

THESIS OF THE DOCTORAL (PHD) DISSERTATION

**CORPORATE SOCIAL RESPONSIBILITY OF OIL AND GAS INDUSTRY IN
AZERBAIJAN: STAKEHOLDER APPROACH**

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DEBRECEN

2024

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1. INTRODUCTION, OBJECTIVES AND RESEARCH HYPOTHESES

1.1 Introduction

The business world and the global economy have experienced significant changes over the last two decades, which triggered the need and importance of increased responsibility for corporate social responsibility (CSR) and sustainable business practices. The concept of CSR is not new and was first coined by an American scientist, Howard Bowen, in 1953, after World War II. The author, in his book, *Social Responsibility towards the Environment*, stated that the role of businesses and entrepreneurs must include the responsibility to contribute to the environment and social development (BOWEN, 2013). Over time, with the developments in the economy fueled by globalization, liberalization, and technological advantages, the importance of sustainable business becomes more important. Business survival and growth are no longer assessed by economic criteria and achievement, but the social, ethical, and moral contexts of business practices have become an important aspect of business sustainability (JHAWAR and GUPTA, 2017). All these factors increased higher integration on a global scale, which implies that business organizations are likely to face many issues and differences pertaining to culture, regulation, labor laws and standards, human rights, bureaucracy and corruption, and environmental problems (EL SAFADI, 2019).

Azerbaijan was one of the fifteen countries that gained independence after the fall of the Soviet Union in 1991. In the initial few years, Azerbaijan faced significant economic, political, and environmental difficulties as it underwent the transition from a state-owned economy to a market-oriented one. After independence, the petroleum sector likewise collapsed; so, engaging foreign investors for this purpose was considered appropriate. The State Oil Company of Azerbaijan (SOCAR) and 12 oil companies from 8 different countries signed a production sharing agreement in 1994, also known as the "Contract of the Century". Thus, Azerbaijanis first encountered CSR when oil corporations began programs and projects that included society, the environment, and employees (MIRZAYEV, 2020).

As per the official data from the State Statistics Committee of Azerbaijan (SSC) (2023), oil and oil production account for a significant portion, over 75%, of the total export share. Moreover, it is noteworthy that about 80% of the national budget revenue is derived from the oil industry and taxes imposed on the oil sector subsequent to the year 2003. Undoubtedly, the oil industry stands as the cornerstone of the Azerbaijani economy. At present, SOCAR and British Petroleum (BP) serve as the primary operators in Azerbaijan, actively involved in diverse sectors within the oil, gas, and

petrochemical industries. Their extensive operations span across both domestic and international domains, as illustrated in Figure 1.

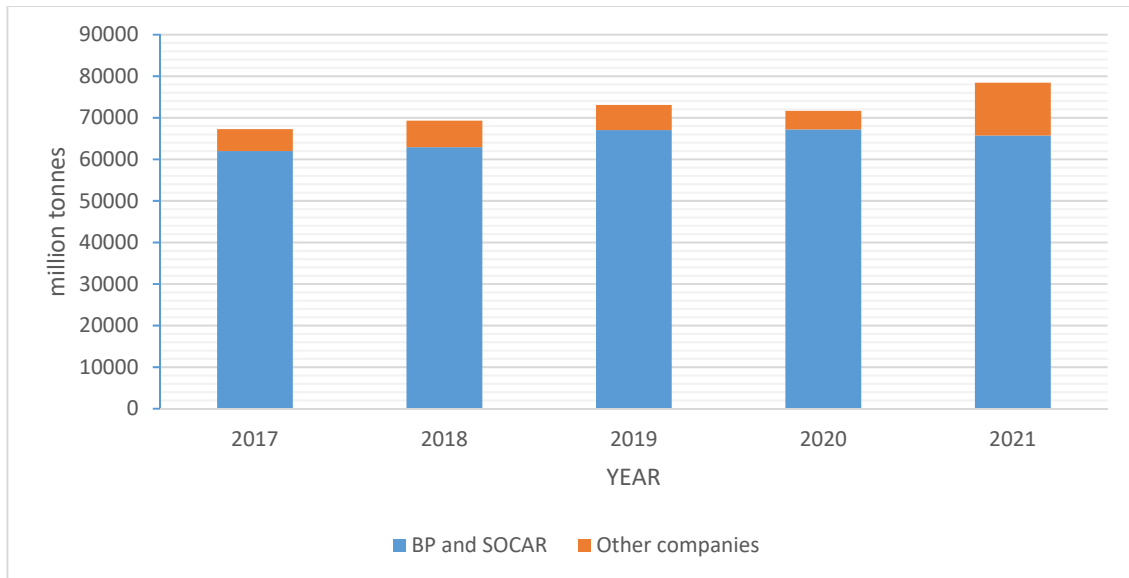


Figure 1: Oil and gas production in Azerbaijan annually

Source: Adapted from BP (2023) and SOCAR (2023)

However, oil and gas companies are expected to prioritize CSR because of the significant impact their activities can have on the environment and local communities (FRYNAS, 2005; NATALY et al., 2014; PIZZI et al., 2020; DEVIARTI et al., 2022). The following are the main reasons why CSR is highly expected from oil and gas companies:

1. Environmental impact: Oil and gas exploration, extraction, and production can have significant environmental impacts, such as air and water pollution, greenhouse gas emissions, and habitat destruction. As a result, these companies are expected to take responsibility for minimizing their environmental impact through sustainable practices, such as reducing emissions and investing in renewable energy sources.
2. Community impact: Oil and gas operations can also have significant social and economic impacts on local communities. These impacts can include job creation, increased infrastructure investment, and economic growth, but they can also include negative impacts such as displacement, health risks, and environmental damage. As a result, oil and gas companies are expected to engage with local communities and stakeholders to understand their needs and concerns and to take actions to address any negative impacts.

3. Ethical considerations: Oil and gas companies are also expected to consider the ethical implications of their operations, such as human rights abuses, corruption, and labor practices. They are expected to prioritize transparency and accountability and to uphold ethical standards in their business practices.

The oil industry in Azerbaijan has been examined by CSR experts (GULBRANDSEN and MOE, 2007; MORAN, 2015; GULIYEV and AYYUBZADA, 2016); however they have not explored the corporate social performance (CSP) of oil companies and their relations with communities in Qaradagh district.

Qaradagh is a district located in the southeastern part of Baku, the capital city of Azerbaijan. The district is not only the largest territorial administrative division of the capital Baku, but also famous as an oil district (PL, 2023). One of the major oil and gas companies in Qaradagh is SOCAR which is responsible for the exploration, production, and transportation of oil and gas in Azerbaijan. SOCAR has a number of operations in Qaradagh, including drilling, production, and refining activities. Other companies that operate in Qaradagh include BP, which has a joint venture with SOCAR to operate the Azeri-Chirag-Gunashli oil field, and Chevron, which has a stake in the Baku-Tbilisi-Ceyhan oil pipeline that runs through the district.

The oil and gas industry has played a significant role in the economy of Azerbaijan, and Qaradagh is one of the key regions for oil and gas production in the country. However, there have been concerns about the environmental impact of oil and gas activities in the region, as well as issues related to the rights of local communities who may be affected by these activities (PL, 2023). Efforts have been made to address these issues through environmental regulations and community engagement programs, but challenges remain. As a result, the need for such research and environmental concerns have motivated the researcher to conduct this study in the oil and gas sector.

1.2 Research Objectives

The current study aims to achieve the following goals:

1. Investigate the level of awareness and implementation of CSR practices among oil companies in Azerbaijan.
2. To examine the external CSR of oil companies in their CSR disclosures in Azerbaijan
3. To examine the relationship between CSR dimensions and the CSP of oil companies in Azerbaijan.

1.3 Research Hypotheses

The study has 8 hypotheses as demonstrated below:

Table 1-1: Research Questions, Hypotheses and Predictions Tabulation

Questions	Hypotheses	Prediction
How does compliance to industry standards influence the environmental performance by oil companies in Azerbaijan?	H1. There is a positive relationship between compliance to industry standards and environmental performance by oil companies in Azerbaijan.	According to TURKER (2009), companies are held accountable for their environmental actions. Therefore, corporations are expected to monitor, manage, and disclose their environmental performance.
What is the impact of corporate legitimacy on community relations by oil companies in Azerbaijan?	H2. There is a positive relationship between corporate legitimacy and community relations by oil companies in Azerbaijan.	Legitimacy is the sharing of information that meets the expectations of the communities in order for corporate managers to comply with the social contract (ROMAN and GRANT, 2013). Thus, some companies have begun to increase their CSR engagement by adding new CSR initiatives to their stakeholder communications.
What is the impact of corporate legitimacy on community perceptions by oil companies in Azerbaijan?	H3. There is a positive relationship between corporate legitimacy and community perceptions by oil companies in Azerbaijan.	DEEGAN (2002) stated that corporations adopt CSR programs to earn and maintain power and legitimacy. So, the study

		examines the relationship between corporate legitimacy and community perception.
What is the relationship between regulatory infractions and environmental performance by oil companies in Azerbaijan?	H4. There is a positive relationship between regulatory infractions and environmental performance by multinational oil companies in Azerbaijan.	Effective monitoring and policies that are enforced are essential to achieving the required environmental standards (TELLE, 2009).
How do CSR initiatives contribute to community relations by oil companies in Azerbaijan?	H5. There is a positive relationship between CSR initiatives and community relations by oil companies in Azerbaijan.	CSR initiatives are one of the main drivers of good community relations (MARTINS, 2012). So, community relations can be improved with CSR initiatives.
How do CSR initiatives contribute to community perception by oil companies in Azerbaijan?	H6. There is a positive relationship between CSR initiatives and community perceptions by oil companies in Azerbaijan.	CSR initiatives of oil companies can influence the perceptions of their communities (OMOTOLA, 2017). Therefore, I believe a positive relationship exists.
How do sports initiatives influence the community perception by oil companies in Azerbaijan?	H7. There is a positive relationship between sports engagement and community perception by oil companies in Azerbaijan.	WALTERS (2009) emphasized the close relationship between CSR and sport as a result of the unique role that sport plays in society.

Do demographic factors can affect the relationship between CSR and CSP?	H8. Demographic characteristics of people will moderate the effect of the relationship between CSR and CSP by oil companies in Azerbaijan.	WANG et al. (2016) emphasized that returns to CSR are guaranteed and are subject to conditions. Therefore, I believe that demographic factors will moderate the relationship.
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Source: Author`s own construction (2023)

2. RESEARCH METHODS

Research will include a thorough review of the existing literature on CSR to establish a theoretical foundation and framework for the subject. This review will offer essential insights into the concepts of CSR, including its composition, significance, potential benefits, and challenges, to comprehend why businesses regard CSR as a critically important issue. Moreover, document analysis will be used to explore and understand some of the important CSR initiatives, community engagement, and environmental activities performed by oil companies, which will be further helpful in complementing the interviews.

In particular, the researcher will concentrate on the social responsiveness of oil firms to communities through CSR and the stakeholder approach in the Azerbaijan oil region. As a result, this study adds to knowledge by analyzing the impact of CSR and stakeholder management on CSP in Azerbaijan's oil industry. First, the document analysis method will be employed to analyse CSR disclosure reports in order to explore some of the important CSR initiatives, community engagement, and environmental activities performed by oil companies and build a framework for the interviews. Secondly, in the interview part, CSR managers of BP and SOCAR will be interviewed to determine their perception of their organizations' actual understanding of CSR policies, activities, and community interactions. Additionally, in order to gain insights into their perceptions regarding the topic, an interview will be conducted with the Ministry of Labor and Social Protection (MLSP) in Azerbaijan, which serves as a crucial stakeholder. Moreover, this research intends to explore the effect of CSR on CSP of oil and gas companies in Azerbaijan. Therefore, this study also used a quantitative approach method, and a survey questionnaire was created based on the existing dimensions of CSR (compliance to industry standards, regulatory infractions, corporate legitimacy, CSR initiatives, sports engagement) and CSP (environmental performance, community relations, community perception).

For the quantitative study, CSR dimensions (HUSSEIN, 2010), sports engagement (MONTAZERI et al., 2017), and CSP dimensions (CHEN et al., 2008) will be the variables. However, the survey questions were adopted from different researchers, as listed in Table 2-1. Survey questionnaires are developed in three parts, such that the first section deals with demographic profiling to better know the respondents. The second part of the questionnaire pertains to CSR and its impact variables, namely CSR initiatives, corporate legitimacy, regulatory infractions, compliance with industry standards, and sports engagement. Each of these parts will be useful in testing different research hypotheses. The last section of the questionnaire contains questions for the CSP scale. The variables for CSP will be environmental performance, community perception, and community relations (Table 2-1). To analyse respondents' levels of agreement, a five-point Likert-type scale was employed to structure the survey questionnaire. This scale ranged from 1 to 5, with the following interpretations: 1 denoting "strongly disagree," 2 indicating "disagree," 3 representing "neutral," 4 signifying "agree," and 5 corresponding to "strongly agree."

Table 2-1: Detail of the Scales Used To Measure the Variables

Section	Variable	Source	No of Items	Rating Scale
Corporate Social Responsibility Scale	Compliance with Industry Standards (CIS)	DEARMOND et al., (2011)	6	Five-point Likert scale
	Regulatory Infractions (RI)	ELLIS and ARIELI (1999)	5	Five-point Likert scale
	Corporate Legitimacy (CL)	CHUNG et al., (2015)	6	Five-point Likert scale
	CSR Initiatives (CSRI)	LINDGREEN et al., (2009)	6	Five-point Likert scale
	Sports Engagement (SE)	MONTAZERI et al., (2017)	5	Five-point Likert scale
	Environmental Performance (EP)	TURKER (2009)	6	Five-point Likert scale
	Community Perception (CP)	NOWELL and BOYD (2014)	6	Five-point Likert scale

Corporate Social Performance Scale	Community Relations (CR)	OBERSEDE et al., (2014)	5	Five-point Likert scale
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Source: created by the author (2023)

3.MAIN FINDINGS OF THE DISSERTATION

3.1 Conclusions

3.1.1 Conclusions of Qualitative study

Compliance to Industry Standards. Both companies demonstrate a comprehensive understanding and acknowledgement of industry standards, particularly in relation to work practices and occupational safety. Moreover, both companies provide detailed information on their health and safety initiatives, including policies, procedures, and protocols in place to ensure the safety and well-being of their employees. Furthermore, both companies demonstrate a deep understanding of the environmental impact of their operations, providing detailed information on their greenhouse gas emissions, energy consumption, and water usage. They also outline their efforts to reduce their environmental footprint, including investments in renewable energy, energy efficiency measures, and waste reduction initiatives. All the aforementioned points were also verified during interviews with the respondents.

Regulatory Infraction. Both companies are undertaking strong initiatives and measures to manage and monitor the environmental impacts of their operations. Both companies demonstrate a strong commitment to adhering to laws and regulations, ensuring that their operations comply with relevant environmental standards and guidelines. Moreover, both companies provide detailed information on their environmental management practices, including identification, measurement, reporting, and disclosure of environmental impacts.

Corporate Legitimacy. In the case of the two oil companies, it is clear that they have made a concerted effort to uphold corporate legitimacy by undertaking operations that benefit the community members directly as well as indirectly. The provision of employment opportunities to local citizens is an essential component of corporate legitimacy, as it not only contributes to the economic development of the local community but also demonstrates the companies' commitment to their social responsibilities.

CSR Initiatives. Both BP Azerbaijan and SOCAR have taken significant steps to support community development initiatives, education programs, and social activities in Azerbaijan. Moreover, various projects, including the development of education centers and infrastructure projects, have played a significant role in the growth and development of Azerbaijan. However, it is noteworthy that SOCAR's sustainability report is more comprehensive than BP's. SOCAR provides a more detailed breakdown of their sustainability initiatives, including information on their social and community engagement activities. Such disclosures reflect a commitment to promoting sustainable practices beyond the organization and into the broader community. Furthermore, BP emphasizes a collaborative approach with NPOs for their CSR initiatives, relying on a structured process where NPOs suggest projects and a dedicated committee evaluates them for impact before providing funds and oversight. In contrast, SOCAR's CSR approach is strongly aligned with government objectives, often initiating projects based on direct input from government departments, and they perceive their role as acting in tandem with the government for community well-being.

Sport Initiatives. Based on the overall evaluation of the two companies' sports engagement, SOCAR has demonstrated a high level of involvement, whereas BP has shown a moderate level of involvement in the promotion and support of sports events and activities, which can be seen as a positive indication of their commitment to CSR. However, SOCAR appears to prioritize sports more significantly, undertaking major projects that promise long-term benefits for the country.

3.1.2 Conclusions of Quantitative study

Hypothesis 1: There is a positive relationship between compliance with industry standards and environmental performance by oil companies in Azerbaijan.

The first hypothesis tests the relationship between the CIS variable and EP. The regression results as given in Table 3-1 shows a high correlation between the two variables as represented by $R = 0.942$. Moreover, $R^2 = .888$ shows that 88.8% variation in EP is explained by CIS.

Table 3-1: Regression analysis between CIS and EP variables

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.942 ^a	.888	.888	.274

a. Predictors: (Constant), CIS

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	161.988	1	161.988	2164.758	.000 ^b
	Residual	20.428	273	.075		
	Total	182.416	274			
a. Dependent Variable: EP						
b. Predictors: (Constant), CIS						

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.173	.080		2.160	.032
	CIS	.952	.020	.942	46.527	.000
a. Dependent Variable: EP						

Source: Author's Calculation (2023)

The results in the model summary, therefore, show satisfactory results. ANOVA results further show that the results are significant at $p = 0.000$, which is lesser than the sig. value of 0.05. Finally, the coefficient table shows the results of $B = 0.952$, $p = 0.000 < 0.05$, implying the presence of a significant positive relationship between CIS and EP. Hence, ***H1 is accepted***, stating the presence of a positive relationship between compliance with industry standards and environmental performance by oil companies in Azerbaijan.

Hypothesis 2: There is a positive relationship between corporate legitimacy and community relations by oil companies in Azerbaijan

The second hypothesis tests the relationship between the CL and CR variables. The regression results as given in Table 3-2 shows a high correlation between the two variables as represented by $R = 0.846$. Moreover, $R^2 = .716$ shows that 71.6% variation in CR is explained by CL.

Table 3-2: Regression analysis between CL and CR variables

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.846 ^a	.716	.715	.450
a. Predictors: (Constant), CL				

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	138.947	1	138.947	687.647	.000 ^b
	Residual	55.163	273	.202		
	Total	194.110	274			
a. Dependent Variable: CR						
b. Predictors: (Constant), CL						

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.381	.129		2.944	.004
	CL	.875	.033	.846	26.223	.000
a. Dependent Variable: CR						

Source: Author's Calculation (2023)

The results in the model summary, therefore, show satisfactory results. ANOVA results further show that the results are significant at $p = 0.000$, which is lesser than the sig. value of 0.05. Finally, the coefficient table shows the results of $B = 0.875$, $p = 0.000 < 0.05$, implying the presence of a significant positive relationship between CL and CR. Hence, ***H2 is accepted***, stating the presence of a positive relationship between corporate legitimacy and community relations by oil companies in Azerbaijan.

Hypothesis 3: There is positive relationship between corporate legitimacy and community perception by oil companies in Azerbaijan.

The third hypothesis tests the relationship between the CL and CP variables. The regression results as given in Table 3-3 shows a high correlation between the two variables as represented by $R = 0.916$. Moreover, $R^2 = .838$ shows that 83.8% variation in CP is explained by CL.

Table 3-3: Regression analysis between CL and CP variables

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.916 ^a	.838	.838	.322
a. Predictors: (Constant), CL				

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	146.981	1	146.981	1415.408	.000 ^b
	Residual	28.349	273	.104		
	Total	175.330	274			
a. Dependent Variable: CP						
b. Predictors: (Constant), CL						

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.346	.093		3.729	.000
	CL	.900	.024	.916	37.622	.000
a. Dependent Variable: CP						

Source: Author's Calculation (2023)

The results in the model summary, therefore, show satisfactory results. ANOVA results further show that the results are significant at $p = 0.000$, which is lesser than the sig. value of 0.05. Finally, the coefficient table shows the results of $B = 0.900$, $p = 0.000 < 0.05$, implying the presence of a significant positive relationship between CL and CP. Hence, the *H3 is accepted*, stating the presence of a positive relationship between corporate legitimacy and community perception by oil companies in Azerbaijan.

Hypothesis 4: There is a positive relationship between regulatory infractions and environmental performance by oil companies in Azerbaijan

The fourth hypothesis tests the relationship between the RI and EP variables. The regression results as given in Table 3-4 shows a high correlation between the two variables as represented by $R = .888$. Moreover, $R^2 = .788$ shows that 78.8% variation in EP is explained by RI.

Table 3-4: Regression analysis between CL and CP variables

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.888 ^a	.788	.787	.376
a. Predictors: (Constant), RI				

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	143.742	1	143.742	1014.655	.000 ^b
	Residual	38.675	273	.142		
	Total	182.416	274			
a. Dependent Variable: EP						
b. Predictors: (Constant), RI						

Coefficients ^a					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		

1	(Constant)	.531	.106		5.027	.000
	RI	.881	.028	.888	31.854	.000
a. Dependent Variable: EP						

Source: Author's Calculation (2023)

The results in the model summary, therefore, show satisfactory results. ANOVA results further show that the results are significant at $p = 0.000$, which is lesser than the sig. value of 0.05. Finally, the coefficient table shows the results of $B = .881$, $p = 0.000 < 0.05$, implying the presence of a significant positive relationship between RI and EP. Hence, ***H4 is accepted***, stating the presence of a positive relationship between regulatory infractions and environmental performance by oil companies in Azerbaijan.

Hypothesis 5: There is a positive relationship between CSR initiatives and community relations by oil companies in Azerbaijan.

The fifth hypothesis tests the relationship between the CSR initiatives (CI) and CR variables. The regression results as given in Table 3-5 shows a high correlation between the two variables as represented by $R = .862$. Moreover, $R^2 = .742$ shows that 74.2% variation in CR is explained by CI.

Table 3-5: Regression analysis between CI and CR variables

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.862 ^a	.742	.741	.428
a. Predictors: (Constant), CI				

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	144.102	1	144.102	786.682	.000 ^b
	Residual	50.007	273	.183		
	Total	194.110	274			
a. Dependent Variable: CR						
b. Predictors: (Constant), CI						

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.570	.115		4.974	.000
	CI	.842	.030	.862	28.048	.000

a. Dependent Variable: CR

Source: Author's Calculation (2023)

The results in the model summary, therefore, show satisfactory results. ANOVA results further show that the results are significant at $p = 0.000$, which is lesser than the sig. value of 0.05. Finally, the coefficient table shows the results of $B = .842$, $p = 0.000 < 0.05$, implying the presence of a significant positive relationship between CI and CR. Hence, ***H5 is accepted***, stating the presence of a positive relationship between CSR initiatives and community relations by oil companies in Azerbaijan.

Hypothesis 6: There is a positive relationship between CSR initiatives and community perception by oil companies in Azerbaijan.

The sixth hypothesis tests the relationship between the CSR initiatives (CI) and CR variables. The regression results as given in Table 3-6 shows a high correlation between the two variables as represented by $R = .816$. Moreover, $R^2 = .666$ shows that 66.6% variation in CP is explained by RI.

Table 3-6: Regression analysis between CI and CP variables

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.816 ^a	.666	.665	.463

a. Predictors: (Constant), CI

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	116.825	1	116.825	545.132	.000 ^b
	Residual	58.505	273	.214		
	Total	175.330	274			
a. Dependent Variable: CP						
b. Predictors: (Constant), CI						

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.312	.086		3.610	.000
	SE	.923	.023	.927	40.843	.000
a. Dependent Variable: CP						

Source: Author's Calculation (2023)

The results in the model summary, therefore, show satisfactory results. ANOVA results further show that the results are significant at $p = 0.000$, which is lesser than the sig. value of 0.05. Finally, the coefficient table shows the results of $B = .923$, $p = 0.000 < 0.05$, implying the presence of a significant positive relationship between CI and CP. Hence, ***H6 is accepted***, stating the presence of a positive relationship between CSR initiatives and community perception by oil companies in Azerbaijan.

Hypothesis 7: There is a positive relationship between Sport initiatives and community perception by oil companies in Azerbaijan

The seventh hypothesis tests the relationship between the SE and CP variables. The regression results as given in Table 3-7 shows a high correlation between the two variables as represented by $R = .927$. Moreover, $R^2 = .859$ shows that 85.9% variation in CP is explained by SE.

Table 3-7: Regression analysis between SE and CP variables

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.927 ^a	.859	.859	.301
a. Predictors: (Constant), SE				

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	150.672	1	150.672	1668.142	.000 ^b
	Residual	24.658	273	.090		
	Total	175.330	274			
a. Dependent Variable: CP						
b. Predictors: (Constant), SE						

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.312	.086		3.610	.000
	SE	.923	.023	.927	40.843	.000
a. Dependent Variable: CP						

Source: Author's Calculation (2023)

The results in the model summary, therefore, show satisfactory results. ANOVA results further show that the results are significant at $p = 0.000$, which is lesser than the sig. value of 0.05. Finally, the coefficient table shows the results of $B = .923$, $p = 0.000 < 0.05$, implying the presence of a significant positive relationship between SE and CP. Hence, ***H7 is accepted***, stating the presence of a positive relationship between sports initiatives and community perception by oil companies in Azerbaijan.

Hypothesis 8: Demographics characteristics of people moderates the effect of relationship between CSR dimensions and CSP by oil companies in Azerbaijan.

The eighth hypothesis tests whether the relationship between the CSR and CSP is moderated by the demographic variables, namely gender, age group, marital status and education level. To find this, the regression analysis is performed, such that the independent variable has been the CSR scale (average of all variables of CSR), while the dependent variables have been the CSP scale (average of all variables of CSP), and the four demographic variables of the respondents. The regression results as given in Table 3-8 show a high correlation between the variables as represented by $R = .958$. Moreover, $R^2 = .918$ shows that 91.8% variation in CSP is explained by CSR and the respondents' demographic variables.

Table 3-28: Regression analysis to find the effect of demographic variables on the relationship between CSR and CSP

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.958 ^a	.918	.916	.180
a. Predictors: (Constant), Education level, Gender, CSR_SCALE, Marital Status, Age Group				

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	96.598	5	19.320	598.654	.000 ^b
	Residual	8.681	269	.032		
	Total	105.279	274			
a. Dependent Variable: CP_SCALE						
b. Predictors: (Constant), Education level, Gender, CSR_SCALE, Marital Status, Age Group						

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.048	.091		-.526	.599
	CSR_SCALE	.996	.018	.958	54.522	.000
	Gender	-.014	.022	-.011	-.652	.515
	Age Group	.012	.012	.021	.970	.333
	Marital Status	.016	.029	.012	.556	.579
	Education level	.006	.012	.009	.488	.626
a. Dependent Variable: CP_SCALE						

Source: Author's Calculation (2023)

The results in the model summary, therefore, show satisfactory results. ANOVA results further show that the results are significant at $p = 0.000$, which is lesser than the sig. value of 0.05. Finally, the coefficient table shows that none of the demographic variables have had a significant impact on CSP, since the sig. value is higher than 0.05. However, CSR has a positive significant effect on CSP, measured by the b value of .996 ($p < .005$). Thus, it can be concluded that ***H8 is rejected*** suggesting that demographic characteristics of people do not moderate the relationship between CSR dimensions and CSP of oil companies in Azerbaijan.

3.2 Research Questions

Research Questions 1. The first question pertains to the extent and how oil companies emphasize and disclose their external CSR initiatives in their public CSR disclosures. This research question is primarily answered by the document analysis in which the sustainability disclosure statements of two main oil companies in Azerbaijan, BP and SOCAR, are discussed.

It has been found that both of these companies make significant investments in their CSR initiatives every year, which majorly relate to their compliance with industry standards, corporate legitimacy, regulatory infractions, CSR initiatives, and sports engagement. It has been found that in 2019, both companies, BP and SOCAR, invested about \$4.2 million and \$153 million in enhancing their social and educational initiatives and community and sustainable development, respectively. SOCAR further categorized its social and CSR initiatives in terms of operations, employees, safety and occupational

health, and environmental indicators. In contrast, BP divided its social and sustainability initiatives in terms of key operating activities, financial, safety, employees, environment, and total social spending. Also, both companies have marked different parameters to measure and disclose their environmental, social, and economic initiatives, which are in synchronised with the CSR drives of the organisations.

Along with the document analysis, the one-to-one interviews with the managers of BP, SOCAR, and MLSP also yielded similar results. The interview findings revealed that the CSR initiatives of the companies were majorly concerned with ensuring that they were meeting the standards of the industry and adhering to management practices and regulatory frameworks. Finally, it is concluded that BP emphasizes a collaborative approach with NPOs for their CSR initiatives, relying on a structured process where NPOs suggest projects and a dedicated committee evaluates them for impact before providing funds and oversight. In contrast, SOCAR's CSR approach is strongly aligned with government objectives, often initiating projects based on direct input from government departments, and they perceive their role as acting in tandem with the government for community well-being.

Research Question 2. The second research question of the dissertation seeks to answer how compliance to industry standards influences the environmental performance by oil companies in Azerbaijan. This research question is answered by the quantitative survey findings, document analysis, and interviews with the managers of two major oil firms, BP and SOCAR. The quantitative survey findings show a significant positive relationship between compliance with industry standards and environmental performance by oil companies in Azerbaijan, as given by $R^2=.888$ at $p < 0.05$. Moreover, the document analysis shows that both companies disclose the movements in their environmental indicators and aim to establish and meet industry standards in terms of reduced oil spills, emissions of harmful gases like carbon dioxide, nitrogen oxides, sulphur oxides, non-methane hydrocarbons, and methane. Furthermore, the relationship between compliance with industry standards and environmental performance by these firms is further highlighted in the initiatives by these companies in terms of providing skills, training and development to the employees for enhancing operational safety measures and certifications for promoting standards of work. Thus, it can be concluded that the oil firms in Azerbaijan majorly look into complying with industry standards, which in a way affect their environmental performance through regulated consequences and impacts on the environment and community.

Research Question 3. The third research question investigates the impact of corporate legitimacy on both community relations and community perception by oil companies in Azerbaijan. This research

objective has been met by collating the findings from the quantitative and document analyses. According to the regressions conducted in the survey response, it was found that there is a positive relationship between corporate legitimacy and community relations by oil companies in Azerbaijan; however, the relation is moderate at $R^2 = .716$ showing that 71.6% variation in CR is explained by CL. Similarly, there exists a strong positive relationship between corporate legitimacy and community perception by oil companies in Azerbaijan, as given by $R^2 = .838$ shows that 83.8% variation in CP is explained by CL. Furthermore, the document analysis shows that both the companies, BP and SOCAR maintain high corporate legitimacy, by employing the local citizens of Azerbaijan, and expatriates from different countries. The companies also invest in the training, development, and growth of the employees. This approach by the oil firms in Azerbaijan not only helps employ people of different skills, which enhances the organizational performance but also augments the relationship with the community.

Thus, it can be concluded that the oil firms in Azerbaijan maintain high corporate legitimacy, which augments the relationships of the community members and builds a positive perception of the community people towards the oil firms.

Research Question 4. The fourth research question aims at finding the relationship between regulatory infractions and environmental performance by oil companies in Azerbaijan. This research question is also answered by the blend of quantitative and qualitative data analysis. The survey findings show the presence of a positive relationship between regulatory infractions and the environmental performance of the oil firms, as given by the $R^2 = .788$ shows that 78.8% variation in EP is explained by RI. The literature as well as the document analysis of the oil firms reveal that the oil firms follow the regulations and laws concerning the preservation and protection of the physical environment and surrounding. This is evident by the disclosure of different environmental impacts from the organizational activities by the firms, namely environmental management, low carbon advancements, discharges and waste management, and environmental monitoring. Also, the companies adhere to the environmental management system standards and compliance management systems and also establish different environmental check processes to further aim at improving the quality of the environment. Similarly, SOCAR's approach towards regulatory infractions to influence environmental health shows the organization actively manages the produced water, reduces pollution of the marine ecosystem during drilling, land use for oil sludge collection and industrial wastewater

in onshore regions, wellhead equipment leakages, compliance with Waste Management Plan, and reporting efficient of waste and produced water

Thus, it can be concluded that the oil firms are highly vigilant to ensure that they are following the rules and regulations aimed at protecting the physical environment, which in turn, enhances the environmental performance of the organization

Research Question 5. The next question enquires about the contribution of CSR initiatives by the oil firms in Azerbaijan toward both community relations and community perception. This question is also answered by the findings of the quantitative analysis as well as the document and interviews with the managers of the oil firms in Azerbaijan. The survey findings show that there is a positive relationship between CSR initiatives and community relations as well as community perceptions by oil companies in Azerbaijan, as given by, $R^2 = .742$ and $R^2 = .666$, respectively. The qualitative data analysis further shows this relationship, as the document analysis reveals that the CSR initiatives by the oil firms in Azerbaijan aim at society and community development. Some of the key aspects covered in the CSR initiatives by the oil firms are stakeholder engagement, enterprise development, working for communities, and support for education and culture. It is found that the oil firms significantly work towards and invest in different stakeholder relationship-building activities and maintain strong ties with the government, journalists, and politicians, among others. Apart from local community development, the firms also support numerous programs for education, capacity building, and culture development. In addition, the interview analysis revealed that the oil firms in Azerbaijan engage in CSR initiatives by partnering with the NPOs and actively investing and monitoring the activities and initiatives in various disciplines, including local development, cultural enhancement, archaeological museums, environment and even health and education in collaboration with the government bodies.

Thus, it can be concluded that the oil firms in Azerbaijan are actively involved in CSR initiatives, which in turn, improves their relationship with different stakeholders (including community members) and maintains a positive perception.

Research Question 6. The next research question explores the influence of sports initiatives on the community's perception by oil companies in Azerbaijan. This research question is answered by the regression analysis of the survey responses, and the findings from the document and interview analysis to understand how the oil firms engage in sports initiatives, and how they build a positive perception about the company in the eyes of the community. The regression findings show the existence of a

positive significant relationship between sports initiatives by the oil firms in Azerbaijan and community perception, as given by $R^2 = .859$ shows that 85.9% variation in CP is explained by SE. The document analysis shows that the oil firms (BP and SOCAR) are actively engaged in the investments, support, and growth of sports activities and initiatives within the community, which is likely to promote the perception of the community members towards the oil firms. It is further held from the interview analysis that the oil firms engage in sports initiatives on a yearly basis, and allocate budget. They sponsor the national and regional teams, sports tournaments, and even sponsoring stadiums and sports events. Thus, from these findings, it can be concluded that the sports initiatives by the oil firms in Azerbaijan significantly influence the perceptions of the community towards the oil firms.

Research Question 7. The last research question investigates the extent to which demographic characteristics of people moderate the relationship between CSR dimensions and CSP by oil companies in Azerbaijan. This question is majorly answered by the quantitative analysis, in which the demographic variables mediate the relationship between CSR and CSP. To answer this question, four demographic variables of the survey respondents are considered, namely gender, age group, marital status, and education. The relationship between CSR and CSP is mediated by these demographic variables, and the regression results show that $R^2 = .918$ implying that 91.8% variation in CSP is explained by CSR and the respondents' demographic variables. However, the results of the ANOVA are as insignificant with the $p\text{-value} = .996 (> .05)$. Thus, this research question implies that the demographic differences of gender, age, marital status, and education level of the people do not change the perception of the people when it comes to identifying the relationship between CSR and CSP of the oil firms in Azerbaijan. Finally, it can be concluded that the oil firms in Azerbaijan investing in CSR initiatives are likely to witness higher CSP.

3.2 Recommendations

The key practical implication of the findings of the study reveals establishing the legitimacy of the CSR-CSP model, implying a positive cause-and-effect relationship between the two variables. This model, therefore, acts as a piece of important empirical evidence and provides the scope for further investigation in studying the role of CSR initiatives in the oil industries in Azerbaijan. The implementation of this model will further help build and strengthen the pillars of CSR within the oil industry in Azerbaijan.

The findings are also of interest to the CSR managers and consultants, since after understanding the importance of establishing the relationship between CSR and CSP, they can develop policies and norms to channel CSR investments to develop communities, which will further help enhance the organizational social performance. The development of the local community, emphasizing community relations, and enhancing environmental performance, will further be beneficial for supporting and developing the local communities, as well as enhancing the performance of the oil organizations in Azerbaijan.

Finally, the managers and decision-makers of the oil firms in Azerbaijan can directly benefit from adopting the CSR-CSP model. The firms, after understanding the importance of different dimensions of CSR, can customize and implement them within their organizational practices to increase their corporate social performance. As such, it has been found that the oil firms (as interviewed or selected for document analysis) are making substantial investments and contributions towards CSR initiatives but they must recognize and disclose them in a consistent manner to place them in a better competitive position. Finally, by focusing on these dimensions of CSR, the organizations can build strong ties and relationships with the communities.

3.3 Limitations

Despite successfully achieving its research objectives and answering the research questions, the study is not without its limitations. The first important limitation of the research is the sample size for document analysis and interviews. The sustainability reports of only two oil firms in Azerbaijan, namely BP and SOCAR, are investigated, and the interviews are conducted only among one representative manager of three oil companies in Azerbaijan.

The second important limitation of this study is that it sought perceptions and data from only two sets of stakeholders, namely the members of the communities and the managers (fewer in number) in some

of the oil firms. This does not imply that the perceptions and opinions of all the stakeholders of the oil industry are sought, and thus, the holistic perspective of the industry while assessing the CSR-CSP relationship is not gauged.

The third key limitation pertains to the fact that the research data and findings primarily pertain to the oil industry in Azerbaijan. However, the subject area is crucial for an international setting, but only allowing the data extraction from a limited geography makes it questionable to generalize the findings to other geographies or international lobbies.

The fourth key limitation of this research is that the dimensions, factors, and survey questionnaire developed to test the relationship between CSR and CSP are designed specially to serve the needs of the oil industry. It implies that the model may not be useful for other industries

4. NEW OR NOVEL RESULTS OF THE DISSERTATION

The novel aspect of this study is that no previous research has conducted a document analysis of sustainability reports and the relationship between CSR and CSP in oil companies in Azerbaijan. This uniqueness makes this dissertation a valuable resource for oil companies, stakeholders, and research scholars interested in further studying this subject.

The researcher presents significant research findings below:

- CSR awareness among Azerbaijan's oil companies was considered high. BP and SOCAR demonstrated an elevated level of commitment to responsible and sustainable practices.
- The CSR disclosures of BP and SOCAR were substantial, with all CSR dimensions prominently addressed in their reports.
- The most significant finding of this study is that there is a positive relationship between CSR dimensions (compliance to industry standards, regulatory infractions, corporate legitimacy, CSR initiatives, and sports engagement) and CSP (environmental performance, community relations, and community perception). Consequently, as companies intensify their efforts in specific CSR dimensions, such as compliance to industry standards or engaging in community sports, there is a corresponding improvement in their overall community and environmental performance, highlighting the interconnected nature of responsible actions and perceived corporate sustainability in the context of Azerbaijan's oil and gas sector.

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List of publications related to the dissertation

Articles, studies (5)

1. **Mirzayev, N.:** Corporate social responsibility in the context of sport in Azerbaijan.
Network Intelligence Studies. 11 (21), 33-39, 2023. EISSN: 2344-1712.
2. **Mirzayev, N.:** Corporate Social responsibility in Azerbaijan: Document Analysis of British Petroleum.
SEA Practical Application of Science. 10 (30), 161-166, 2022. EISSN: 2360-2554.
3. **Mirzayev, N.:** Corporate social responsibility in the oil and gas industry.
Network Intelligence Studies. 10 (20), 101-109, 2022. EISSN: 2344-1712.
4. **Mirzayev, N.:** The environmental aspect of Corporate Social Responsibility: Document analysis of SOCAR.
SEA - Practical Application of Science. 9 (26), 109-113, 2021. EISSN: 2360-2554.
5. **Mirzayev, N.:** The Corporate Social Responsibility in Oil and Gas Industry in Azerbaijan: Document analysis of SOCAR.
SEA: Practical Application of Science. 8 (24), 299-304, 2020. EISSN: 2360-2554.



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List of other publications

Articles, studies (1)

6. **Mirzayev, N.**, Szabados, G.: Corporate Social Responsibility in Azerbaijan: Sector-Specific Analysis of sport initiatives in food, financial, and the oil sectors.
Journal of Science and Innovative Technologies. Accepted by publisher, 1-17, 2024. ISSN: 2521-1447.

The Candidate's publication data submitted to the iDEa Tudóstér have been validated by DEENK on the basis of the Journal Citation Report (Impact Factor) database.

11 March, 2024

