletion of natural resources (more than 70%), as well as one of the "social" problems - insufficient provision of health and safety for employees (about 80%). A significantly smaller number of people believe that problems related to corporate governance are relevant for Russia and St. Petersburg - the problem of the lack of an internal control system and corporate risk management (about 60%) and the problem of confidentiality of information about the company's activities (about 57%). Also, only about half (49.1% and 45.3% for Russia and St. Petersburg, respectively) of respondents consider the problem of violation of human rights and discrimination by employers to be an urgent problem. More than 1/3 (34.4%) of St. Petersburg residents of working age believe that the main reason why companies operating in Russia are engaged in socially responsible activities is the desire to create a positive image of the company. This position presupposes the presence of trust in business, which is characterised by the expectation that companies will take into account the interests of investors, consumers, employees in their activities, and reduce, on their initiative, the risks associated with the quality of environmental, social, and corporate governance. The position of another part (18.3%) of St. Petersburg residents assumes that the state is responsible for the level of social responsibility of business. They also believe that

companies in Russia engage in socially responsible activities on their initiative, but see the ultimate goal of business as receiving benefits from the state in the form of support or benefits. In addition, slightly more than 1/4 (28%) of respondents do not trust business, believing that companies are mainly engaged in socially responsible activities as a result of pressure from the state (14.8%) or the need to comply with international and Russian requirements (13.2 %).

If we talk about the extent to which St. Petersburg residents of working age are aware of the concepts of sustainable development and ESG, it should be noted that the majority (68.8%) of St. Petersburg residents of working age lack knowledge about it. Only about 1/4 (22.9%) of respondents said they had ever read company policies, sustainability strategies, or ESG.

Most of those residents of the city who have ever read policies, and strategies in the field of sustainability and ESG, positively assess the standards of organization of the activities of companies in this area. They believe that companies should spend resources to implement them in their activities. More than 75% of respondents agree that the introduction of standards in the company's activities is an investment. It allows these companies to create conditions for sustainable work in the long term. Respondents also see standards as a predominantly effective tool for improving the quality of socially significant activities, and not as a way to create unequal competition in the markets - 71.8% of respondents agree with this statement. In addition, they see in the content of the standards a reflection of objectively formed new rules that allow all stakeholders to assess the level of social responsibility of a business - 67.5% of respondents agree with the statement that standards are an objective indicator of the level of social responsibility of a company necessary for all stakeholders.

The low prevalence of ESG among enterprises in St. Petersburg is confirmed by the data obtained on the experience of interaction between residents of the city of working age with those who have programs and policies in the field of environmental, social, and corporate governance. Only about 1/3 of the respondents said they had come across environmentally oriented policies (programs) (34.9%) or policies (programs) in the field of internal audit, a long-term development strategy published in the public domain (34.4%). Least of all (17.8%) respondents noted that they had encountered social policies (programs) aimed at reducing discrimination, and observance of human rights and ethical standards.

For the most part, citizens did not encounter critical violations of the law by companies in any of the ESG areas. At the same time, about 1/4 (25.3%) of respondents noted that they faced critical violations of the legislation in the field of labor protection and protection of the health of employees. Also, a significant part of the respondents faced the fact that the company in which they worked, critically violated the norms of antimonopoly, tax laws (16.2%), or environmental laws (13.7%).

An analysis of the data we obtained shows that a significant part of the city's residents considers the problems related to environmental and social

management quality in companies to be relevant both for Russia and St. Petersburg. Also, environmental and social problems are the most significant personally for St. Petersburg residents. The largest number of people note their readiness to refuse any interaction with a company that will allow violations in these areas of ESG. In addition, the majority of citizens agree that the solution of the main current problems depends primarily on the values and behavior of a significant part of society. This fact allows us to speak about the existence of a basis for the formation of a conscious position among the vast majority of city residents. A conscious position implies not only independent participation in solving the identified problems but also the presentation of appropriate requirements for the state and business, encouraging them to actively participate in this process.

3.2 Business community

As part of the second stage of the study, we have to investigate the positions of the business community regarding the ESG concept: its implementation, problems, and prospects. There is no unequivocal opinion about the question of what exactly is the social responsibility of business. Approximately equal proportions of respondents are convinced both that social responsibility should not exceed the norms established by law (36 respondents) (in the timely fulfillment of tax obligations, creating jobs, etc.), and that social responsibility consists of participating companies in activities beyond the established obligations (this point of view is shared by 50 respondents) (for example, in supporting medicine, education, fighting poverty, etc.). It is also important that almost all business representatives who took part in the study are sure that businesses in Russia should be engaged in socially responsible activities (76 responses). Thus, business representatives, regardless of what point of view they hold about socially responsible activities, are convinced of the need for its implementation.

It studied what kind of socially responsible activities Russian companies are engaged in in the field of solving social problems. Thus, the majority comply with Russian legislation in the field of labor protection and provide additional social guarantees to their employees (for example, medical insurance, benefits and compensations, material assistance), as well as combat discrimination (on gender, nationality, age, and other grounds) and develop corporate volunteering within the company. Also, many of the companies whose representatives took part in the survey implement joint projects with socially oriented non-profit organisations (NPOs), create inclusive jobs for representatives of vulnerable social groups, and also provide direct financial assistance to certain vulnerable groups. The least common practice in the field of socially responsible activity in solving social problems is an additional “social” burden, which consists of the construction of schools, kindergartens, clinics, and other socially oriented institutions.

Most parts of the ecological practices are concentrated in the field of compliance with Russian legislation (on environmental protection). Also, common practices are

environmental education among employees and consumers of the company, separate waste collection, and environmental campaigns among employees. The least common practice is to allocate funding for solving environmental problems. It is interesting to note that most companies do not have any environmentally friendly policies and/or programs. Other practices identified by company representatives included cutting-edge developments (for example, the use of new technologies in international projects), the collection of waste paper and the transition from paper to digital documentation, as well as work in the field of public education on environmental issues.

Activities that can be classified as ESG initiatives receive significantly more mentions than socially responsible activities, such as “additional social burden” (5) or “providing direct financial assistance to vulnerable groups” (21).

Respondents were asked to indicate separately other initiatives that their companies are implementing in the area of socially responsible activities. This opportunity was used by 28 respondents out of 90 who took part in the survey. Among these initiatives, the forms and practices of corporate socially responsible activities mainly prevail (20 answers): helping animals, charity events for the elderly, seriously ill people, and children, including those from orphanages. This activity differs from activities using ESG practices in that, as a rule, it goes beyond the core business of the company and is not aimed at achieving the company's commercial interests or reducing any internal and external risks that the company has. Activities that can be classified as ESG practices include, in general, the same practices that were proposed in the closed-ended multiple-choice question.

At the same time, it is interesting whom representatives of the companies consider responsible for solving the main environmental and social problems. Thus, the majority is confident in the need to share the greater part of society with values in the field of social responsibility (concern for the environment, protection of human rights, compliance with legislation in this area, etc.). At the same time, almost none of the company representatives mentioned business as the main actor responsible for solving these problems. Thus, there is a tendency to perceive socially responsible activities as part of the activities of companies, which, at the same time, is not associated with the assumption of primary responsibility for solving environmental and social problems. According to business representatives, this work is outside the area of responsibility of companies.

Among the options proposed by the respondents for the implementation of socially responsible activities in the field of environmental problems, the following trend is observed: most of the practices can be classified as ESG practices (9 answers). They mainly highlight the organisation of separate waste collection by the company, the disposal of the company's waste on its own, reporting, and the complete rejection of paper documentation in favour of electronic. Socially responsible activities (5 answers) include voluntary actions of the company that are not directly related to its activities: organisation of the waste paper collection, environmental education in

schools and universities, and promotion of activities in the field of environmental protection.

According to the interviewed entrepreneurs, ESG standards cannot affect the decrease in the competitiveness of some companies and increase the competitiveness of others, or at least do not have a direct impact on this situation. They also tend to more often agree with the statement that the implementation of ESG standards in the company's activities is a long-term investment that can ensure sustainable operation in the long term.

4 Discussion

Citizens have formed a request for the participation of the state in stimulating businesses to take measures to solve urgent problems related to the quality of environmental and social management. At the same time, they expect the state to create a favourable environment and additional preferences for companies that voluntarily improve the quality of environmental and social management.

The level of awareness of citizens about the concepts of sustainable development and ESG is extremely low. At the same time, citizens, who are aware of the concepts of sustainable development and ESG, positively assess the standards of companies in this area. The same applies to the transparency of the company's reporting system on the implementation of ESG principles. Similar problems are noted in the work of A. Amel-Zadeh & G. Serafeim. The authors note that one of the most pressing difficulties is the lack of a unified monitoring system and a unified reporting system on the use of ESG principles. [15] The paper of D. M. Christensen, G. Serafeim, and A. Sikochi has a similar conclusion. The researchers argue that currently there are no adequate systems for monitoring and transparent provision of information on the implementation of ESG principles. So, the authors show, financial disclosure only leads to increased contradictions in assessing the implementation of ESG principles. [16] Our conclusions on this issue are synonymous with those of Dorfleitner, G., Halbritter, G. & Nguyen, M. The researchers note that the existing various ratings of ESG policy implementation often contradict each other and do not allow for forming a coherent view. [17] In a later finding, these authors conclude that the ESG ratings do not provide consistent synergies and are significant for ESG risks. [18]

The presence of environmental or social projects in a company directly depends on its size: the larger the company, the more likely it is to have projects within the framework of socially responsible activities.

Medium, small, and micro businesses are on the sidelines of the ESG agenda. ESG practices within the framework of socially responsible activities are fragmented and are not built into the strategy for the transition to sustainable development. Dremptic, S., Klein, C. & Zwergel, B also talk about the benefits created for large companies. The authors conclude that ESG ratings value large companies higher. This may be because such companies have more preferences in the implementation of ESG principles, both in the form of

developed tools and in terms of the regulatory framework. [19]

The level of awareness of enterprise representatives about the ESG concept is low. In doing so, they are inclined to standards in the area of ESG long-term investments, which can provide greater stability for the company in the market.

Socially responsible business in Russia is ready to consider society's request to improve the quality of environmental and social management in enterprises. About the need to choose ESG from a broader perspective, not only in terms of financial efficiency, says D. Z. X. Huang. The researcher points out that the implementation of ESG principles should be based on many factors. [20] These factors, we believe, should also include public opinion. As our research shows, the main interest of society in the field of ESG is concentrated on the environmental agenda. At the same time, as shown in the work of M. Karwowski and M. Raulinajtys-Grzybek, the main efforts of companies, on the contrary, are concentrated in the field of social problems. [21] However, the ESG concept does not provide wide opportunities for the involvement of small and medium-sized businesses.

The findings allow us to develop a policy for the implementation of ESG in the field of small and micro businesses, as the most acute problematic point in the implementation of the sustainability policy.

5 Conclusion

Businesses, according to the ideas of citizens, must implement the principles of sustainability in their activities. However, there are problems both in the awareness of citizens in the content of the main provisions of the principles of sustainability and the lack of resources for the implementation of these principles at the level of small and medium-sized businesses. In addition to the problem of the lack of explicit unambiguity in the assessment of ESG by various rating agencies, there is a broader problem - the contradictions between ESG and other existing concepts - for example, socially responsible business. We propose organisations to focus on many different kinds of paradigms, some of which are more important for the domestic market, and some for international cooperation. In addition, the question seems to be important: how interested is society in resolving such terminological problems? Are ESG and other concepts becoming the corporate language of large companies, cut off from the end user? All these questions can be directions for further research.

The study was carried out within the framework of the RDTSW No. 121062300141-5 "Comprehensive study of the factors and mechanisms of political and socio-economic sustainability in the context of the transition to a digital society".

References

1. S.L. Gillan, A. Koch, L.T. Starks, *J. of Corp. Fin.* **66**, 101889 (2021)

2. T.-T. Li, K.Wang, T. Sueyoshi, D.D. Wang, *Sustain.* **13**, 11663 (2021)
3. N. Nirino, G. Santoro, N. Miglietta, R. Quaglia, *Techn. Forecast. and Soc. Chan.* **162**, 120341 (2021)
4. D. Daugaard, A. Ding. *Sustainab.* **14**, 2322 (2022)
5. G. Friede, T. Busch, A. Bassen, *J. of Sust. Fin. Invest.* **5**, 210 (2015)
6. G. Halbritter, G. Dorfleitner, *Rev. of Fin. Econ.* **26**, 25 (2015)
7. E. Demers, J. Hendrikse, P. Joos, B. Lev, *J. of Bus. Fin. Acc.* **48**, 433 (2021)
8. D. Papoulis, D. Kaika, C. Bampatsou, E. Zervas, *Climate* **3**, 715 (2015)
9. E. Drimili, Z. Gareiou, E. Zervas, *Environ. Dev. Sustain.* **22**, 6053 (2020)
10. E. Drimili, R. Herrero-Martin, J. Suardiaz-Muro, E. Zervas, *Waste Manag. Res.* **38**, 614 (2020)
11. E. Drimili, Z. Gareiou, A. Vranna, S. Pouloupoulos, Zervas, *E. Urb. Wat. J.* **16**, 334 (2019)
12. Z. Gareiou, E. Drimili, E. Zervas, *Low carbon energy technologies in sustainable energy systems* (Academic Press, Massachusetts, 2021)
13. Z. Gareiou, E. Zervas, *IOP Conf. Ser.: Earth and Env. Sc.* **899**, 012047 (2021)
14. V. Díaz, D. Ibrushi, J. Zhao, *Fin. Res. Let.*, **38**, 101870 (2021)
15. A. Amel-Zadeh, G. Serafeim, *Fin. An. J.*, **74**, 87 (2018)
16. D.M. Christensen, G. Serafeim, A. Sikochi, *The Acc.* **97**, 147 (2022)
17. G. Dorfleitner, G. Halbritter, M. Nguyen, *J. Asset. Manag.* **16**, 450 (2015)
18. G. Dorfleitner, G. Halbritter, M. Nguyen, *J of Sust. Fin. Invest.* **6**, 1(2016)
19. S. Drempetic, C. Klein, B. Zwergel, *J. Bus. Ethics.* **167**, 333 (2020)
20. D.Z.X. Huang *Account. Fin.* **61**, 335 (2021)
21. M. Karwowski, M. Raulinajtys-Grzybek., *Corp. Soc. Responsib. Environ. Manag.* **28**, 1270 (2021)