

DOCTORAL (PHD) DISSERTATION

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Debrecen

2024

UNIVERSITY OF DEBRECEN
FACULTY OF ECONOMICS AND BUSINESS
Institute of Sport Economics and Management

**KÁROLY IHRIG DOCTORAL SCHOOL OF MANAGEMENT AND
BUSINESS**

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

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DEBRECEN

2024

**THE COPORATE SOCIAL RESPONSIBILITY IN OIL AND GAS INDUSTRY IN
AZERBAIJAN: STAKEHOLDER APPROACH**

The aim of this dissertation is to obtain a doctoral (PhD) degree in the scientific field of
“Management and Business”

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LIST OF ABBREVIATIONS

BP=British Petroleum
CIS=Compliance with Industry Standards
CL=Corporate Legitimacy
CP=Community Perception
CR=Community Relations
CSP=Corporate Social Performance
CSR= Corporate Social Responsibility
CSRD= Corporate Social Responsibility Disclosure
CSRI= Corporate Social Responsibility Initiatives
EC=European Commission
EP=Environmental Performance
MLSP= The Ministry of Labor and Social Protection
MNC=Multinational Corporation
NGO=Non-Governmental Organization
NPO=Non-profit Organization
PL=President Library of Azerbaijan
RI=Regulatory Infractions
SE=Sports Engagement
SOCAR=State Oil Company of Azerbaijan
SPSS=Statistical Package for the Social Sciences
CSRD=Corporate Social Responsibility Disclosure
NPC= National Paralympic Committee

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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.

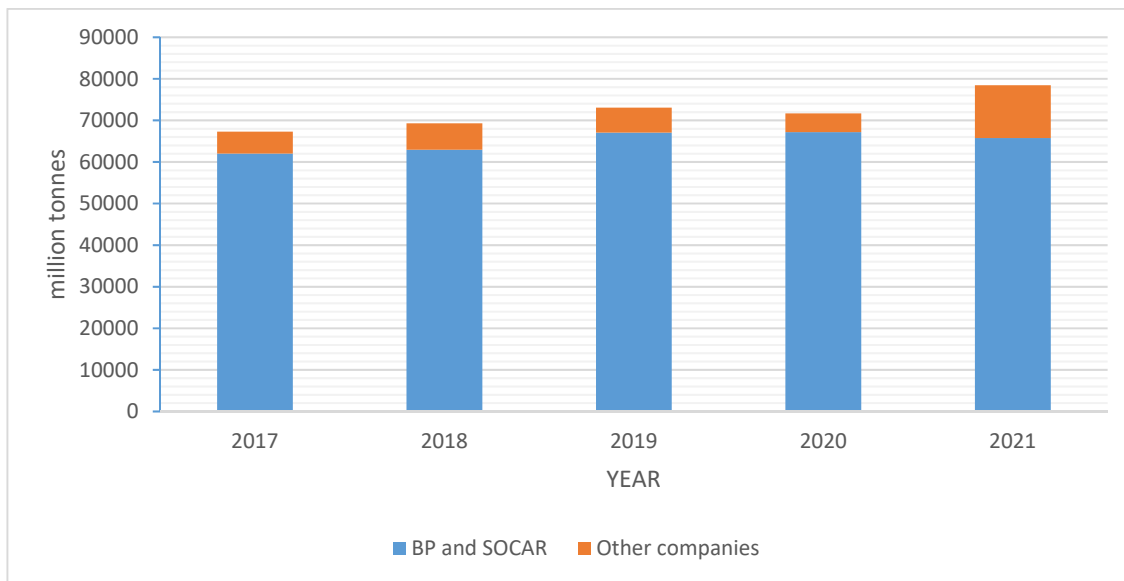


Figure 1: Oil and gas production in Azerbaijan annually

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. TOPICS AND OBJECTIVES

1.1 Dissertation Aims

The purpose of this research is to explore the impact of CSR on the social performance of oil firms in Azerbaijan. In order to accomplish this goal, the researcher looks into the CSR initiatives of oil firms and the factors that influence those initiatives, as well as the impact those factors have on the firm's social performance. The nature of the present study influences the choice of quantitative methods for both data collection and analysis, with the aim of providing a better understanding of the impact of CSR and stakeholder management on the social performance of oil companies of Azerbaijan.

1.2 Dissertation 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 Questions

The following questions came from the aforementioned objectives and will further lead the empirical work to test hypotheses and form the dissertation findings.

1. To what extent and how do oil companies emphasize and disclose their external CSR initiatives in their public CSR disclosures?
2. How does compliance to industry standards influence the environmental performance by oil companies in Azerbaijan?
3. What is the impact of corporate legitimacy on both community relations and community perception by oil companies in Azerbaijan?
4. What is the relationship between regulatory infractions and environmental performance by oil companies in Azerbaijan?
5. How do CSR initiatives contribute to both community relations and community perception by oil companies in Azerbaijan?
6. How do sports initiatives influence the community perception by oil companies in Azerbaijan?
7. To what extent do the demographic characteristics of people moderate the relationship between CSR dimensions and the CSP by oil companies in Azerbaijan?

1.4 Research Hypothesis

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)

1.5 Research Methodology

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).

It should also be noted that companies' CSR reporting may not always be transparent or honest, and that researchers may encounter difficulties in obtaining deep and honest information about a company's CSR practices. Moreover, researchers may also face challenges in the process of collecting and analyzing data on CSR practices, and this may compromise the quality and reliability of their research findings (HAHN and KUHNEN, 2013; HELEN et al., 2013; CAROLL and SHABANA, 2010).

2. TECHNICAL LITERATURE REVIEW

2.1 Azerbaijan

2.1.1 Azerbaijan in summary

Azerbaijan, a developing nation nestled in southwestern Asia and bordered by the Great Caucasus Mountains in the north, covers 86.6 thousand square kilometres and gained independence in 1991. With a diverse population that exceeds 10 million people, Azerbaijan is a melting pot of cultures, ethnicities, and religions, reflecting its rich historical tapestry and strategic location at the crossroads of Eastern Europe and Western Asia (SULEYMANOV and OSMAN, 2016; WORLD BANK, 2020a). The geopolitical significance of Azerbaijan cannot be overstated. Situated at a crucial geostrategic juncture, the country plays a key role in energy supply routes between the East and the West, notably through projects like the Southern Gas Corridor, Baku-Tbilisi-Ceyhan (BTC) pipeline, Trans-Anatolian Natural Gas Pipeline (TANAP) and the Trans Adriatic Pipeline (TAP), which further integrate Azerbaijan into the global energy network by providing alternative routes for gas supplies to Europe.

Economy. Gaining independence in 1991 following the collapse of the Soviet Union, Azerbaijan initially grappled with severe inflation, widespread unemployment, diminished living standards, and scarcity of goods (SULEYMANOV and OSMAN, 2016). Post-independence, oil has become a pivotal element in Azerbaijan's political and economic landscape, playing a key role in reinforcing national sovereignty, safeguarding territorial integrity, and crucially, drawing substantial foreign investment for economic growth (CIARETTA AND NASIROV, 2011).

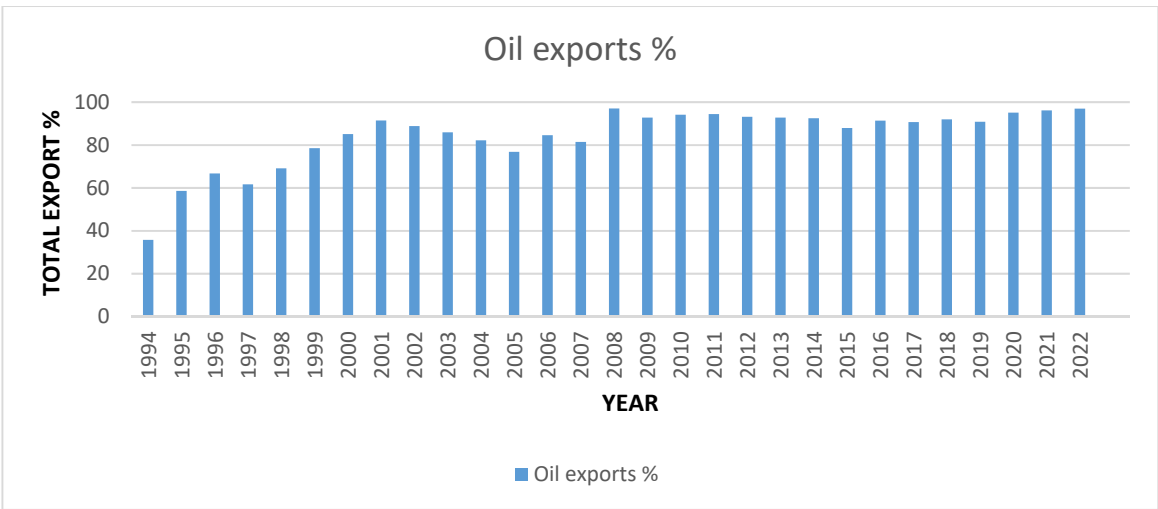


Figure 2-1: Oil exports of Azerbaijan annually

Source: SSC (2023)

As illustrated in Figure 2-1, post-2003, oil and its production contributed to over 75% of Azerbaijan's exports, peaking at 97.1% in 2008. Data from the SSC reveals that between 2002 and 2009, the annual GDP growth exceeded 10%. Notably, post-2006, oil and its production accounted for over 80% of Azerbaijan's total exports. This underscores the sector's paramount significance in the nation's export dynamics and its foundational role in the economy. For instance, in 2010, around 80% of the entire national budget revenue was sourced from the oil sector and its associated taxes (MIRZAYEV, 2019). Furthermore, the reliance on oil and gas industry is evident from Figure 2-2. The decrease in global crude oil prices in 2014, followed by another decline during the COVID-19 pandemic, adversely affected the Azerbaijani economy, as evidenced by the reduction in GDP to between 40 and 50 billion USD in these periods.

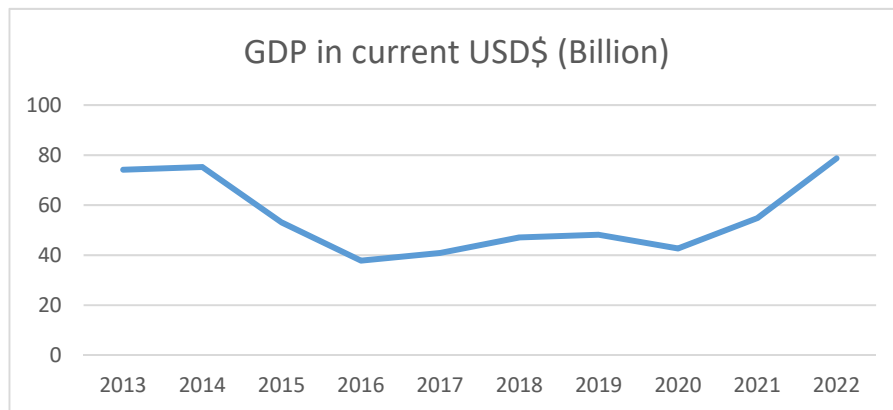


Figure 2-2: 10-year GDP (Azerbaijan)

Source: World Bank (2022b)

On the other hand, Azerbaijan's strategic initiatives to diversify its economy beyond the pivotal oil and gas sectors underscore a comprehensive approach toward sustainable development and economic resilience. Recognizing the risks associated with over-reliance on hydrocarbon revenues, such as vulnerability to global oil price fluctuations, Azerbaijan has embarked on ambitious plans to expand its economic base. Investments in agriculture, tourism, information technology, and renewable energy are at the forefront of this economic transformation.

2.1.2 Oil and Gas Industry in Azerbaijan

Following the Soviet Union's dissolution, Azerbaijan became one of the fifteen nations achieving independence in 1991. In its initial independence years, Azerbaijan grappled with economic, political,

social, and environmental hurdles as it shifted from a state-controlled to a market-driven economy. The oil sector, having declined post-independence, required foreign investments for revival. Consequently, in 1994, SOCAR (from Azerbaijan) and twelve oil firms from eight nations, including names like Statoil (now Equinor from Norway), Amoco (U.S.A.), Lukoil (Russia), and BP (UK), inked a Production Sharing Agreement (PSA). This agreement earned the moniker "Contract of the Century" (MIRZAYEV, 2020). The arrival of these oil corporations introduced Azerbaijanis to CSR, as these firms initiated projects centered on societal welfare, environmental concerns, and employee well-being.

BP began its operations in Azerbaijan with the establishment of its first office in Baku in 1992. As one of the pioneer companies to venture into Azerbaijan post-independence, BP capitalized on the country's decision to exploit its oil and gas reserves for export to global markets. Now, BP stands as the predominant shareholder and operator, governed by several production sharing contracts and host government agreements inked with the Azerbaijani government in 1994. Consequently, BP oversees the management, development, and production activities for various project collaborations in line with established management guidelines (BP, 2018).

Founded in 1992, SOCAR has since diversified its operations in the oil, gas, and petrochemical sectors both domestically and internationally. By making significant investments in its operational regions, SOCAR has notably boosted economic progress. Within Azerbaijan, the company's portfolio includes the exploration, extraction, refining, and transportation of oil, gas, and gas condensate, coupled with the marketing of oil, gas, and petrochemical derivatives. As the nation's premier company and leading taxpayer, SOCAR is instrumental in fostering the steady growth of Azerbaijan's economy (SOCAR, 2019).

2.2 CSR History

According to AGUADELO et al. (2019), the ancient Roman laws contains the first traces of CSR. During that period, CSR initiatives targeted asylums, orphanages, hospitals, and homes for the elderly and poor. During Middle Ages, this idea of corporations as social enterprises persisted with English law. This trend continued in the 16th and 17th centuries, when the English Crown defined corporations as social development instruments. The English Crown law came to America after the expansion of the English empire (BOWEN, 2013). So, the American corporate law started compelling corporations to participate in social functions at a certain level. In the 18th and 19th centuries, Christian philosophy was deemed responsible for the poverty in the English Empire and other European regions (BOWEN,

2013). This philosophy gave way to Victorian philanthropy and social reforms that associated social problems with poverty and female and child labor. The Victorian philanthropists focused their efforts on the working class in the USA and Europe, where the philanthropists established welfare schemes.

AGUADELO et al. (2019) state that in the late 19th and early 20th centuries, welfare programs were initiated to safeguard, maintain, and enhance employees' quality of life. Concurrently, RAO (2020) notes a rise in urbanization and industrialization. This advancement led to several labor market issues, like the struggle of small businesses and farmers to adapt to the interconnected economy. Workers formed unions seeking improved working conditions, and the middle class expressed concerns over the erosion of family and religious values. As a result of the said problems, some business leaders came up with organizations that sought to promote values and improve working environments. In the 1920s and 1930s, business managers adopted the role of balancing the optimization of profits with the demands of clients, the community, and employees (CRANE et al., 2008). So, the managers assumed the role of trustees of external relations for the company. In return, corporations started adopting economic and social responsibilities. During WWII and the 1940s, companies took the form of institutions that had social responsibilities. Also, the discussion of social responsibilities started on a broader scale than in the past (CRANE et al., 2008).

2.2.1 Modern CSR

According to BREJNING (2016), modern-day CSR took shape in the 1950s and 1960s. In the 1950s, the first literature on social responsibility appeared in the public domain. The literature contained various definitions of the specific responsibilities. So, it was the starting point of the construction of modern-day CSR. Actually, the 1950s and 1960s theoretical focus and academic research that related to CSR focused on social-level analysis that sought to provide CSR practical implications. After WWII and the 1950s, it was time for changing attitudes and adaptations towards CSR (CARROLL et al., 2012). Also, it was the time when corporations moved beyond philanthropic activities in their CSR initiatives. Given that there were several authors that explored the CSR topic, there was a natural growth in public awareness of CSR. Social movements and the general society became wary of the responsibilities that corporations had towards social welfare, especially in the U.S. Some of the social issues that the public wanted corporations to address included population growth, resource depletion, and pollution.

In the 1960s, there was a growth in protest culture. The public sought to lobby for civil rights (BREJNING, 2016). The public also began anti-war protests. During that time, the public deemed

corporations as entities that fueled war. Still in that period, scholars deemed CSR a solution to the desires and problems of modern society. DAVIS (1960) gave more attention to the essence of political, economic, and social changes that put pressure on businessmen to rethink their role in terms of social responsibility.

In the 1970s, the antiwar sentiments and heightened social awareness of the late 1960s evolved into concerns regarding corporate philanthropy and the relationships between companies, their stakeholders, employees, and customers (WATERHOUSE, 2017). Especially, stakeholders' roles got more attention, which helped businesses recognize the need to meet public expectations. Moreover, Carroll (1979) introduced a four-dimensional model of CSR that remains one of the leading frameworks in CSR research today.

Business ethics and stakeholder management, as well as social responsiveness and corporate citizenship, became part of the business vernacular in the 1980s (CARROLL, 2008). FREEMAN's book, "Strategic Management: A Stakeholder Approach," made one of the most important contributions to the subject of CSR in 1984. According to FREEMAN (1984), the primary focus is company performance, which is influenced by a variety of stakeholders such as employees, consumers, the public, and the government.

In the 1990s, key global events shifted the international stance on social responsibility and the pursuit of sustainable development. Notable among these were the establishment of the European Environment Agency (1990), the Rio Declaration on Environment and Development, and the adoption of the Kyoto Protocol (1997) (AGUDELO, 2019). Furthermore, one of the important landmarks in the development of CSR was the formation of an organization called Business for Social Responsibility in 1992 (CARROLL and BUCHOLTZ, 2015). It is designed to form a national business alliance to speed up socially responsible corporate policies.

Currently, CSR revolves around shared values (PILLAY, 2015; MADRAKHIMOVA, 2013). Corporates endeavor to increase their competitiveness while still giving back to society (FARCANE and BUREANA, 2015). The move aligns with any preconditioning CSR law and benefits the participating company too.

2.3. CSR Definition

There have been a number of definitions for CSR in the literature since the 1950`s. Throughout that time, CSR has been defined by several authors from various perspectives. DAHLSTRUD (2008) gathered and analyzed 37 definitions of CSR since the 1950s, even though his study did not comprise all of the available definitions. He concluded that CSR definitions are uncertain and congruent. The below-listed definitions of CSR are the most relevant to the objectives of the current study.

According to BOWEN (1953), business decisions have a direct impact on not only the business itself but also on its stockholders, immediate workers, customers, and, briefly, society as a whole. So social responsibility means making business decisions by taking the objectives and values of society into consideration. Bowen`s definition was one of the earliest, and it positively influenced the development of CSR.

MCGUIRE (1963) stated that businesses hold obligations beyond just economic and legal duties. He emphasized that their societal responsibilities extend to enhancing community welfare and ensuring the well-being of their employees.

WALTON (1967) stressed a relationship between corporations and society. Top managers of businesses should keep in mind that both groups are looking for their goals. Therefore, voluntarism should be preferred, which is opposed to coercion.

According to SETHI (1975, p.42) “CSR implies bringing corporate behavior up to a level where it is congruent with the prevailing social norms, values, and expectations”.

JONES (1980) characterized CSR as the notion that companies owe responsibilities to various societal groups beyond just their shareholders. He noted that these duties surpass those mandated by legal and union agreements.

EUROPEAN COMMISSION (2001) defined CSR as the deliberate integration of social and environmental concerns into a company`s operational practices and stakeholder engagements.

According to HENNIGFELD et al. (2006), CSR involves conducting business ethically to attain sustainable growth across three key domains: economic, social, and environmental, all of which are increasingly critical in the contemporary business landscape.

GRIFFIN (2012) stated that organizations themselves do not have any ethics. However, they need to engage with ethical dilemmas in some circumstances. In this case, social responsibility represents the

sets of commitments that an organization holds to protect and improve the social environment where it conducts its business.

Moreover, DAS (2017) defined CSR as being a good corporate citizen. Particularly, the actions that contribute to the welfare and interest of society by doing the right things.

Another definition is by ROBBINS and COULTER (2010), who defined social responsibility as a company's purpose to do the right thing and act in ways that benefit society beyond its legal and economic requirements. It implies that a company not only complies with legal requirements and considers its shareholders' interests but also embraces an ethical commitment to engage in activities that positively impact society rather than causing detriment. A company with social responsibility acts correctly out of a sense of ethical duty.

CSR has numerous elements; however, it has subsequently become more visible within the sport industry, where CSR is now a vital area of focus for sport-related bodies. According to WALTERS (2009), there is a close connection between CSR and sport as a result of the distinctive position that sport plays in society and the growing awareness of sport's capacity to address social issues. HOYE et al. (2015) also emphasized the importance of social responsibility in sports as a performance indicator. Performance management is crucial for sport-related bodies, so it will motivate them to be more systematic in the way they build their stakeholder relations.

The above-listed definitions can be grouped into two schools. According to the first group, CSR is defined as a responsibility to shareholders, and this obligation extends beyond what is required by law and ethical consideration (FRIEDMAN, 1970; JONES, 1980). The conceptualizations of CSR during the 2000s evolved to reflect the emerging perspective that corporations must be attuned to societal expectations and stakeholder relationships, forming the second category of definitions (GRIFFIN, 2012; DAS, 2017; HOYE et al., 2015). This analysis reveals that the evolution of the CSR definition is attributable not just to scholarly input but also to the evolving societal anticipations of corporate behaviour.

2.3.1. CSR Pyramid

Carroll (1979) defined CSR through a pyramidal model, outlining four primary responsibilities of organizations. This pyramid acts as a framework for understanding the motives and approaches by which companies should adopt socially responsible practices. Today, Carroll's CSR Pyramid is

extensively employed for methodical examination of companies' CSR activities. This model is structured upon four layers of responsibility: economic, legal, ethical, and philanthropic. (Figure 2-3).

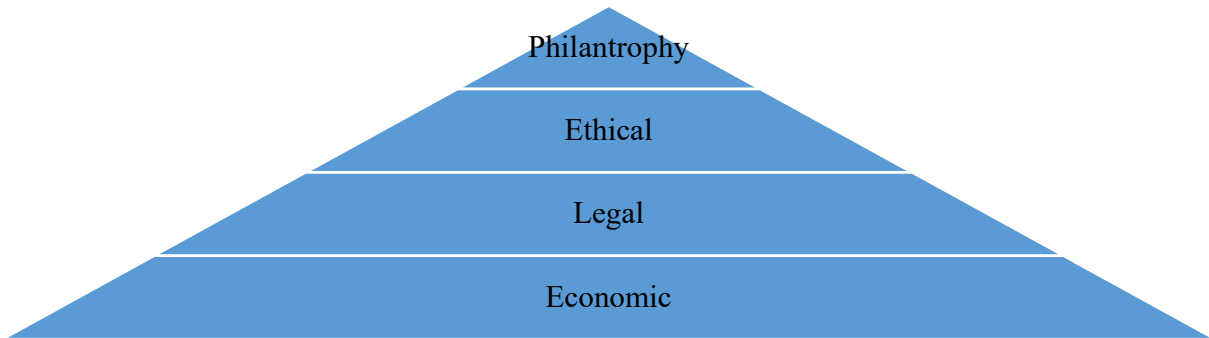


Figure 2-3: CSR Pyramid Model

Source: adapted from CARROLL (1991, p.42)

The base layer of Carroll's CSR Pyramid represents economic responsibility, indicating that a company's primary function is to achieve profitability through the sale of goods and services. Initially, this may not seem socially responsible; however, it is a crucial societal demand for business sustainability. Economic responsibility encompasses revenue maximization, cost reduction, and strategic decision-making (MIRZAYEV, 2020).

Following economic responsibilities, the pyramid addresses legal responsibilities, demanded as well by society. Here, businesses are expected to comply with legal statutes, including those concerning environmental standards, consumer protection, and employee welfare, as laws embody society's formal consensus on acceptable behavior (CARROLL and BUCHOLTZ, 2015).

The third tier involves ethical responsibilities, anticipated by society. There are instances where legal frameworks may fall short, prompting businesses to uphold ethical standards in their operations. This includes a commitment to minimizing harm to stakeholders, refraining from dubious practices, and striving to exceed the basic legal requirements.

Finally, philanthropic responsibilities encompass voluntary actions driven by a business's willingness to engage in social initiatives beyond any legal or ethical obligations. These acts of generosity, such as sponsoring a sports event like an annual marathon or encouraging employee participation in

donation drives, are purely for societal benefit. The underlying purpose of such philanthropic activities is to project the company's image as a good corporate citizen and enhance its reputation (MIRZAYEV, 2020).

2.4 Stakeholder approach to CSR

The concepts of sustainable development goals and CSR have gained significant importance in both public and private organizations globally. Past studies have claimed that the CSR activities of businesses are positively linked with building brand equity, organization performance, and consumers' perceptions of brands (STORY and NEVES, 2015; TRANG and YEKINI, 2014; BIGNE et al., 2012; GHORBANI, 2013). The CSR practices of the organization, pertaining to social and environmental problems, are often linked with the influence posed by organizational stakeholders (SERVAES and TAMAYO, 2013; YUSOFF et al., 2013). Stakeholders are defined as the individual(s) who impact as well as are affected by the performance of an organization and play a pivotal role in determining the survival and growth of the organization (FREEMAN, 1984). The major stakeholders are demonstrated in Figure 2-4 (GRIFFIN, 2012).



Figure 2-4: Organizational stakeholders

Source: Adapted from GRIFFIN (2012, p.101)

The organizations have contractual commitments with different stakeholders, which call upon the business managers to undertake activities and comply with the CSR requirements. Therefore, the stakeholders play a pivotal role in the implementation of CSR activities by the management. Firm values can be enhanced by prioritizing and meeting the requirements of business stakeholders. For

instance, the study by FREEMAN and VELAMURI (2006) indicates that employees are inclined towards working for socially responsible organizations, customers choose to purchase goods and services from business that meet their needs, and suppliers tend to engage in building relationships with companies with a good social reputation. The research by KHUONG et al. (2020) concludes that business stakeholders (including employees, customers, investors, government, and the community) influence CSR management with respect to economic, environmental, ethical, legal, and philanthropic practices by the organization. Therefore, the organizational role in CSR activities is closely associated with the business stakeholders, which include both internal and external. The relationship between CSR and organizational stakeholders (both internal and external), especially in the oil and gas industry, is further discussed in the subsequent section.

2.4.1 Internal Stakeholders

Although CSR typically concentrates on external stakeholders, it's crucial not to ignore its effects on internal stakeholders and their significance in this framework (WADDOCK and GOOGINS, 2011). AALTONEN (2011) defines internal stakeholders as those directly engaged in a business's operations and decisions, encompassing managers, employees, and labor unions. Managers and employees are crucial in meeting firms' objectives since their motivation, support, and loyalty have positive implications for business. Similarly, trade unions operate to safeguard the interests of employees and influence the actions of organizations. BRAMMER and MILLINGTON (2008) signify the importance of investing in socially responsible activities in motivating and increasing the employees' morale, commitment, and loyalty towards the organization. The sustainability challenges faced by the industry towards the internal stakeholders lie in improving the site reclamation so that the working state for the employees is made safer (RACH, 2008). The goodwill and reputation of the firms involved in the oil and gas industry heavily depend on the health and safety of their employees (TOMLINSON, 2017). Thus, meeting the needs of internal stakeholders, like employees, can be considered an effective tool for human resource management. It is important for firms to gain their motivation, morale, loyalty, and commitment, which lead to increased financial performance for the organizations and a competitive advantage (LEE et al., 2013).

2.4.1.1 Internal Stakeholders in Oil and Gas Industry

Internal stakeholders play critical roles in determining corporate direction and performance in the oil and gas sector. Internal stakeholders include senior management and executives in charge of strategic decision-making, employees involved in day-to-day operations, shareholders with a financial stake,

the board of directors providing oversight, and legal and compliance teams ensuring compliance with industry regulations. Risk and environmental problems are managed by health, safety, and environmental (HSE) departments, while research and development teams promote innovation. These internal stakeholders collectively have a considerable effect on the industry's plans, operations, and overall performance (INKPEN and MOFFETT, 2011; MUHAMMAD et al., 2022).

Currently, there's an increasing focus on employee stakeholders, emphasizing their status, treatment, rights, and satisfaction, even though external stakeholders often dominate discussions about a business's social responsibilities. Firms bear an ethical duty to improve the lives and work experiences of their employees, who are essential for creating company value and the financial success that follows (CARROLL and BUCHOLTZ, 2015). FRYNAS (2009) asserts that a key driving force behind CSR is often a company's aim to demonstrate to its employees as it serves as a constructive agent for progress. Critiques leveled at oil and gas companies, such as environmental harm, oil's involvement in conflicts, and assertions that oil profits hinder local economic development, can adversely affect employee morale. This is especially true for expatriate workers in developing nations, who may become disheartened witnessing how oil wealth disproportionately benefits a country's elite without improving the broader society. Additionally, the way oil companies are internally structured often complicates the pursuit of sustained development efforts. The frequent rotation of managers among subsidiaries typically results in a lack of enduring commitment to the local communities where the company operates. Consequently, even if one manager is genuinely dedicated to CSR, there's no guarantee that their successor will share this enthusiasm. This lack of continuity can suddenly halt social projects. Furthermore, managers, former secretaries, engineers, and former government officials are commonly employed by community development departments. As a result, the lack of a "career path" for community development specialists within corporations inhibits their ability to gain competence.

2.4.2 External Stakeholders

External stakeholders are defined by FASSIN (2008) as the individuals or groups of individuals that lie outside the organization but are affected as well as have the potential to affect the operations of the business. These stakeholders include customers, suppliers, the government, the community, and the environment, and they support the business when they perceive the business operations to be socially responsible (MINOR and MORGAN, 2011). According to GRIFFIN (2012), an organization can direct its social responsibility towards its stakeholders, the natural environment, or general social

welfare. Sometimes, an organization can opt to address the three areas instead of focusing on a single one. However, there are other organizations that do not invest in CSR. As such, it all depends on the CSR culture of the host region.

Organizational stakeholders. Organizational stakeholders are part of the external environment and have a direct effect on the operations of a business entity. Stakeholders are people that the practices of an entity affect directly (BEAL, 2013; LOZANO, 2012). Moreover, they are people with a particular interest in the performance of an organization, including customers and investors. An organization can also select other stakeholders that are important or relevant to the business. The role of an organization towards its customers includes treating them fairly, charging fair prices, honoring their warranties, and providing quality products and services (MAY et al., 2007; STOBIERSKI, 2021). Regarding investors, a company has the role of protecting their shareholders rights and investments (BOSSE et al., 2009). Therefore, the company should provide accurate financial information and use the right accounting procedures.

2.4.2.1 External Stakeholders in Oil and Gas Industry

The study by DONI et al. (2021) shows that sustainability issues are of paramount importance for the oil and gas industry since its operations influence climate change and environmental reporting, which are daunting social and economic issues on a global scale. Other studies by CORMIER and MAGNAN (2015) and NILSSON et al. (2008) further reveal that oil and gas organizations are required to adhere to stakeholder needs for better environmental reporting in terms of greenhouse gas emissions. Oil and gas organizations are also required to pay attention to different factors of sustainability reporting, namely the economic, social, and environmental performance of the organization (ORAZALIN and MAHMOOD, 2018; HASHEMIN et al., 2018). FONSECA et al. (2014) further add that CSR disclosures in the oil and gas industry are important for increasing investments' creditability and business operations and enhancing transparency towards investors.

Over the last decades, the oil industry has gained much attention from the lobby of environmentalists and policymakers with respect to CSR practices, due to many incidences of oil spillovers and hydraulic fracturing practices. The industry faces the dual challenge of meeting the world's need for energy resources as well as adhering to the laws and regulations regarding economic and environmental responsibility (STOTT, 2005). Sustainability has become a significant challenge for firms in the oil and gas industry, especially with the increasing demands from external stakeholders for reduced emissions (MILLER and LELLIS, 2016). For instance, between 1997 and 2009, Exxon was compelled to change its stance on climate change due to pressure from stakeholders (van

HALDEREN et al., 2016). As a result, the company modified its business practices and adopted new fuel technologies to decrease emissions. Therefore, firms in the oil and gas industry must address environmental concerns and adopt sustainable business practices.

Moreover, not just the environment, but community engagement is an important aspect of CSR. Past research by IDEMUDIA (2009) concluded that oil and gas firms fail to engage in community participation, which becomes a major reason for failed CSR practices. To add, CHOWDHURY et al. (2019) mention in their study that when managers in oil and gas organizations consider the stakeholders' interests, they are more likely to enhance public relations, motivate employees, and thereby engage in legitimate business activities. Furthermore, firms investing in community development initiatives tend to enjoy positive stakeholder perceptions and receive their support. For instance, Shell and BP have established internal social performance units (TOMLINSON, 2017), which are engaged in investing in community development and contributing to the social needs of people and the environment.

As part of community development, the oil and gas industry also looks for investments in different initiatives like sporting activities as well as donations to charitable organizations, education, health, and voluntary work (KIRAT, 2015). The study by BABIKR (2013) also asserts that the oil and gas firms in the Qatar region invest in CSR initiatives by doing charity towards humanitarian issues. The research by IBRAHIM (2021) also concluded that there exists a significant positive relationship between expenditure on sports events as part of CSR initiatives and investment efficiency in oil and gas firms in Nigeria.

Hence, firms in the oil and gas industry must operate and practice operations in consideration of social and environmental concerns without just focusing on economic gains.

2.4.2.2 Company - NGO relations

CSR, according to the EC, is a philosophy in which enterprises incorporate environmental and social dimensions in their commercial operations as well as in their voluntary relationships with their stakeholders (HOND et al. 2007). CSR programs have become a typical approach for many enterprises to participate in the equitable growth of the country since the 1990s. In addition to the private industry, the government is requiring that public-sector enterprises engage in CSR projects. SWARNALATHAN and ANURADHA (2017), in their paper, find that the importance of CSR has progressed significantly over time. Certain companies have proven their potential to have a positive influence on society and improve the quality of life. To provide a long-term and permanent solution

to the social difficulties of any economy, all companies should strive to improve the existing social conditions. CSR has become an increasingly important component of the strategic direction of organizations (SHAN, 2017). The CSR of corporates is also positively linked with the initiatives and aims served by non-government organizations.

NGOs are dedicated to bettering individuals and the environment through actions such as providing education to children, empowering women, planting trees, and reducing hunger (EKNATH and MUNDHE, 2021; NYANG'AU et al., 2016). Major corporations are teaming together to improve society through their CSR offerings. NGO employment is growing, and companies are collaborating with NGOs to conduct their CSR projects. CSR has been supported by development NGOs establishing standards of behavior, awarding certifications to assist customers in making educated choices, partnering on development initiatives, and undertaking performance indicators and social inspections (MCINTOSH, 2003). Knowing the relationship between NGOs, businesses, and CSR necessitates knowledge of the various primary and secondary CSR players, whose collaboration is required to be able to handle the complicated CSR strategy. Individuals with the ability to influence corporate choices are referred to as "stakeholders." Many multinational corporations respond to citizen and NGO initiatives by including various parties in their decision-making procedures. Secondary groups include the government, community groups, staff, union leaders, consumers, and investors, all of whom have varying degrees of influence on the company (PELOZA and FALKENBERG, 2009). While customers and shareholders are the primary stakeholders who can influence the firm's markets, unions and workers have the power to influence the workforce; similarly, firms that participate in CSR initiatives in partnership with government and NGOs have the ability to influence the environment overall.

The emergence of NGOs as significant participants alongside private and public sectors is a driving factor behind the growth of NGO-business collaborations through CSR initiatives (KOURULA and LAASONEN, 2009). Their influence is largely attributable to their substantial growth in scale and impact over the past twenty years. Other potential reasons for NGOs' rising significance in CSR strategies include:

1. Businesses regard NGOs as one of their primary stakeholders with legitimacy and strength.
2. They are the primary audience for, and influential assessors of, CSR efforts. The NGOs examine and analyze messages, web pages, sustainability reports, and other things they create.

3. NGOs have been one of the driving forces behind CSR, taking the chance to use it as a vehicle with significant potential for causing deeper economic and social improvements.
4. NGOs influence the reputation and business behavior and have the potential to improve it by encouraging them to invest in CSR initiatives (TOKER, 2013).

In society, NGOs receive great ratings and reliability. According to certain stakeholders' perspectives (ARENAS et al. 2009), it is one of the reasons why the press is more receptive to their concerns. The media echoes the opinions of non-governmental organizations, adding to their legitimacy. Because the livelihood of NGOs is dependent on the transmission of information, they are far more accessible to the media than enterprises. Thus, it can be stated that NGOs have a significant and direct impact on the CSR initiatives of companies.

2.4.2.3 Company – Government relations

GRIFFIN (2012) argues that the ever-increasingly educated and sophisticated public drives the demand for CSR. As such, every organization has to develop CSR strategies in the same way it designs its operational strategies. If its managers circumvent this process, the organization can suffer sales-related detrimental effects. The main objective of CSR is to increase its ethical footing in the eyes of the public (ZUKAUSKAS et al., 2018). Since the public is the implied consumer of whatever an organization produces, CSR helps improve brand reputation and recognition. If the organization does not have a convincing ethical facet, it can lose business to competition. To achieve efficiency in the implementation of CSR strategies, an organization must carefully plan, decide, consider, and evaluate every CSR-related strategy. These processes should incorporate both formal and informal aspects. Formal dimensions include adherence to legal and ethical standards, as well as philanthropic contributions, whereas informal dimensions encompass organizational leadership and culture, along with the handling of whistleblower responses.

It is difficult for an organization to implement effective CSR projects without liaising with the government. For example, in planned economies, governments control business activities in a quest to compel organizations to engage in CSR activities (KNUDSEN and MOON, 2017). The same applies to market economies, even though government control is not intensive. In market economies, governments ensure that business interests do not bypass social interests. As such, both the government and business organizations have an influence on each other (GRIFFIN, 2012).

The government can influence an organization directly or indirectly. One of the direct influence approaches entails regulation. Regulation refers to the act of governing or giving directives by an authority (CARROLL and BUCHOLTZ, 2015). This approach calls for a government to come up

with rules and regulations on what a business can and cannot do. The rules and regulations come from societal beliefs (KNUDSEN and MOON, 2017; GRIFFIN, 2012). As such, they align with the culture of the communities that a government serves. After the formulation of the rules, the government forms special agencies to monitor and enforce compliance. Regarding the indirect approach, a government can influence a business organization through tax codes. If a government provides fewer tax incentives to organizations with a poor CSR record, most organizations will endeavor to invest more in CSR projects to take advantage of the tax incentives (GRIFFIN, 2012).

Regarding how organizations influence a government, organizations employ four measures to counter government pressure on CSR. The measures include personal contacts, lobbying, creating political action committees, and giving favors to governments (GRIFFIN, 2012). To address the personal contacts maneuver, political leaders and corporate executives spend time in similar social circles. Consequently, they network by exchanging personal contacts. This move helps corporate executives reach out to politicians in a quest to adjust certain punitive legislation. When it comes to lobbying, business organizations can form a group of people to present their petitions to the government. Such groups of people present the interests of business organizations to the lawmakers for the creation or amendment of laws in favor of the organizations (FARNEL, 1994). Regarding the political action committees, business organizations make donations via political action committees. The committees collect contributions from business organizations and distribute them among political leaders. The last approach that business organizations use to influence governments involves offering favors. There are no laws that prohibit favors to the government but the action often receives a lot of criticism (GRIFFIN, 2012).

2.5 Arguments For and Against CSR

Over the years, authors have had different arguments on CSR and its impact on businesses. HARRISON and HUANG (2020) assert that CSR has a positive impact on their businesses, which improves profitability and performance, improves brand reputation and recognition, and improves business access to capital. However, other business owners argue that CSR has no direct relationship with the performance of the business (CRISOSTOMO et al., 2011). Figure 2-5 presents a summary of the arguments for and against CSR.

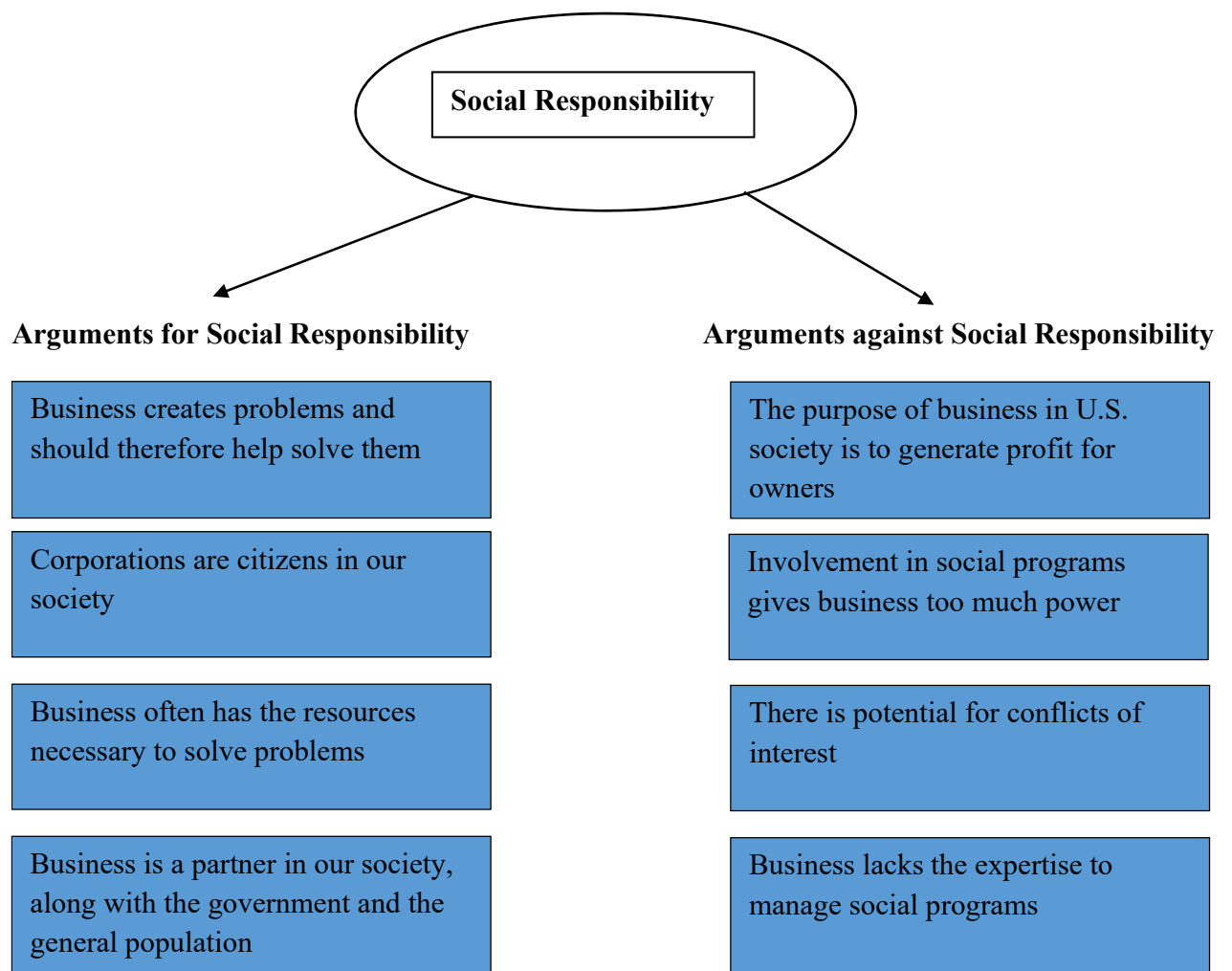


Figure 2-5: Arguments for and against Social Responsibility

Source: Adapted from GRIFFIN (2012, p.102)

2.5.1 Arguments for CSR

The business world has been changing drastically over the years. As such, most classical theories have been scrapped, and new theories have emerged. Consequently, scholars have argued for CSR in most business ventures as a way of improving their well-being (BACINELLO et al., 2021). For instance, CSR helps businesses create an excellent public image. When a business involves itself in fulfilling some societal needs, it creates a good image in society. This helps the business increase sales and profit through its reputation (GRIFFIN, 2012). For example, businesses build schools and create employment opportunities for the people surrounding them. Such acts may help attract investors who believe in goodwill. Consequently, more investors in the business means expanding and increasing the level of performance (CHO et al., 2019).

Additionally, CSR provides businesses with long-term interests that will work positively for the business. The components of a business include employees, suppliers, shareholders, investors, and customers. As such, the existence of the business is based on those components (HUR et al., 2020). Therefore, the business should ensure that a good relationship is maintained and satisfaction is acquired for the business to run efficiently. Further, CSR is a way for businesses to justify themselves morally to society since they expect the businesses to give back and foster a great relationship with the communities (OKORO and FRANCE, 2018). Consequently, businesses acquire labor, finances, and supplies from society.

Businesses that implement CSR give back to society in various ways, such as maintaining a clean environment and ensuring that their activities do not affect society negatively (FALLAH SHAYAN et al., 2022). Furthermore, GRIFFIN (2012) also states that organizations create environmental problems, including water and air pollution and oil spills, while they are operating. Therefore, they should take on more responsibilities in order to avoid and solve these issues.

CSR helps businesses attract tax subsidies from the government. The government looks into the maintenance of societal equilibrium over time. In essence, the government, with its power, ensures that businesses implement social requirements. When a business is fully committed to CSR, the government may offer tax subsidies, which are beneficial to the business in the long term (CARROLL and BUCHOLTZ, 2015).

2.5.2 Arguments Against CSR

The classical view of business's states that business has only purpose is to make profit in order to increase shareholder wealth (CARROLL and BUCHOLTZ, 2015). Some businesses believe their activities should only be economical to ensure profit maximization. As such, the business managers believe that the aim of setting up a business is for profit purposes. Therefore, the managers believe that it is the responsibility of the government to take care of society. They believe that the government should look at the interests of society as business carry out their economic activities. Essentially, some business managers believe that since they pay taxes and licenses to the government, they should not be involved in any CSR activities. The social costs of the business may be transferred to different parties, such as increased prices for consumers. Thus, consumers will be expected to pay more for the business to manage social costs. For some businesses, the profits may be reduced to meet social costs. This may discourage businesses from participating in CSR activities (GODOS-DIEZ et al., 2020).

The performance of the business may be affected when CSR managers put too much focus on social responsibility. In such cases, other business functions receive less attention consequently; profitability may reduce at the end of the financial year, which may negatively affect business operations in the long run (CAI et al., 2019). According to CARROLL and BUCHOLTZ (2015), when managers lack expertise and social skills on how to carry out CSR, their primary functions are negatively affected. Since CSR is an act of goodwill, some managers argue that it has no direct return to the economic sector of the business (MI et al., 2018). Other businesses claim that the government does not support participation in social responsibilities. This discourages most companies from participating in CSR activities. In some instances, the government forces companies to participate in CSR activities through regulation (TIEN and HUNG et al., 2018).

2.6 Organizational Approaches to Social Responsibility

Organizations take different approaches to social responsibility. On one end, there are organizations that invest heavily in CSR, while others have little or no regard for CSR. Such companies try to hide their social transgressions. Essentially, organizations usually adopt an obstructionist, defensive, accommodative, or proactive stance towards CSR.

Obstructionist stance. Organizations that adopt an obstructionist stance do very little for CSR. Such companies deny or avoid taking responsibility for any violation of legal or ethical guidelines (GRIFFIN, 2012). For example, a company that finds that the quality of its products is low but still distributes them in the market acts out of an obstructionist stance.

Defensive stance. An organization that adopts a defensive stance towards CSR aligns its operations with legal guidelines only. Such an organization does not give any regard to ethical guidelines or any other requirements that the law does not cover (GRIFFIN, 2012). A defensive stance does not appreciate CSR. Therefore, it is accommodative to all arguments against CSR. However, it has to play its part in CSR out of legal coercion. LEONARD (2019) provides an example of a defensive stance whereby an organization invests in diversity and labor practices. What a company that employs a defensive stance prioritizes is profit generation. For example, an organization can install low-quality infrastructure to curb pollution. The move complies with the law, but it is not maximally efficient. It is also notable that organizations that employ a defensive stance do not deny their mistakes. It is accountable for its actions, and it is also quick to correct its actions.

Accommodative stance. An organization that employs an accommodative stance meets and goes beyond its legal and ethical obligations. Such a firm participates in CSR initiatives voluntarily (GRIFFIN, 2012; ZUKAUSKAS et al., 2018). However, it is keen to identify whether its CSR

investment will be beneficial. PAETZOLD (2010) calls it the company motivation factor for CSR. As such, solicitors have to come up with convincing arguments on the benefits that the organization will reap from a CSR initiative. An organization that takes an accommodative stance waits for CSR proposals rather than hunting for charity work. STANCIU, L. and STANCIU, C., (2018) call this approach social reaction and JENKINS (2015) calls it a classic approach.

Proactive stance. The proactive stance prioritizes CSR. An organization that takes a proactive stance advocates for CSR rather than countering it (GRIFFIN, 2012). In essence, it seeks to fit in the shoes of general society. A proactive stance is empathetic, and it does not like to take any reactive measures towards CSR. Instead, the organization actively seeks contribution opportunities. Therefore, it endeavors to improve the welfare of the general society. According to NADEZHDA (2007) and SIMS (2003), a company can invest in CSR initiatives that have a long-term effect on society. Organizations that adopt this approach have a CSR policy in place. Such an organization has to strategize when participating in CSR initiatives, such as the case of Singapore that SOUSA and CAGICA (2020) presented. In this case, Singapore had to make a long-term commitment to transform its cities.

Often, organizations employ two or more approaches towards CSR. A company can employ a proactive stance at one moment and use a defensive stance at some point (GRIFFIN, 2012; TURKER, 2018). As such, it is not easy for an organization to adopt a single approach. Therefore, the paper discusses approaches that organizations use to approach different CSR scenarios.

2.7 Managing, Planning and Evaluation of CSR

According to GRIFFIN (2012), organizations use formal and informal dimensions to manage their CSR. Formal dimensions are legal compliance, ethical compliance, and philanthropic giving, while informal dimensions are organizational leadership, culture, and whistleblowing.

Legal compliance. Legal compliance refers to the level at which an organization adheres to international, federal, state, and local laws. To achieve this objective, an organization has to appoint a functional manager to monitor compliance (BOGHRATY, 2019). For example, the financial executives manage compliance with banking and securities regulations, while the human resource executives oversee compliance with workplace safety and health, recruitment, and worker compensation regulations.

Ethical compliance. Ethical compliance refers to the level at which organization members adhere to basic ethical or legal standards of behavior. Most organizations train their members on ethical

compliance (DAS, 2017). Additionally, they provide guidelines on the same issue. Other companies have established formal ethical committees. The committees review new project proposals, hiring strategies, or environmental protection plans, among other new procedures in the operational realm of the organization. The committees sometimes act as a peer review panel to assess alleged employee misconduct.

Philanthropic giving. Philanthropic giving refers to the provision of donations and awards to charities or other socially supportive organizations. The move applies both locally and internationally. However, hard economic times are increasingly causing cutbacks as organizations continue to limit their offerings (FRUMKIN, 2008).

Organizational leadership and culture. According to SCHEIN (2010), ethical leadership stands as a pillar that determines the nature of an organization. The response and reaction of an organization to a social crisis show whether the operations of the organization are ethical or not. For example, if the employees of a company remove poisonous products from shelves without waiting for formal communication from their managers, the action represents strong ethical leadership that has a ripple effect on the employees. As such, the leadership and culture of every organization have a way of shaping the conduct of its members.

Whistle-blowing. MICELI et al. (2008) term whistle-blowing as an act where an employee discloses the illegal or unethical conduct of their working colleagues. The timeliness and seriousness that an organization employs when responding to whistle-blowing depicts its loyalty to CSR. Some whistleblowers encounter punitive organizational reactions, while others receive rewards for raising an alarm. In essence, an organization that responds positively to whistle blowing shows its commitment to CSR.

Planning CSR. MORRISSEY (2020), and BANSAL et al. (2008) present several planning methods that can yield a sustainable CSR program. The methods include:

1. Every organization should develop CSR strategies that align with its core competencies. The move mitigates risks while increasing opportunities for the organization.
2. An organization should be consumer-centric. If an organization supports a cause that its customers care about, its customers become more loyal and supportive to the organization.
3. Organizations should develop CSR initiatives that their employees support. Sometimes, potential employees assess the CSR initiatives of an organization before accepting a

recruitment offer. The nature of CSR initiatives also determines the retention rate in some organizations.

4. Organizations should compare the ROI of their CSR initiatives against those of investors and C-Suite. Every CSR initiative should have a positive impact on the performance of the participating organization.
5. Organizations should have a wide array of definitions of CSR. The days when CSR revolved only around environmental resources are long gone. The public is also now focusing on employee treatment, operation modules, and other aspects of an organization.
6. Organizations should respond rapidly to current social events and movements. The move gives rise to flexible CSR initiatives that can adapt to a changing environment.

Evaluating CSR. Every organization that commits to the success of CSR has to assess whether its initiatives have resulted in the desired effects. The move brings in the aspect of CSR control (GRIFFIN, 2012;). One of the control measures that an organization can put in place entails making their employees sign their commitment to ethical guidelines. The organization should also assess its reaction to questionable ethical or legal compliance practices. Consequently, the organization should compare what it is supposed to do with what it is doing at the moment (KEALY, 2020). Therefore, an organization should carry out a social corporate audit to analyze its CSR effectiveness.

2.8 Corporate Social Responsibility Disclosure

Academic and business practitioners' interest in corporate social responsibility disclosure (CSR) has increased significantly in recent years, making it a hot topic of conversation (NAZLI and GHAZALI, 2007). CSR refers to the systematic information that companies make public regarding their policies, goals, and activities in relation to their communities, customers, environments, and employees (GRAY et al., 1995). Unlike managerial accounting, CSR reports typically target external stakeholders such as customers, investors, suppliers, and the public.

CSR disclosures differ widely in both form (design, reporting frequency, etc.) and content (scope, quality, etc.). The scope of the CSR encompasses a broad range of disclosure categories, including the environmental impact of company operations, product details, human resources and labor relations, energy usage, and relationships with customers and suppliers. The CSR also covers information about a company's contributions to charity, its community involvement, and the effect of its products on consumers' health and safety (GRAY et al., 1995).

On the other hand, the management typically does not feel convinced that these disclosures achieve the intended aims of being informational, even if they come with a cost and require a significant amount of effort (CHOWDHURY et al., 2016). If the disclosure satisfies the information needs of stakeholders and helps them make investment choices, it should notably enhance information symmetry in the market and consequently, the firm's financial performance.

It should also be noted that the oil and gas industry have a tremendous impact on sustainable development. Because of the nature of this high-risk industry, businesses must constantly lower the magnitude of their negative effects on people and the environment (ELHUNI and AHMAD, 2017). According to (BRANCO and MATOS, 2016), companies in the oil and gas industry are required to report data on the environmental damage their operations have created. Moreover, environmental information disclosure can help corporations achieve societal support and acceptability for their activities. As a result, it is seen as an essential instrument in corporate legitimization initiatives (SILVA da ROSA et al., 2012). The release of social and environmental data by corporations has also captured the interest of researchers. Traces of scholarly engagement with social and environmental disclosure topics date back to the early 1980s, but a marked surge in interest has been noted since the late 1980s (WARIS, 2014). Furthermore, he highlighted that CSR disclosure research has been more concentrated on developed nations rather than developing ones, and within this research, environmental issues have garnered more focus compared to other social concerns.

2.9 CSR in Oil and Gas Industry

The oil and gas sector is considered to connect its processes with corporate ethics that meet certain standards of sustainability. Stakeholder rights, protection of the environment, sustainable consumption, financial reporting, fraud, community outreach, and CSR are some of the growing rules of conduct that the sector is paying a lot of attention to (TESTA and D'AMATO, 2017). Although the motives behind oil and gas companies' social responsibility efforts are often attributed to goodwill towards humanity (GRAS-GIL and MANZANO, 2016), there is evidence suggesting that these firms engage in highly profitable ventures with little concern for environmental harm, using CSR as a facade for their detrimental activities. Stakeholder theory suggests that genuine CSR should enhance a firm's public image and leverage its superior marketing strategies among increasingly socially aware stakeholders and customers. It is clear that there has been strong evidence to demonstrate that multinational companies may benefit financially and in kind from CSR operations (SIMIONESCU and DUMITRESCU, 2018).

While some proponents of CSR make the argument in favor of the company profit margin case, some other school of thought suggests that oil and gas multinationals may finally abandon their main mission of operating environment-conscious oil and gas businesses and instead use CSR as a mere surface-level screen to cover up environmental degradation and societal neglect (FAMIYEH, 2017). CSR efforts typically reflect both societal necessity and the implications of economic success. However, firms have the responsibility to carry out and manage tasks, largely determined by their financial performance. This notion highlights the essential aspect of CSR, asserting that companies have a direct duty to involve themselves in societal problem-solving (ADEPOJU, 2019). Another perspective views CSR through the lens of the triple bottom line theory: profit, planet, and people (PPP) (DIXON, 2014). This broadens CSR's range to encompass various factors crucial for evaluating a company's success in CSR initiatives. Hence, apart from seeking higher profits, oil and gas companies are uniquely positioned to significantly engage communities within their operational areas in addressing social issues, with an emphasis on poverty reduction.

CSR is also viewed as a differentiating tactic by organizations, which may have a good influence on value generation for their establishments and client advantages. It offers the long-term power to enhance the businesses' own financial results (BARON, 2008). The legitimacy theory of CSR serves as the foundation for companies to reveal their CSR actions (TIMBATE and KYU, 2018). Oil and gas multinationals should operate in a manner that supports the idea of a social contract, which underpins their existence. Their engagement in and transparency about CSR activities not only affirms their legitimacy to operate within society but also serves as a means for these corporations to market themselves, foster competition, ensure sustainability, and uphold a favorable public image (MANRIQUE and CARMEN-PILAR, 2017). To put it another way, CSR disclosures help companies avoid adverse selection risks, obtain access to financial markets, and earn community and consumer support by raising knowledge of their products and services (UWUIGBE and UADIALE, 2016).

According to PERRINI et al. (2011), analyzing the link between CSR and a business's financial success may be accomplished using either bookkeeping or economic methodologies, within each set of advantages and disadvantages. While LEE and LEE (2017) employ the return on assets (ROA) ratio to assess profitability, the return on capital (ROC), sales ratio, investment returns, and profitability finance ratios might be used to make a connection between CSR, financial results, and the size of the business. These measurements, according to SULTAN (2014), serve to offer a representation of the effectiveness of a company's activities. Hence, it can be stated that the oil and gas industry must not

only aim at maximizing profits but also invest in CSR activities and contribute to the sustainability of the environment.

2.9.1 CSR Practices in Oil and Gas Industry

Different oil and gas companies behave differently toward CSR. Exploring how different oil and gas companies across the world contribute to CSR initiatives can help one understand the similarities and differences in how the companies practice their social responsibility. PEREIRA et al. (2021) explored how CSR works in the Alaskan oil and gas industry. They found out that the industry has a People's Petroleum Dividend Fund (PPDF), also called the permanent fund. The fund helps to improve the social infrastructure of the country. However, a third of the fund goes directly to the citizens of the country. MIKKELSEN and LANGHELLE (2008) looked at CSR in the Arctic oil and gas industry. They found out that the oil and gas industry is one of the most appreciated industries in the Arctic. It provides employment to thousands of people. Further, most oil and gas companies involve people before commencing any extraction. As such, the Arctic oil and gas industry engages in responsible extraction (RE) to preserve the natural environment. SKJAERSETH and SKODVIN (2003) explore the CSR initiatives of ExxonMobil Corporation. They found out that the company vests each of its production units with a global responsibility, even though its headquarters makes the overall decisions on CSR projects. Further, the company has an environmental policy in place.

SHANKLEMAN (2006) observed that some of the factors that compel oil and gas companies to participate actively in CSR include activist pressure, increasing costs of maintaining presence in conflict zones, and a growing global interest in CSR. These reasons compel the companies to consider the welfare of people, the methods of extraction, and their revenue management. However, WU (2018) noted that some U.S.-based oil and gas companies practice voluntary CSR. Such companies have community, social, and environmental initiatives complete with social audit plans, framing mechanisms, and external partnerships in place. MITRA and SCHMIDPETER (2019) explored the mandated social responsibility in the Indian oil and gas industry. They noted that the Indian Company Act of 2013 requires oil companies to commit to CSR initiatives.

WOOLFSON and BECK (2019) looked at CSR failures in the oil and gas industry. They noted that despite their visible commitment to CSR, some oil and gas companies experience disasters that result in environmental pollution and the death of people. This observation raises a question regarding the balance between the positive impact of CSR and the detrimental effects that result from CSR failure. KYUKA (2017) observed the impact of CSR in Nigeria. The overall observation in Nigeria was that

the oil and gas industry has failed significantly to reduce poverty levels in the country because of corruption and the high oil rents that go to the state. It shows that there are external pressures that impede the implementation of CSR projects in Nigeria. ADDISON and ROE (2018) found out that the social benefits that come from the extracting companies benefit cities and individuals in high authority. On the other hand, the detrimental effects, including noise and pollution, affect those living close to the extraction companies.

2.10 Theories Underpinning Hypotheses Development

CSR's definition has broadened to include a wider array of stakeholders, emphasizing the ethical and sustainable conduct of business operations (TSUTSUI and LIM, 2015). As consumers grow more conscious of environmental and social issues, companies are increasingly prioritizing customer needs and perspectives. Including CSR in efforts to transform businesses and improve society at large is a crucial step in providing excellent customer service (CAREY, 2019). Organizations confront multiple obstacles as they attempt to integrate CSR into their corporate cultures. The lack of transparency in areas of disclosure of the numerous efforts that the company plans to make under its CSR initiatives has an influence on the relationship of trust between businesses and their stockholders. Thus, it requires studying the CSR initiatives of the organizations through the lens of important theories. For instance, by taking the stakeholder theory of CSR into consideration, some of the problems faced by MNCs concerning CSR can be minimized (HARRISON et al., 2019). This aids the leadership in deciding on the intended CSR initiatives while considering the interests of all stakeholders. Thus, three crucial theories considered in developing the key research hypotheses for this research are discussed below.

Stakeholders Theory (SHT): Stakeholder theory highlights the interactions between businesses and their many stakeholders, including clients, vendors, investors, employees, etc. (JANSSON, 2005). According to the stakeholder theory, corporations must not only create value for shareholders, but also consider all parties affected by their operational decisions. This theoretical construct suggests that organizational leadership is responsible for addressing the interests of all stakeholders. In analyzing this from a business context, three primary dimensions arise: firstly, the recognition of stakeholders who significantly influence the company's operations; secondly, understanding the dynamic interplay between these stakeholder relationships and the organization; and thirdly, assessing how the perspectives of pivotal stakeholders might influence strategic organizational outcomes. (BONNAFOUS-BOUCHER and RENDTORFF, 2016). To boost productivity and ensure sustained

efficiency in business operations, organizations must devise strategies to engage with key stakeholders appropriately.

Stakeholders are pivotal to the success of CSR initiatives. Without the participation, expertise, understanding, and commitment of various stakeholders, organizations might fall short of their CSR objectives. A fundamental aspect of CSR is ensuring that each stakeholder with a genuine interest in a company remains accountable for business decisions impacting their values (KAKABADSE et al., 2005). For instance, the community needs to learn about the initiatives made by the organizations to promote and invest in community development initiatives.

The stakeholder theory offers leaders a practical framework, guiding them to account for the interests of all relevant parties and shape their actions accordingly. This approach aids in navigating the challenges inherent in executing CSR activities. A common issue, the underappreciation of CSR benefits, is addressed by this theory (HARRISON, et al., 2019). According to NIKOLOVA and ARSIĆ (2017), CSR, when aligned with stakeholder theory, optimizes outcomes like societal progress, employee morale, enhanced corporate image, revenue growth, profitability, and client satisfaction. Thus, CSR remains an essential corporate responsibility, reliant on the active participation of diverse stakeholders for its effective realization.

Legitimacy Theory (LT): Legitimacy represents a discerning psychological state that is particularly evident in individuals and entities highly attuned to environmental signals. For a corporation to strategically and sustainably evolve, achieving social legitimacy is pivotal. It serves as an instrumental framework for shaping corporate strategy, especially as the company integrates into an increasingly progressive society. A corporation recognized as legitimate aligns with the societal legal and intellectual constructs (PONNY, 2011). Such legitimacy can be perceived either as a societal endorsement conferred upon a firm or as a societal obligation to be granted to it. Notably, there are profound overlaps between stakeholder theory and legitimacy theory. RAHMAWATI et al. (2012) argues that stakeholder and legitimacy theories are both encompassed by the wider scope of political economy theory. In a dynamic society, there's an absence of established institutional authority and a continuous need for services. An organization must thus satisfy the legitimacy criterion. The community-approved organizations and businesses that gain from the awards they earn are demonstrated to have value and relevance by demonstrating that the community does require their services.

The term "legitimacy gap" denotes the disparity between a business's espoused values and those of the surrounding community, positioning the business in a dangerous situation. When a firm is predominantly driven by maximal profit motives, neglecting the potential ramifications of its actions and the community's interests, a credibility chasm emerges (ANG and MARSELLA, 2015). To fix this gap and better align business actions with what the community expects, companies need to adopt CSR strategies. One advantage of a possible source for businesses to endure is legitimacy (IMAM and ANIS, 2014). By having this legitimacy theory, it is intended that firms will no longer feel forced to engage in CSR activities that have a negative influence on the business, but rather that this will serve as the foundation for them to foster social stability in line with societal expectations and values, therefore achieving company legitimacy.

Social Contract Theory (SCT): Social contract theory, stemming from medieval philosophy, asserts that each community member has an implicit agreement with others that shapes their moral and political obligations. The agreement may be expressed in writing, as in the form of legislation, or it may take the shape of a contractual understanding, which is an unsaid or unwritten arrangement of societal norms and conventions. The SCT of business encompasses the responsibilities companies of all sizes have to their local communities and the global community. CSR, socially responsibility, and corporate governance all fall under this category (AMAO, 2008).

This theory is used to determine how CSR initiatives affect the nature of community relations and community perception. The social contract has importance in CSR because it defines the responsibilities of the business towards society. It states that business has more responsibility than just making profits, and it is accountable to society as well. It helps companies prevent activities that can harm society's quality of life, like excessive pollution for example. It also guides businesses in providing a safe and pleasant working environment for their employees. It guides charitable endeavors that will increase the quality of life for citizens (AMAO, 2008).

2.11 Corporate Responsibility and Corporate Social Performance

Companies are now being pressured to participate in cross-sector, multi-stakeholder, and public-private partnerships (DRAXLER, 2016). Companies are anticipated to be accountable not only to their shareholders but also to a broader range of stakeholders including employees, customers, suppliers, local communities, policymakers, and the wider society. CSP refers to the strategies, practices, and outcomes associated with a company's social, economic, and environmental engagements and relationships with various social actors and entities. In terms of both the unintentional externalities of

corporate activity as well as the purposeful behaviors of corporations toward these social actors, the philosophical foundations of CSP go relatively far back, extending to business law, ethics, history, the economy, and other fields. Due to its complexities and valuation thematization, CSP is considered a dynamic, multifaceted notion made up of concern for shareholders, stockholders, and community/welfare that is currently lacking consensus on its underlying motivations. The two most prevalent justifications for CSP conceptual ambivalence are that business exists to further the interests of society as a whole and that the company's social obligation is to raise its profits (YILMAZ, 2013).

On the other hand, CSR is based on the belief that modern businesses owe responsibilities to society, which extend beyond just their obligations to investors or other internal stakeholders. Businesses frequently consider their obligations to the owners. Yet, the concept of CSR extends the notion of responsibility to encompass other societal actors, including the government, consumers, the general public, employees, and the environment. While the CSR concept is beneficial for businesses of all sizes, discussions often focus on larger corporations due to their heightened visibility and impact. As commonly observed, with great power comes great responsibility. However, this is not true, and the relationship between CSP and CSR evolves for all sizes of organizations since it brings with itself the competitive advantage, which holds good at all stages and sizes of businesses.

This research investigates the influence of CSR dimensions and assesses their subsequent effect on a company's social performance metrics. Therefore, the study examines the connection between CSR dimensions, including compliance to industry standards, corporate legitimacy, regulatory infractions, CSR initiatives (HUSSEIN, 2010), sports engagement (MONTAZERI et al., 2017), and CSP dimensions, including environmental performance, community relations, and community perception (CHEN et al., 2008).

2.11.1 Compliance with Industry Standards and Environmental Performance

An "eco entrepreneur" is an organization that cares about environmental concerns in a variety of enterprises and promotes the use of ecologically friendly goods and practices. A lot of businesses have been under pressure from the government, workers, buyers, and competitors to address social and environmental challenges. Recently, businesses throughout the world have started using CSR due to rising concern, social awareness, and government regulations (BHALLA and OVERTON, 2019). Even though there has been much research on CSR, the word has not yet been given a widely accepted definition (ARAGÓN-CORREA et al., 2008; CHA et al., 2019). Economic, social, and environmental factors are all included in CSR. Moreover, there is limited research exploring the relationship between

CSR and corporate performance; the research that does exist demonstrates that CSR improves performance. CSR is growing in importance as a component of business, as stated by GRUBOR et al. (2020). CSR has been linked to considerably improved economic growth in nano, midsize, and medium-sized enterprises by researchers who have researched the relationship (MARAKOVA et al., 2021). Consequently, researchers have primarily focused on assessing these companies' environmental performance, often overlooking their CSR initiatives. In order to improve environmental consequences, CSR may be a crucial factor to consider. It implies that it is simpler to explain the effects of certain CSR actions on the environment (HUANG, 2010). Employees' assessments of their own green performance in a similar vein aid in coordinating behavior and accountability and emphasize the importance of environmental goals, all of which improve a business's environmental outcomes (KO and LIU, 2017; ROZSA et al., 2021). Employees that place a high value on employee participation might implement eco-friendly initiatives. In addition to creative approaches to improving resource consumption and waste minimization in the workplace, every one of which contributes to enhancing the environmental results for the business. When CSR is properly implemented, it may enhance environmental performance (SHAUKAT et al., 2016; JAMIL et al., 2022). Thus, there is an existing positive relationship between CSR and environmental performance, which must be further probed in the sphere of the oil and gas industry.

2.11.2 Corporate Legitimacy, Community Relations, and Community perception

As part of its responsibilities to the communities, the MNC owed society a duty. The study supports the claim that CSR is still highly debated and that different disciplines and contexts have different ways of conceptualizing it (DAHLSRUD, 2008). The many conceptualizations of CSR have also been influenced by society's varied interests in it (MOIR, 2001). Therefore, as DAHLSRUD (2008) contends, CSR cannot be broadly defined since it is a notion created by society. Expectations within the local communities differed significantly based on different perspectives on CSR. In answer to the topic under investigation on the participants' intentions of the societies, certain participants demanded financial advantages from the firm; some wanted employment; a few expected infrastructures; while others wanted complete control over the resources. One group of the community said to "give us contracts," while others said to "do it yourself," and a third group said to "let it be anything." The character of the partnership may be summarized by these various opinions and demands. The dynamic involves an expected exchange wherein the MNC provides value for the oil extracted from local lands. It seems the local community counts on the MNC for economic and social benefits they deem as their entitlement. According to GEORGE and KUYE (2012), multinational corporations' failure to meet

the demands of the population causes much dissatisfaction among the community members. They add that the communities' desire for work, housing, food, clothes, and other necessities reflects both their drive for a better life and an effort on the part of multinational corporations to practice CSR. Despite how long the firms have been operating in the industry, the community participants tend to worry about the amount of backwardness in the region. The communities' aspirations for advancement in their respective regions have mainly gone unfulfilled (IDEMUDIA and ITE, 2006). The community members feel that despite the multinational corporation reporting billions in profits, its commitments to enhance their living standards by delivering basic infrastructure have not been fulfilled, leading them to view the company as socially irresponsible (GEORGE and KUYE, 2012). Thus, the existing literature shows that corporate legitimacy and community relations, as created by the CSR initiatives by the organizations, help in developing the community's perceptions about the organization, which is an important aspect of their performance.

2.11.3 Regulatory Infractions and Environmental Performance

The environmental aspects put a particular emphasis on problems with soil, water, and air pollution from oil spills and gas flare-ups. The community laments the region's regular gas flare-ups and oil spills when it comes to the oil and gas industry. In this area, environmental contamination brought on by the oil spill has become commonplace (AGHALINO, 2009). One of the concerns is the failure to abide by the regulatory requirements, which becomes a plausible reason for the environmental deterioration. For instance, many times, the MNC is accused by the communities of failing to replace pipelines that were put in place decades ago and frequently cause oil leaks. The MNCs, despite stating the CSR initiatives, fail to implement them in the context of being very expensive. The national governments are also charged with not developing adequate regulations to keep a check on the activities and performance of the MNCs operating in the oil and gas industry. It is essential to note that oil and gas businesses cannot be absolved of responsibility for the degradation of their environment, regardless of how much infrastructure provision falls under the purview of governments. Nonetheless, it falls upon the government to implement necessary laws to protect the environment. According to EDO et al. (2012), including the environmental issues in MNCs' CSR plans will help to further decrease violence and disorder. According to the debate thus far, it appears that the MNC views fulfilling the expectations of the communities as an unavoidable evil if the MNC is to function in a favorable and peaceful environment. This implies that fulfilling the expectations of stakeholders can play a significant role in fulfilling investor expectations. This aligns with GOYDER (2003) contention that companies ought to embrace "conviction CSR" to ensure they positively impact

individuals, the environment, and the broader world while also complying with legalities and fulfilling investor anticipations. Similarly, as suggested by GRISERI and SEPPALA (2010), CSR's effectiveness relies on acknowledging and integrating societal standards and aspirations into business processes. Thus, developing stringent laws and regulations, as well as ensuring their adherence, acts as a way of ensuring that the regulatory infractions positively impact the environmental performance of MNC corporations.

2.11.4 CSR Initiatives, Community Relations, and Community Perception

The CSR initiatives, community relationships, and community perceptions are influenced by the need to improve the company's standing and public reputation. Many CSR programs are offered by MUTHURI businesses, including those that support public health, education, and environmental preservation (MUTHURI et al., 2012), which shape positive community perceptions about the organizations. According to CADEZ and CZERNY (2010), improving ecological sustainability requires both the adaptation of corporate carbon management policies and the effective use of natural resources, which leads to fostering good community relations and perceptions.

In contrast, when the model for CSR's commitment to environmental sustainability in local communities describes CSR programs as deceptions and greenwashing tactics, including the implementation of internal energy- and carbon-efficient procedures and a strategy for green business investments that help prevent pollution and environmental damage (ASANTE BOADI et al., 2019; CHAPARDAR and KHANLARI, 2011), it deteriorates community relations with the enterprises. Due to significant negative externalities brought on by corporate activities, environmental deterioration in communities is not a recent problem; nonetheless, companies and diverse stakeholder groups have so far been unable to address it (SKOULOUDIS and EVANGELINOS, 2012).

The research by ENUOH et al. (2021) further explores the relationship between CSR initiatives and community perceptions of MNCs in Nigeria. The study concludes that there is a mutual positive benefit between both variables, implying that when MNCs invest in CSR initiatives aiming to enhance the development of the community, it leads to the existence of positive perceptions about the MNCs, which in turn leads to establishing fruitful community relationships. Another study by CADEZ and GUILDING (2017) in Bangladesh asserts that several environmental issues are becoming more widespread owing to climate change and global temperature rise (LAKE and FENNER, 2019), which contributes to forming negative community perceptions about responsible organizations.

According to HALME and LAURILA (2009), numerous kinds of environmental protection might be employed based on the corporation's charitable orientation, desire to incorporate environmental challenges, and inventive approach. These investments in the CSR initiatives create a positive perception in the eyes of community, and, thus, help build a cordial relationship with the community participants. According to community opinions, JONES and HARRISON (2019) discovered that ecological quality and life satisfaction rank as the most important factors for the nation's sustainable development. Thus, it can be enumerated from these existing studies that when corporations invest in CSR initiatives, they contribute to community development and contribute to developing healthy community relationships, which further lead to organizational success and performance. Some of the features of the CSR initiatives in favor of community perceptions and community relationships are further studied as follows:

CSR Contribution to the Cultural Welfare of the Community. The CSR contribution of the organizations must basically aim at promoting the welfare of the overall community, society, and nation at large. People typically cite healthcare, education, and culture as the three most important things in life for a modern, developed country (KNUDSEN, 2015), and thus, these must be made a critical part of any CSR initiative. The idea of CSR's role in enhancing community cultural well-being encompasses corporate support for events that uplift native cultures, spanning arts, entertainment, literature, and sports. Additionally, preserving heritage and history is essential for building a forward-thinking society (ACHARYA and PATNAIK, 2018). According to KOCHHAR (2014), cultural norms are the primary influence on how organizations execute their CSR policies. It is, however, crucial to note that the elements of cultural identity and socially responsible corporate practices are causally related (HALKOS and SKOULOUDIS, 2017). In addition, businesses want to maintain good ties with the public by learning about and monitoring cultural differences (IDEMUDIA, 2007). Thus, the existing literature implies that the CSR initiatives of corporates must promote the cultural welfare of the community.

CSR Contribution to the Development of Community Infrastructure. In developing nations challenged by issues like poverty, illiteracy, and inadequate infrastructure, firms hold a significant responsibility in CSR issues (MUTHURI et al., 2012). The CSR model underscores corporate contributions to essential infrastructure, encompassing elder and childcare facilities, schools, libraries, research hubs, medical establishments, and bridge projects (NEWELL and FRYNAS, 2007). Since consumer demand for goods and services rises along with people's level of living, donations and

investments that support community initiatives may both enhance community circumstances and be advantageous for businesses. Additionally, from a micro-level perspective, infrastructure expenditures may enhance the earnings of the overall society or community by reducing unemployment and generating work possibilities, thereby contributing to community development.

CSR Support for Local Income-Generating Activities. The corporate sector's role in promoting national social development is solely to operate efficiently and create employment opportunities for current and future generations, while recognizing the importance of CSR performance. The idea of CSR as an ability to contribute to society through income-generating activities refers to efforts made by businesses to grow human resources through vocational training, skill enhancement training, talent scouting for youth development and entrepreneurship, and the release of career development and training programs (ACHARYA and PATNAIK, 2018). Active corporations, recognizing their business potential, aim to amplify sustainable economic impacts through local employment generation, training, local procurement, and community involvement. Such initiatives help in building local infrastructure, fortifying local institutions, and contributing to reduction of poverty. Thus, the existing literature highlights the importance of CSR initiatives towards forming a positive community relationship and perception, which will, in turn, cause a win-win situation for both the organization as well as the community (society).

2.11.5. Sports Engagement and Community Perception

CSR reflects a company's dedication to ethical operations and sustainable practices, coupled with a positive societal impact. In the context of sports engagement, CSR can take several forms.

One way that CSR can be involved in sports engagement is through sponsorship of sports teams or events (PLEWA et al., 2016). By supporting sports, companies can build brand awareness and positive associations with healthy living, teamwork, and fair play. Additionally, sponsoring a sports team or event can provide opportunities for community engagement and outreach, such as offering clinics or hosting events that promote physical activity and wellness. Secondly, CSR can be involved in sports engagement through initiatives that address social issues related to sports (BRADISH et al., 2009). For example, a company might work to increase access to sports for underprivileged children or promote diversity and inclusion in sports. Companies can also work to reduce the environmental impact of sports events or promote sustainability in sports equipment manufacturing.

Furthermore, sports initiatives can be a powerful tool for improving community perception by promoting teamwork, improving health and wellbeing, providing positive role models, fostering a sense of pride, and bringing people together (ALRASHID et al., 2017; van der VEKEN et al., 2020).

2.12 CSR in Azerbaijan

2.12.1 History and Evolution of CSR in Azerbaijan

The origins of CSR in Azerbaijan can be traced back to the inaugural oil era, beginning with Baku's mechanical oil production in 1847. The years 1847-1848 saw the world's first industrial oil extraction from dug wells. This initiated Azerbaijan's oil industry expansion, culminating in a significant oil surge in Baku by the late 19th century. Prominent figures like Haji Zeynalabdin Tagiyev, Murtuza Mukhtarov, and Aghamusa Nagiyev, who amassed wealth from this boom, embarked on philanthropic endeavors, influenced by Islamic tenets. Their philanthropy, aimed at elevating the living standards of the impoverished, manifested in charitable acts, educational sponsorships, and community welfare. Although these initiatives might not align with today's precise CSR definitions, they represent the foundational stages of CSR in the region (MIRZAYEV, 2020).

During the Soviet era, beginning in 1922, the government took control of all oil fields and related industries. During this time, there is no documented evidence of CSR activities.

After 1991, Azerbaijan regained its independence, paving the way for the shift towards a market economy and allowing private ownership. However, the delayed emphasis on CSR can be attributed to a myriad of political, economic, and social challenges. These challenges include Azerbaijan's engagement in the Armenian-Azerbaijani Nagorno-Karabakh War during the 1990s, the journey towards achieving independence after 70 years under Soviet rule, the tumultuous state-building efforts amidst the transformational crisis of the 1990s, unstable economic growth, a demographic challenge, and adverse social conditions (SULEYMANOV and OSMAN, 2016).

Since 1994, Azerbaijan's oil and gas sector has actively engaged in CSR. Most of their societal contributions have targeted areas such as education, culture, scientific research, community upliftment, and assistance for the underprivileged. At present, both BP and SOCAR are at the forefront of CSR initiatives in the country, consistently releasing annual sustainability reports. These two entities remain the primary operators within Azerbaijan's oil and gas landscape (Figure 1).

Subsequently, oil companies, followed by other major businesses like banks and food industries, began launching CSR initiatives and projects (MIRZAYEV, 2020).

2.12.2 Promoting CSR in Azerbaijan

In 2011, a significant advancement in promoting CSR was the establishment of the CSR Committee by the American Chamber of Commerce (Amcham) in Azerbaijan. Regularly, Amcham arranges events that advocate for CSR and engage pertinent stakeholders (MIRZAYEV, 2020). An additional effort was the introduction of the CSR Charter in 2012 by the “Umid” Social Development Support Association. This initiative aimed to foster CSR growth in Azerbaijan, extend its reach to encompass small and medium-sized businesses, and incentivize them through state support. The charter outlines the state's role in guiding and enhancing the principles, efficacy, and outcomes of CSR (CAFAROV, 2015).

Furthermore, the first Azerbaijan Conference on Sustainable Development and CSR was held in Baku in 2015. The event aimed to foster collaboration and knowledge-sharing on sustainable development and CSR between local participants and global experts. This gathering united leading businesses, governmental bodies, and non-governmental entities from Azerbaijan. Additionally, the conference emphasized the importance of broadening conversations between government agencies, the business community, and NGOs regarding the subject (UNDP, 2015).

Since 2021, the MLSP has organized an annual awards ceremony to honor companies that are active participants in CSR events. The emphasis is on collaborating with social partners in employment programs, specifically to assist socially disadvantaged groups and the families of martyrs (MLSP, 2023).

2.12.3 Current Situation of CSR in Azerbaijan

In 2013, the Center for Economic and Social Development (CESD) undertook a research on the state of CSR in Azerbaijan. Their findings revealed that Azerbaijani companies exhibit lower levels of social engagement compared to global counterparts. Furthermore, CSR practices in Azerbaijan deviate from those in European nations. Many local firms, apart from banks, food businesses, and oil entities, view CSR primarily as philanthropy. This limited perspective often confines CSR to sporadic charitable endeavors by select local institutions, governmental entities, and a handful of private sector representatives (MIRZAYEV, 2020).

In Azerbaijan, there are no distinct legal mandates necessitating that companies acknowledge stakeholder rights or foster collaborative ties with them (GULIYEV, 2017). He further points out that the country's approach to regulating CSR is unsystematic. Notably, no dedicated laws have been

enacted addressing CSR, and no specific government body exists to endorse, encourage, or oversee CSR initiatives or coordinate the CSR efforts of businesses.

In Azerbaijan, there are no current intentions by tax authorities to amend the tax code to incentivize charitable donations. Businesses in the region hope for governmental incentives via tax reforms to foster corporate giving. According to a 2008 survey by the Economic Research Center on CSR activities in Azerbaijan, 70.3% of participants viewed tax exemptions as a primary motivator for CSR, while 19% believed that tax breaks would serve as an encouragement.

As outlined in the preceding chapter, the prominence of CSR in Azerbaijan surged following the nation's independence, particularly with the influx of foreign investments. While historical Azerbaijani entrepreneurs always engaged in acts of charity - a precursor to modern CSR - there remains a significant challenge in post-Soviet countries. Most companies lack a comprehensive grasp of business social responsibility. The global CSR regulatory frameworks established over the past quarter-century have not been fully incorporated into domestic law. Both governmental and non-governmental entities play a pivotal role in raising business awareness about their societal obligations (GAHRAMANOVA, 2022). Consequently, a top priority for Azerbaijan should be enhancing collaboration among key stakeholders, including the government, businesses, and NGOs.

3. MATERIAL AND METHODS

In this chapter, the details of the research methodology are discussed, which will guide the researcher in collecting the data, analyzing the same, and discharging the research according to the pre-defined research aim and objectives. The theory of the research philosophy, research approach, and research strategy is stated to find out the application for the stated research. The research hypotheses are also presented, which will be later tested in the subsequent chapter of the thesis. The details of the data collection and analysis are further laid out, along with the key ethical considerations practiced by the researcher while performing the research.

3.1 Research Philosophy

The collection of views and ideas concerning the creation of information is defined as research philosophy (ZUKAUSKAS et al., 2018). Whenever a researcher conducts a research study, he or she is starting on a path of creating knowledge on a specific topic or subject, which may result in a new thesis, solving a specific issue, and ultimately producing new information. Existential philosophy is related to the field of existence, defining the distinction between truth and the experience of real life and how this impacts everything (ABIDI, 2011). Practice is involved with the skill of making decisions in difficult situations to transform them, led by clear thinking. There are several research philosophies with which to align one's study, and the four primary research philosophies are positivism, pragmatism, interpretivism, and critical realism.

Positivism is a philosophical viewpoint held by researchers that require the use of an empirical method to generate law-like generalizations (GIORGI, 2009). Furthermore, it asserts that the social environment can be objectively comprehended. The researcher in positivism research philosophy is an impartial observer who, on its premise, disappears from ideals and beliefs and works independently. The term positivism refers to the importance of what is 'posted' or 'provided.' According to CRESWELL and PLANO (2011), positivism focuses on the rigorously scientific empiricist technique, which aims to produce clean data and facts that are unaffected by bias (DILLEY, 2004).

Pragmatist research philosophy centers on tangible outcomes and the importance of facts. It contends that the choice of research philosophy should be guided by the specific research question at hand. Practical results are paramount in this approach. According to LANCASTER (2005), pragmatism doesn't subscribe to a singular philosophical doctrine; instead, it offers researchers a spectrum of tools and methodologies to tailor their approach to suit their research goals and objectives. ALGHAMDI

and LI (2013) add that pragmatists reject a singular view of reality, emphasizing that reality is what occurs and exists independently of our perceptions, free from the dualism of mind and matter.

Interpretivism is a research philosophy that posits reality as subjective, shaped by individual interpretations and contextual factors (BEST, 2011; NIGLAS, 2001; STAKE, 1995). This perspective acknowledges that people perceive and construct reality differently based on their unique experiences and contexts. Interpretivism allows for the deconstruction and reconstruction of observed phenomena, facilitating the emergence of new realities. It supports the development of new theories or models, enabling researchers to make contextualized judgments and refine these conceptual frameworks. Additionally, this philosophical approach does not preclude the testing of new hypotheses or models. It allows for the assessment of the applicability of generalized theories or models to more specialized areas, examining how they can be concretely applied within each domain.

Realism as a research philosophy is centered on understanding truths and concepts within specific contexts. It's categorized into two main types: direct realism and critical realism. Direct realism is about perceiving the world as it appears to us - what we see and think is what's really out there. In contrast, critical realism acknowledges that our perceptions are influenced by our individual experiences and the specific contexts we're in (SEKARAN and BOUGIE, 2013). Critical Realism is concerned with understanding what we have seen and feel in terms of the fundamental truth structures that determine visible occurrences (SALMON, 1992). It is a case of the social constructivist approach, as individuals attempt to explain their actions.

The current research will use a mixed research philosophy, using a blend of positivism and interpretivism. The positivism philosophy is used in gauging the responses of the communities about the different CSR activities and their effects on the oil and gas companies in Azerbaijan. Since the data from these groups will be collected and converted into an objective quantitative format and then analyzed using the statistical tools of formulae and functions in SPSS, positivism philosophy is appropriate. Moreover, to gain an understanding and insight into the perspective of the oil and gas companies, the CSR managers from these companies and MLSP will be interviewed, which will be subjective, and thus, the use of interpretivism philosophy will be more appropriate here. Hence, it is determined that the current research will make use of a mixed research philosophy, utilizing the elements of both positivism and interpretivism philosophies.

3.2 Research Approach

Research approaches are comprehensive strategies that encompass fundamental principles, methodologies, and techniques for data collection, processing, and analysis (BEST et al., 2011). The research process starts with one or more questions about a specific phenomenon of interest. The research approach is essentially the overarching plan and method used to conduct the investigation. This approach can be categorized into three types: the deductive method, the inductive method, and the abductive approach, each representing a different method of reasoning. The main difference between deductive and inductive approaches lies in their use of theories. The inductive approach encourages the development of new theories and generalizations, while the deductive approach tests the validity of existing theories or hypotheses. On the other hand, abductive research starts with unexpected facts or puzzles, aiming to explain them. The deductive approach examines the relationships between variables by testing hypotheses formed before the research. The inductive approach, however, doesn't start with hypotheses but rather focuses on research problems and objectives that need to be addressed. In contrast, the abductive approach aims to explain incomplete observations or surprising facts identified at the beginning of the research.

From the discussion, it's clear that the present study will adopt a mixed research approach, combining elements of both deductive and inductive methodologies. The deductive aspect will involve developing and testing variables through surveys within the communities of Azerbaijan's oil region, aiming to assess the effectiveness and validity of CSR initiatives undertaken by the oil and gas sector. Additionally, the study will gather insights from managers within the oil and gas industry, which will aid in formulating a new theory regarding the CSR practices of these corporations.

3.3 Research Strategy

Research strategies are the methods and processes used to collect, analyze, and interpret data. These strategies are important because they provide a structured plan that guides researchers in their work. The main goal of setting a research strategy is to define the key parts of the study such as the research question, focus areas, main components, study design, and the methods to be used. The overall choice entails deciding the methodology to utilize to explore a topic. NEWMAN and BENZ (1998) provided that there are three important research strategies, namely qualitative, quantitative, and descriptive, that can be used by the researcher.

A qualitative approach is generally used when the aim is to understand the underlying reasons or people's perspectives on specific aspects of a situation. This strategy doesn't rely on numerical data.

Instead, it provides insights into the research problem, which can help achieve the research objectives. (PICARD, 2000). Interviews, inspections, clear assessments, and group discussions are some of the methods of qualitative research.

The quantitative approach involves gathering data in numerical form, either through primary methods like surveys, questionnaires, and polls, or through secondary sources. This method focuses on quantifying aspects of a phenomenon - addressing questions of what, when, where, and how often something occurs (PICARD, 2000).

The descriptive approach is used when the researcher aims to describe a particular situation or phenomenon. It involves observing and noting the behavior patterns of individuals, communities, or institutions in an unaltered environment, distinguishing it from other research methods. Tools like surveys, observations, and case studies are primarily employed in this methodology to collect data and understand particular characteristics (PICARD, 2000).

The current research makes use of quantitative and qualitative research methods to fulfill the pre-determined research aim and objectives. The quantitative research method will be used to collect the data from the communities using a survey questionnaire. The findings from this survey data will be converted into a numerical format using coding, and then a statistical analysis will be undertaken to derive the findings. Moreover, the qualitative research method will also be used in gauging the opinions and perceptions of the CSR managers working in the oil and gas industries and MLSP, using one-to-one interviews, which will be in an abstract format without the potential to be expressed in a quantitative format. Furthermore, the document analysis will help examine the CSR views of two large oil companies operating in Azerbaijan.

3.5 Data Collection Methods

The data for research can be collected by the researcher using two methods, namely primary and secondary research methods. Under the primary research method, the data is collected for the first time to directly answer the research questions of the study. It is up-to-date, fresh, and in real-time (DOUGLAS, 2015). In contrast, secondary research entails the use of data that was collected in the past by another researcher. That is, the data under secondary research is extracted from any published primary sources, which may have been collected in the past. It does not directly serve the purpose of the research (DOUGLAS, 2015). The primary data is collected using different sources and instruments like surveys, interviews, observations, and field studies, while the secondary sources are journals, books, articles, industry reports, and other published sources (AJAYI, 2017). This study will make

use of both secondary and primary data. Thus, this research will utilize primary research, such that the data is collected first-hand by the target respondents to meet the research objectives and answer the research questions. The researcher will create a survey questionnaire, and the same will be filled out by the communities in Qaradagh district. The district is the most important region for Azerbaijan's economy because it is home to a number of oil and gas companies that operate in the region. However, the industry has also had negative impacts on the environment, health, and safety of the people living in the region. Therefore, there is a growing expectation among the local community, civil society, and government that companies operating in the Qaradagh region should take responsibility for their social and environmental impacts and contribute to sustainable development. Moreover, one-to-one interviews will be held with CSR managers of BP and SOCAR to source data for answering the research questions.

Furthermore, for the secondary data, the researcher will undertake a document analysis such that the CSR reports of BP and SOCAR, currently operating in Azerbaijan, will be analyzed to draw meaningful interpretations of the CSR activities.

The data is collected using two sources, which are further discussed below.

3.5.1 Qualitative Data Collection Methods

3.5.1.1 Document Analysis

Document analysis is one of the successful qualitative research methods under which the researcher performs an in-depth investigation of the subject at hand (KUMAR, 2012). This analysis helps the researcher draw meaningful inferences about the messages and draw conclusions. The aim of the analysis is to understand and compare the initiatives taken by SOCAR and BP by proposed CSR dimensions, including compliance to industry standards, regulatory infractions, corporate legitimacy, sports engagement, and CSR initiatives (CHEN et al., 2008; MONTAZERI et al., 2017), which will be further helpful in complementing the interviews. For this purpose, the annual CSR reports for SOCAR from 2017-2021 and for BP from 2015-2019 will be gathered as secondary data through an online search on their respective official websites.

Furthermore, longitudinal analysis will also be implemented in the study to examine and understand the trends, patterns, and changes in CSR practices and disclosures over a period of time. For the purpose of conducting a longitudinal analysis, the most recent five years' published CSR reports of the companies will be utilized.

3.5.1.2 Interview

The research will also make use of another qualitative research method, namely one-to-one interviews. Collecting data from research interviews is considered an effective means of exploratory research phase (SAUNDERS et al., 2016). BRYMAN and BELL (2015) added that interviews add value to any research since they help in collecting valid and reliable data and information from the respondents in light of the pre-determined research aims and objectives.

Firstly, the CSR managers (heads of social departments or equivalent departments dealing with CSR) of BP and SOCAR will be one-to-one interviewed to gain their perceptions about the real understanding of CSR policies and initiatives by their organization and the relationship with the communities by the organization. These individuals play a pivotal role in shaping and driving a company's social responsibility agenda and engaging with the planning, development, and implementation of policies related to CSR. The interview with SOCAR was conducted in December 2002, and the interview with BP was conducted in August 2023.

Furthermore, MLSP (head or senior consultant of the public relations department) in Azerbaijan will also be interviewed as a stakeholder to gain insights into their perceptions regarding the topic. Currently, MLSP is a government agency responsible for labor and social welfare policies. Their involvement will bring valuable expertise, insights, and a comprehensive understanding of the societal impact of CSR initiatives. Additionally, MLSP is a vital stakeholder entity that holds a significant interest in labor rights, social welfare, and sustainable development. Engaging with them can help identify their expectations, concerns, and priorities regarding CSR, enhancing the relevance and impact of the research findings. The interview with MLSP was conducted in January 2023.

It should also be noted that all the interviews were not conducted anonymously and directly contributed to revealing participants' opinions on the topic. According to the ISA ethical code, researchers should maintain the confidentiality of personal information sources unless the participants have given permission or expressed a desire to be acknowledged (EU. COMMISSION, 2001). In these interviews, the participants were informed and agreed about it.

Interview Structure. SAUNDERS et al. (2016) assert that semi-structured interviews are well-suited for collecting data under exploratory research. Since it provides an in-depth understanding of the subject of the research within a framework that supports the characteristics of a structured questionnaire as well as detailed information, it can be gauged that the structured questions, that

effectively serve the research questions. There is also some freedom for the researcher due to the possibility to alter any questions, as per the responses of the respondents, to gauge the clarity of the answers obtained from them (KUMAR, 2012). Furthermore, the interview will be conducted by interviewing “experts” in the subject, which is one of the primary methods of conducting exploratory research (SAUNDERS et al., 2016).

Expert interviews will be held with CSR managers from SOCAR and BP to ensure systematic and thorough expertise is collected, allowing for a high level of data comparability (ALEXANDER et al., 2009).

During the initial part of the interview, interviewees will be asked two broad questions focusing on their perception of CSR and its significance to the company. The second part will consist of four questions that based on the CSR dimensions, including compliance to industry standards, regulatory infractions, corporate legitimacy, sports engagement, and CSR initiatives (CHEN, 2008; MONTAZERI et al., 2017), which were proposed by the researcher.

The interview with MLSP, as an external stakeholder, will revolve around three questions also pertaining to CSR dimensions, as outlined in Appendix 3.

Interview Analysis. Responses from the interview were documented using the note-taking technique and subsequently transcribed into a textual format in Microsoft Word. In the case of SOCAR and BP, the responses of the interviewees will be assessed with the help of Voyant tools. Voyant Tools is a web-based software program used for text analysis. It allows users to upload text documents or web pages and perform various types of analyses, such as word frequency, topic modeling, and sentiment analysis. Voyant Tools is free to use and open source, meaning that its source code is publicly available for others to use and modify (HETENYI et al., 2019). In particular, the CyruSS tool will be used to demonstrate qualitative data in quantitative terms. It is a word cloud generator is a tool that visualizes the frequency of words in a given text. The most commonly used words are displayed prominently at the center of the cloud and in larger font sizes. The tool often includes a "Stop word" function, allowing users to omit common words or set a limit on the number of words extracted from the corpus. (HETENYI et al., 2019).

Moreover, the responses of the interviewees for MLSP will be assessed with the help of content analysis. KUMAR (2012) asserts that content analysis will enable the researcher to take the content of the interviews and thoroughly assess it to create themes and sub-themes. The interviews will help

to validate the findings of the quantitative analysis, as well as draw new theories and conduct in-depth research about the CSR activities and community relations of the oil and gas industries in the Garadagh oil region.

3.5.2 Quantitative Data Collection Methods

3.5.2.1 Quantitative Survey

Surveys are one of the oldest and most widely used research instruments used by researchers to collect data. In this research, structured survey questionnaires are used so that quantitative data can be collected and analyzed using statistics (SAUNDERS et al., 2016). The surveys can be circulated among the target respondents by either mailing them electronically or even using face-to-face or personal meetings (BRYMAN and BELL, 2015). A structured questionnaire will be used to collect the data from the respondents, namely the community members. The details for the same are further stated as follows:

3.5.2.2. Questionnaire Content

The data is gathered from selected participants using a survey questionnaire. The rationale for selecting a structured questionnaire evolves from the fact that it covers the aspects and pros of both the structured and unstructured questionnaires. The majority of the questions in this will be asked with the help of closed-ended questions, such that the questions have given options. Some of the advantages of using closed-ended multiple-choice questions are that they provide ease to the respondents and researcher in processing information and are known to be more reliable in testing specific hypotheses (AHMAD, 2012). The survey questionnaire used for extracting the responses of the communities is stated in Appendix 3.

As mentioned in the literature review, CSR dimensions (HUSSEIN, 2010), sports engagement (MONTAZERI et al., 2017), and CSP dimensions (CHEN et al., 2008) will be the variables for the quantitative study. However, the survey questions were adopted from different researchers, as listed in Table 3-1. 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 3-1). 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 3-1: 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
Corporate Social Performance Scale	Environmental Performance (EP)	TURKER (2009)	6	Five-point Likert scale
	Community Perception (CP)	NOWELL and BOYD (2014)	6	Five-point Likert scale
	Community Relations (CR)	OBERSEDE et al., (2014)	5	Five-point Likert scale

Source: created by the author (2023)

It should also be noted that while document analysis allowed for some level of comparison between BP and SOCAR, the primary focus of the research did not segregate opinions distinctly for each company. This was primarily due to the frequent and collaborative nature of CSR activities in the Qaradagh region, which made it challenging to evaluate stakeholder perceptions exclusive to each.

3.5.2.3 Sampling Procedure

The sampling methods can be divided into two groups: probability and non-probability (KUMAR, 2012). The possibility, or probability, of each example being selected from the population is usually equal for all cases when using probability samples. Non-probability sampling designs are used when the number of elements (subjects) in a population is unknown or cannot be counted individually. This means that the sample can be used to answer research questions and reach goals that require the use of statistics to estimate the characteristics of the population. Hence, in this study, non-probability sampling will be used because of the inherent challenges in obtaining a complete and accurate listing of the entire target population in the Qaradagh region. Moreover, previous CSR researchers have also used a non-probability sampling for their quantitative studies related to stakeholders (OMOTOLA, 2017; SAEIDI; 2019; AL-DAAJA, 2020). Thus, the research will utilize the non-probability sampling method.

Sampling frame: A sampling frame is a comprehensive list of all of the elements (subjects) in a population from which a sample will be selected (KUMAR, 2012). In this research, the members of Qaradagh district communities will be the elements, particularly the citizens. Currently, the region has a population of 123,614 and features a variety of residential accommodations, such as blocks of flats and houses with gardens. The district continues to be a major hub for oil and gas production, with many oil companies operating in the area, including SOCAR and BP (SSC, 2023).

First, the researcher undertook an effort to identify potential respondents for the study who had participated in or been affected by the CSR activities of the oil companies. With the assistance of a trusted associate employed at the Qaradagh municipality, a list comprising these individuals' names and mobile numbers was obtained. Due to the sensitive nature of the region, the researcher identified appropriate locations to administer the questionnaire. By personally reaching out to selected respondents, invitations were extended to selected venues, primarily educational institutions and business establishments. Hence, most of the questionnaires were handed out by hand in these locations. Additionally, Google Forms (online) had also been used to conduct the survey. The researcher worked with a team of four graduated students who were well trained to ensure the fieldwork ran smoothly and consistently. In total, it took 10 weeks of diligent effort, calling respondents to invite them to participate in the survey, from March until mid-May.

Sample size: The number of people from whom you collect the necessary information is referred to as the sample size. SAUNDERS et al. (2016) stated the importance of level of certainty and margin

of error due to the fact that the characteristics of the data obtained will be representative of the overall population. In this research, the level of certainty will be 95%, and the margin of error will be determined at 5%, as researchers normally choose to work. SMITH (2013) pointed out that the confidence level is associated with the Z-score required for any given research formula. In this case, the Z score will be 1.96, which aligns with the 95% confidence level. Moreover, the standard deviation was determined to be 0.5.

The desirable sample size is calculated as follows:

$$\text{Sample size} = (Z - \text{score})^2 * \text{Standard deviation} (1-\text{Standard deviation})/(\text{margin of error})^2$$

In this case, calculation will be as below:

$$\text{Sample size} = (1.96)^2 * 0.5(1-0.5)/ (0.05)^2=(3.8416* 0.25)/ 0.0025=0.9604/0.0025 = 384.16$$

$$\text{Sample size (n)} = 385$$

Sampling technique: This study focused on stakeholders that engaged with or were impacted by the CSR activities of two oil companies in the Qaradagh region. Drawing from the diverse stakeholder categories outlined in the literature review, the focus is primarily on local community members.

Researchers use the purposive sampling technique when they are interested in studying a specific population or subgroup that may be difficult to access or locate, or when they want to target participants who have unique or specialized knowledge or experiences that are relevant to the study (SAUNDERS et al., 2016; KUMAR, 2012). Therefore, the researcher used purposive sampling, which deliberately selects participants who are most likely to provide rich and informative data that can answer the research question or help achieve the study objective due to their specific knowledge, expertise, or experience in CSR. (BABBIE, 2007; KUMAR, 2012). This technique is used in studies relating to various aspects of CSR (for example, OMOTOLA, 2017; SAEIDI; 2019; CHUKWUKA, 2020). Furthermore, in some studies, purposive sampling was found to be sufficiently representative (van HOEVEN et al., 2015).

To conduct purposive sampling, selection criteria encompassed factors such as duration of engagement with CSR initiatives and active community participation, ensuring the richness of the data. Thus, the researcher collaborated with a friend employed at the Qaradagh municipality to identify potential participants fitting the criteria.

3.5.2.4 Data Analysis

The data collected using the survey questionnaires will be analyzed using SPSS software. First, the data will be exported to Microsoft Excel and then to the SPSS software. After undertaking proper coding, a number of tests will be run. Firstly, a missing value analysis will be performed to ensure that all the questionnaires are properly filled out and to avoid any incidence of bias. Next, the data will be tested against the inclusion criteria to ensure that the questionnaires represent the population. Thereafter, a reliability test for each of the factors will be performed to find out whether the data is reliable and be considered for further analysis. A score of more than 0.7 on Cronbach's alpha will be considered acceptable. Finally, different analyses, including frequency, cross-tabulation, correlation, regression, t-tests, and ANOVA, will be performed to test the hypotheses and answer the pre-determined research questions.

3.6 Ethical Consideration

In research, ethical considerations encompass a set of principles that guide the design and conduct of studies. When collecting data from individuals, researchers must adhere to specific ethical guidelines. Ethical considerations revolve around what you choose to investigate and how you conduct the research. These concerns aim to safeguard the rights of study participants, enhance the validity of research, and uphold professional integrity. The primary and foundational ethical consideration in research is the legitimacy of research questions. Research is conducted with the aim of obtaining answers to specific inquiries, and it is imperative that the study's conclusions are in harmony with the initial research questions. A failure to ensure this alignment constitutes an ethical violation. A significant proportion of research studies involve the participation of individuals. To adhere to ethical principles, researchers are obligated to provide comprehensive information to participants regarding all research activities and secure informed consent before commencing these activities. It is a fundamental right of participants to be adequately informed about the research process.

In this research, several vital ethical considerations include the research study's objectives, expected outcomes, and potential adverse effects on the supporting participants. Among these considerations, the utmost importance lies in safeguarding the privacy of participant information. Privacy, a cornerstone of research ethics, stipulates that any information provided by participants must remain confidential and inaccessible to anyone other than the researcher, even under specific circumstances. This strict confidentiality is maintained to protect participants from external risks. Additionally, privacy ensures that identifiable participant details are not disclosed in research papers or other

published materials.. Thus, while collecting the data using both surveys and interviews, the volunteers are always referred to as nameless (SAUNDERS et al., 2016). No efforts are made to reveal or extract the personal details of the respondents or to seek any personal information about their organization. Moreover, they were given the right to opt out of the survey or interview anytime they felt uncomfortable. They were also not forced to answer all the questions. It is also ensured that their responses will not be used for any other purpose and will be destroyed as soon as the research is complete, according to the guidelines of the university and the guidelines of the ISA ethical code.

4. RESEARCH FINDINGS AND EVALUATION

4.1. Qualitative Results

The findings from the qualitative research will be presented in the next section:

4.1.1 Document and Interview Analysis

Before examining the CSR initiatives of the companies, the key highlights of their operations are provided. Therefore, a longitudinal analysis is conducted to present an overview of companies' performance over the last five years. The document analysis is then performed based on CSR dimensions for two oil companies in Azerbaijan, namely SOCAR and BP, with their latest published sustainability reports being from 2021 and 2019, respectively. In the context of BP, the publication of sustainability reports has ceased since 2019. Instead, on its official website, BP now provides brief updates related to CSR activities.

For the interview part, unfortunately, one expert from each organization (BP, SOCAR, and MLSP) participated, making the sample size quite limited. In this case, the triangulation approach will be used to improve the validity and reliability of study findings by cross-verifying and correlating data from various sources (HUSSEIN, 2009). According to BABBIE (2007), triangulation is a research approach that utilizes various methods or sources of data to examine the same topic. Furthermore, in the context of interview analysis, triangulation can be applied by combining interview data with other sources, such as document analysis (FARMER et al., 2006).

General overview. In 1992, BP opened its first office in Baku and has been investing in the Caspian region to become one of the leading oil and gas producers in Azerbaijan and the world. Since its inception, it has invested more than \$75 billion in capital expenditure to build its operations on multiple production platforms. Moreover, it invested more than \$4.2 million in social programmes and educational initiatives in Azerbaijan in 2019 (BP, 2019).

In contrast, SOCAR, established in 1992, played a significant role in Azerbaijan's oil and gas production. The company's substantial contribution to the energy sector has been instrumental in driving Azerbaijan's economy. In 2021, SOCAR demonstrated its commitment to social responsibility by investing \$153 million in various community initiatives, highlighting its dedication to supporting local communities and fostering sustainable development (SOCAR, 2021).

The companies' operations are also contributing to national economic development. SOCAR is one of the largest taxpayers in the nation, which helps enhance of economic development by directly contributing to the state budget. In 2019, it paid a total tax of \$6.836 billion. In contrast, the total amount of tax contributed by BP in Azerbaijan in 2019 amounted to \$272 million (BP, 2019).

Both companies prioritize the attainment of sustainability development goals. BP is actively engaged in sustainability initiatives, with a focus on enhancing safety and efficiency in its Caspian region operations to contribute to sustainable development. Their sustainable operations encompass key areas such as fostering a diverse and skilled workforce, ensuring safe, reliable, and compliant operations to mitigate operational risks, managing environmental impacts, and enhancing the quality of life while positively impacting communities.

Similarly, SOCAR acknowledges the critical facets of sustainability observed during their oil and gas operations, which fall into three significant categories: environmental, economic, and social issues. They also recognize the various stakeholders affected by their sustainability objectives, including the company itself, employees, local populations, society at large, consumers, competitors, and investors.

4.1.1.1 Last Five Years' Performances of SOCAR and BP

SOCAR. The company ensures to spend a substantial portion of its earning on social upbringing and development, which shows consistent growth over the past five years.

Table 4-1: Last five years' performance of SOCAR

	2017	2018	2019	2020	2021
Operations					
Oil production, thousand tons	7,427.1	7,542.3	7,683.1	7,047.2	7,889.9
Gas Production, million m3	6,089.1	6,525.6	6,818.6	7,344.0	7,860.8
Oil Processing, thousand tons	5,815.5	6,090.5	6,194.4	5,899.0	6,657.7
Gas Processing, million m3	2,918.3	2,952.2	3,215.0	3,707.5	3,549.7
Employees and Safety					
Total employees in Azerbaijan	50,424	51,125	51,695	50,861	48,870
Employee Turnover	7%	3%	2.80%	1.70%	1.40%

	2017	2018	2019	2020	2021
Occupational health and safety expenditures (in million USD)	11.7	13.45	13.84	13.51	12.25
Total number of accidents	10	11	10	18	12
Number of days lost due to occupational injuries	238	358	1,564	1,491	1,114
Accidents' frequency ratio (number of accidents per 1000 employees)	0.5	0.22	0.12	0.36	0.244
Training hours per employee (senior management)	NA	5.2	7	5.2	12.3
Training hours per employee (Specialist)	NA	3.4	10.9	3.4	10.4
Training hours per employee (technical personnel)	NA	2.2	2.3	2.2	11.2
Total Social Expenditure (in million USD)	NA	61.8	69.4	100.5	153.5
Environmental					
GHG emissions, thousand tons of CO2	6,567.70	6,654.30	7,904.30	6,540.80	7,332.00
Methane emissions (CH4) (in '000)	126.7	130.9	138.7	122.4	146.8
Electricity consumption (thousand kWh)	10,93,796	10,59,426	12,20,221	11,00,704	11,76,429
Total wastewater generated (thousand m3)	6,983	6,832	7,593	8,740	7,953
Environmental Expenditures (in million USD)	11.6	14.2	11.2	10	15.2

Source: SOCAR (2021)

The sustainability indicators for SOCAR are also provided using different heads, namely operations, employees, safety and occupational health, and environmental indicators. Just like BP, SOCAR also reports a large number of CSR measures every year on a consistent basis. The operational indicators are reported in terms of the production and processing of oil and gas, which shows consistent growth from 2017 to 2021. The number of employees has also been consistent, except for a smaller dip in 2020-2021, due to COVID-19 and other market conditions. There has been a significant improvement in employee measures, as the employee turnover ratio showed a high improvement from 7% in 2017 to 1.40% in 2021. The health and safety of the employees are witnessed in terms of a low number of total accidents, a decrease in the number of days lost due to occupational injuries (a major dip since 2019), a drop in the accidents' frequency ratio, and a rise in the total number of training hours for

different employee categories. The total emissions in different greenhouse gases, carbon dioxide, nitric oxide, methane, and wastewater generated measures have improved by 2020, but then in 2021, these measures rose marginally. Finally, the investments by the company in occupational health and safety and social and environmental expenditures also show a consistently high and growing amount, signifying a high commitment from the management towards CSR sustainability measures.

BP. The sustainability initiatives undertaken by BP are categorized into five different heads, namely key operating activities, financial, safety, employees, environment, and total social spend. The different measures and their performance by the company from 2015 to 2019 are summed up in Table 4-2.

Table 4-2: Last five years` performance of BP

	2015	2016	2017	2018	2019
Operations					
Total hydrocarbons produced (thousand barrels of oil equivalent per day)	903	908	858	871	928
Financial					
Operating expenses (total gross spend \$ million)	1,445	1,117	1,069	1,238	1,296
Capital expenditure (total gross spend \$ million)	7,430	6,180	4,873	2,988	2,654
Safety					
Fatalities (employees/contractors)	0	0	0	0	0
Day away from work cases- workforce	2	3	2	1	2
Day away from work case frequency – workforce	0.01	0.01	0.01	0.01	0.02
Recordable injuries- workforce	17	22	19	6	13
Recordable injuries frequency- workforce	0.08	0.07	0.09	0.05	0.13

Environment	2015	2016	2017	2018	2019
Direct methane (CH ₄), gross (thousand tonnes)	5.9	5.9	4.3	5.3	6.4
Direct greenhouse gas emissions, gross (thousand tonnes CO ₂)	3,400	3,543	3,331	3,699	3,830
Flaring (exploration/production) (tonnes)	203,651	195,893	153,425	241,856	287,662
Non-methane hydrocarbon, (tonnes)	2,438	767	882	1,040	1,148
Volume of oil spilled (litres)	4,463	67,372	4,116	1,695	25,470
Volume of oil unrecovered (litres)	835	15	0	0	0
Operational discharges to water- drill cuttings with synthetic-based mud (tonnes)	2,753	1,322	450	0	1,210
Employees					
Number of employees of BP in Azerbaijan	3,150	3,243	3,135	2,897	2,836
Number of professional staff of BP in Azerbaijan	3,150	3,211	3,108	2,874	2,813
National	2,735	2,785	2,686	2,511	2,491
National (%)	86%	87%	86%	87%	89%
Expatriate	415	426	422	363	322
Senior level Azerbaijani managers	275	314	343	358	365
Social Spend					
Total for BP and co-ventures in Azerbaijan (\$ million)	4.5	1.5	5.7	4.1	4.2

Source: BP (2019)

Referring to the data in the table above, BP has been consistent with its sustainability initiatives for five years (2015-2019). In terms of operating activities, there is a consistent rise in the total hydrocarbons produced, which are useful in many other industries, namely chemicals, plastics, synthetic rubber, and the generation of fuels and energy. Thus, these figures show that BP operates as one of the largest integrated hydrocarbon processing terminals and pipelines globally, linked to regional and global markets. The financial progress of the company is viewed in terms of operating

and capital expenditure, which have shown a mixed trend of growth owing to turbulence in the industry and global demand.

The safety statistics are important and show that the company undertakes its operations keeping in view the safety and reliability aspects of the operation. The number of fatalities to employees as well as contractors has been reported to be zero over the past five years, and the number of days away from work for the workforce has also been very minimal. The proportion of recordable injuries is also less than 1% (except in 2019, when it reached 0.13).

In terms of environmental impacts, they are high due to the nature of the operations, which are measured in terms of emissions of direct carbon dioxide, methane, sulfur dioxide, nitrogen oxides, non-methane hydrocarbons, and flaring. The company also accounts for the volume of spillovers each year. This shows that the reporting practices of BP are sound and consistent. The company employs a high proportion of nationals in its workforce, which implies its accountability and consideration for regional economic development in terms of employment opportunities.

4.1.1.2 Compliance with Industry Standards

BP provides an annual internship program for young interns, along with other initiatives for the development of the technical, managerial, and behavioral aspects of the workforce. Moreover, plans to provide financial assistance for the continuous professional education of employees are another initiative towards the development of employees. Other training includes leadership development, a certification course using well-controlled simulations, site-specific training modules, challenge programs, and language training (BP, 2019).

For SOCAR also, training and development of the employees are significant. It has implemented and successfully run the Human Resource Functions Transformation Program. Some of the training programs include direct assistance to employees, the selection of young specialists for education at prestigious foreign universities, exchange programs, and scholarship programs. Some other initiatives for the development of employees at SOCAR are Young Workers Training, the Overseas Scholarship Program, the Internal Scholarship Program, the Unpaid Internship Program, and ASAN Volunteer Internships at SOCAR (SOCAR, 2021).

Another important aspect of CSR initiatives that benefits society is the overall well-being of the employees by preserving their occupational health and safety. By ensuring occupational safety, the violations, spillovers and other detrimental effects of its operations are minimized, which leads to

overall health, safety, and enhanced standards for the community members. BP continuously strives to improve its operational safety measures and, thereby, record a decrease in potential incidents at work. Some of the measures to promote workplace safety are risk management practices, risk prevention, and reduction barriers; a systematic process for barrier health reviews; the implementation of data analytics to support risk barrier assurance activities; an installed robotic crawler for inspection of operating crude oil storage tanks at operating terminals; and a pigging program (BP, 2019).

SOCAR also ensures employee well-being and occupational safety, which are priorities of the company. In 2021, the company took steps to renew the certificates for certain facilities. These certificates, such as ISO 9001 and 14001, are internationally recognized standards that demonstrate the company's commitment to quality management and environmental practices. Safety educational programs are also conducted regularly at the company. Safety training initiatives for offshore operations comprise multiple elements such as introductory safety briefings, foundational training, and guidance for staff on both stationary offshore platforms and floating drilling units. Moreover, these programs incorporate survival strategies, the operation of individual rescue gear, and elementary aquatic abilities for personnel on offshore oil platforms and maritime vessel crews. Additionally, they include fundamental offshore safety induction and emergency training, as well as instruction in firefighting. For senior executives, there is guidance on organizing fire brigade teams for stationary offshore platforms and floating drilling rigs. Furthermore, safety training programs offer specialized training for maritime workers and a range of other relevant courses.

In the interview, the respondents from BP and SOCAR were asked about the industry standards that are currently being used by their companies. As demonstrated in Figure 4-1, “standards”, “risk”, “management” and “ministry” are the most frequent terms, 24, 19, 16, and 16 times, respectively, throughout the discussion in the interview.



Figure 4-1. Interview question 3

Source: Own editing using www.voyant.tools.org. (2023)

This suggests that the discussion about industry standards is centered around issues related to management practices and government regulations. The mention of "standards" and "management" suggests that the focus is on internal management systems and practices that ensure compliance with industry standards. The term “risk” emphasizes a focus on risk management and mitigation, and the mention of "ministry" suggests that there is a strong regulatory component to the discussion.

Additionally, the respondent from MLSP also added the point below.

“At the Ministry, our job is to look out for workers and ensure companies play by the rules. So far, we're pleased to see that oil companies are doing things the right way and following industry standards. We haven't come across any issues with how they operate. As things change, we're committed to updating our rules to keep them relevant and make sure everyone benefits.”

4.1.1.3 Corporate Legitimacy

BP provides employment to local citizens. In 2019, the company employed a total of 2836 employees, of whom 90.7% were local citizens of Azerbaijan. The strategy of BP is to employ people based on talent and skill sets, with the majority of people being nationals. Also, BP believes in employing a diverse workforce and employs about 19% of the female staff and expatriates from the US, UK, Australia, Brazil, Canada, Egypt, France, Indonesia, India, Oman, Russia, and Turkey. By offering employment to the locals, the company is maintaining high corporate legitimacy since it not only employs but also invests in the development and growth of these community members (BP, 2019).

In contrast, a total of 48,870 employees were employed by SOCAR Azerbaijan in 2021. However, there is no disclosure of the number or proportion of employees from the local community or citizens of the country. Moreover, SOCAR actively employs young specialists, people from internally displaced families, low-income families who suffered during the COVID pandemic, and those belonging to vulnerable or marginal groups. Additionally, SOCAR prioritized corporate governance by maintaining a strong board of directors and implementing robust internal controls (SOCAR, 2021).

4.1.1.4 Regulatory Infraction

Adhering to regulations and laws regarding environmental preservation and protection are vital aspects of the CSR initiatives of oil and gas companies. This aspect is significant since environmental degradation is directly associated with community health and well-being. Some of the areas that are disclosed with respect to environmental impacts are environmental management, low-carbon advancements, discharges and waste management, and environmental monitoring.

BP adheres to the ISO 14001 Environmental Management Systems Standard as well as the Compliance Management System. The company utilized an environmental self-verification process that controls the operational activities as well as pinpoints improvement areas. These include being a founding member of the Global Gas Flaring Reduction Public-Private Partnership, participating in the World Bank's initiative to achieve Zero Routine Flaring by 2030, collaborating with the Climate and Clean Air Coalition through the Oil and Gas Methane Partnership, and contributing to the efforts of the Oil and Gas Climate Initiative. The company has reported the emissions of different hazardous chemicals and oil spill incidents over the years, along with the reasons and measures taken.

Other major areas of environmental impact are discharges and waste management. BP adopts a life-cycle approach to manage the waste discharges that emerge from its operations. The company could successfully reduce waste discharge over the years by restoring the cutting of reinfection wells on various platforms, reusing and recycling initiatives, and maintaining compliant sewage treatment performances. Apart from these, the company also actively conducts environmental monitoring surveys surrounding the operational facilities and regional contract areas to learn about the impact of the operations. All these initiatives are an important aspect of adhering to the regulations and laws, which in turn help preserve the surroundings, causing a lesser negative impact on the community members (BP, 2019).

SOCAR is also vigilant about the environmental impacts and monitoring of its operations and adheres to all regulations and laws. Every year, it undertakes capital expenditure toward the environment. For instance, in 2021, it spent about 15.2 million USD to eliminate the environmental impacts of its upstream, midstream, and downstream operations. Annually, the company conducts environmental assessments conducted by experts to evaluate the efficiency of managing various environmental aspects. These assessments focus on areas like the management of produced water, the impact of drilling on marine ecosystems, land use for oil sludge collection and industrial wastewater in onshore regions, wellhead equipment leakages, adherence to the Waste Management Plan, and the effectiveness of waste and produced water reporting. The company also installed a dedicated Complex Research Laboratory to test the samples from all the facilities. Some other initiatives taken by the company to ensure environmental protection are monitoring operations using the Geographic Information System (GIS), installing biological treatment plants, managing household sewage water management, and rehabilitating oil and gas-contaminated extraction sites through mechanical and biological reclamation.

Furthermore, SOCAR has been diligently meeting Azerbaijan's commitments under the Paris Agreement. At the COP26 Conference in Glasgow in November 2021, the Government of Azerbaijan made a new commitment to combat climate change. This commitment includes a pledge to reduce emissions by 40% by 2050. The company also manages the associated gas by adopting the 2010-2015 and 2017-2022 plans, in cooperation with the World Bank's Global Gas Flaring Reduction Partnership to reduce the emissions from the operations. Other measures include measures for detecting sources and volumes of leaks, the use of alternative energy sources (wind and solar), biodiversity protection, and greenery planting measures (SOCAR, 2021).

Furthermore, in the interview, the respondents from BP and SOCAR were questioned about the regulatory infractions that are currently in place at their respective companies. Figure 4-2 demonstrates the most frequently used terms during the interview. "Emissions" are used twenty-four times, whereas "waste" and "ISO" are used eighteen and sixteen times, respectively.



Figure 4-2. Interview question 4

Source: Own editing using www.voyant.tools.org, (2023)

The discussion seems to revolve around organizations' environmental impact, particularly their emissions. The reference to "waste" also indicates that the organization's waste management practices may be a concern in terms of regulatory compliance and CSR. The mention of "ISO" suggests that BP and SOCAR are working to comply with relevant ISO standards related to environmental management.

4.1.1.5 CSR Initiatives

The next important dimension of CSR is the initiatives towards society and the community. Some of the aspects that are covered in this aspect are stakeholder engagement, enterprise development, working for communities, and support for education and culture.

BP regularly engages in a wide range of stakeholder relationship-building activities and maintains strong ties with the government, journalists, and politicians, among others. It also actively invests in enterprise development programs to support the capability development of the business sector in the country. For instance, the total investments in this endeavor amounted to USD \$3 billion, which involves operating with local suppliers and small and medium-scale enterprises. The company also aims at building mutually beneficial relationships with the local communities, making them aware of their operations and plans, employing community liaison officers to manage community-related concerns and grievances, and undertaking project lenders' consultant reports and site visits. Some of the local development initiatives include investing in local education, building locals' skills and capabilities, providing finances and training to enterprises to enhance their growth, developing the English language skills of locals to support employment opportunities, livelihood generation projects to support vulnerable communities, social infrastructure development and restoration, etc.

Along with community development initiatives, the company supports numerous programs for education, capacity building, and culture development. Some of the educational initiatives include improving computer science education in high schools, enhancing English for engineers and teachers in Universities, Adaptive Strategic Execution Program in Business Schools, translation and publishing of books in Azerbaijani to support local university students, development of teaching materials and methodology for school teachers, holds Tomorrow's scientists' competition, launch ASOIU-DAAD summer school and supports Target – STEM' international conference, deliver business lectures at universities, enhance employment opportunities for disabled people and autistic spectrum disorder, Rehabilitation services development to support children with special needs and holds numerous workshops and conferences (BP, 2019).

Additionally, in the interview part, the respondent from BP also stressed the role of non-profit organizations (NPOs) in the following statement:

“When it comes to CSR initiatives aimed at benefiting communities, most of the efforts are undertaken in close partnership with NPOs. These NPOs play an instrumental role by initially bringing forward ideas and suggestions for social projects. After receiving these proposals, there's a structured process in place: our dedicated committee carefully reviews each project for its viability and potential impact. We allocate the required funds to initiate the project only after a comprehensive review and endorsement. Beyond just funding, our commitment remains consistent as we closely observe and monitor the entire execution process, ensuring that the project not only progresses smoothly but also achieves the desired results for the community.”

SOCAR also understands its responsibility towards the community and society as a whole. It participates in social activities and supports local development. In 2021, the total expenditure made for this endeavor amounted to 153.5 million USD, in which support for sports, financial associations and trade unions, education, and financial aid to individuals, disabled veterans, and other persons were included. It maintains an open dialogue with the local people to understand the social impact as well as eliminate any negative environmental and social impact of its operations. The financial support is extended to construction and repair workers, development education centers, and archaeological museums in different areas. It also invests in infrastructure projects and undertakes landscaping work in different parts of the country (SOCAR, 2021).

Moreover, during the interview, the representative from SOCAR mentioned the collaboration between SOCAR and the government:

“We share a strong working relationship with the government. There are instances when the idea or need for a project, especially in areas like health or education, comes straight from a government department. When this happens, we at SOCAR take the initiative to shape and design a social project, keeping the well-being of communities in mind. In doing so, it feels like we are stepping in and acting on behalf of the government to ensure the best outcomes for the community.”

Lastly, the respondent from the MLSP shared his insights on CSR initiatives by oil companies.

“At the ministry, I've seen firsthand the CSR efforts of oil companies in Azerbaijan. These companies play a big role in our economy, so I believe they should strongly focus on sustainability and the community. Our oil is key to our growth, and CSR shouldn't just be charity; it should be part of their core work. SOCAR and BP are doing well in areas like the environment and education. I hope, though, that these actions grow and benefit everyone in Azerbaijan.”

4.1.1.6 Sports Engagement

Another important area of CSR for the oil and gas companies is the investments, support, and growth of sports activities and initiatives within the community. BP proactively participates in many cultural and sports initiatives, including cultural book publications. The sports initiatives include participating in the National Olympic and Paralympic Committees, sponsoring National Paralympic Committee (NPC) events, and supporting NPC events like the ‘Invincible’ gala presentation and the fifth Children’s Paralympic Sports Games (BP, 2019).

Furthermore, in the interview part, the respondent from BP stressed the importance of annual objectives for the company:

“In line with our CSR initiatives that focus on benefiting communities through close collaboration with NPOs, we also maintain an active presence at sports events. While our involvement in these events is consistent, the focus and budget allocation can vary each year. Similar to our procedure with NPO-driven projects, we set specific categories and budgets for social expenditure annually. Consequently, some years might see a heightened emphasis on sports initiatives, depending on the projects approved in alignment with our yearly objectives”.

In contrast, SOCAR also invests in boosting sports events in the country. In the past, it has sponsored the national football teams in Azerbaijan, like “Neftchi”. It had also sponsored the Caspian Cup Tournament, the U-14 League, Grassroots, and other tournaments and leagues. Moreover, intellectual

tournaments were held like Decagram and Elementium and the Baku Higher Oil School Math Championship (SOCAR, 2021).

Additionally, in the interview, the SOCAR respondent highlighted another key aspect of sports initiatives.

“In our commitment to sports as a part of our social responsibility, SOCAR consistently engages in sponsoring various tournaments throughout the year. Beyond mere sponsorships, we've taken on larger endeavors, such as the full financing of the Shirvan Olympic Stadium. This stadium serves as a hub for numerous sports activities, showcasing our deep-rooted involvement in fostering sports within the community. Indeed, it's crucial to emphasize the collaborative efforts between us and the government, especially given the high importance of this project at that time.”

4.1.2 Findings and Evaluation

First, it should be noted that the unavailability of sustainability reports from both companies during the COVID-19 pandemic prompted a recourse to their 2019 sustainability reports. It revealed that BP and SOCAR possess an acute awareness of their CSR. Additionally, both companies have identified their CSR and have provided comprehensive disclosure and reporting regarding their CSR.

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.

4.2 Quantitative Results

By now, the research instrument has been prepared and the data has been collected. Data from a total of 289 respondents were received, which was treated for missing value analysis in Microsoft Excel with the help of the Filter function. Once the responses with missing cells were deleted, the file was coded in a numerical format and exported to SPSS, version 25.0. Thereafter, the reliability and validity of the responses have been assessed using different analyses. Next, using regression modelling, the relationship between CSR and CSP for Azerbaijan's oil and gas industry was found.

The first step of this analysis and result chapter contains the assessment and presentation of the respondents' profile of survey questionnaires. In the next phase, the reliability and validity of the survey instrument have been computed. Thirdly, the structural model is presented and the same is evaluated to test the hypotheses relationship between constructs.

4.2.1 Research Conceptual Model and Research Hypotheses

Before the actual analyses are performed, the section presents the conceptual model of the research and the key hypotheses, which will be tested throughout the chapter. The research model basically aims to establish the relationship between the CSR and CSP dimensions of Azerbaijan's oil and gas industry and the moderating effect of the democratic variables on this relationship between CSR-CSP.

Figure 4-3 demonstrates the model's schematic diagram, illustrating the relationships between the analyzed variables and hypotheses for quantitative analysis. CSR is an independent variable, and CSP is treated as a dependent variable of the present study. The demographic characteristics of the survey respondents are the moderating variables. In the proposed theoretical framework of this research, I argue that there is a positive relationship between CSR and CSP dimensions. Particularly, compliance to industry standards (CIS), regulatory infractions (RI), corporate legitimacy (CL), CSR initiatives (CSRI), and sports engagement (SE) of oil companies will significantly affect environmental performance (EP), community relations (CR), and community perception (CP) (HUSSEIN, 2010; MONTAZERI et al., 2017; CHEN et al., 2008).

Furthermore, as qualitative research, document analysis and interview questions will be based on proposed CSR dimensions, including compliance to industry standards (CIS), regulatory infractions (RI), corporate legitimacy (CL), CSR initiatives (CI) and sports engagement (SE) (CHEN et al., 2008; MONTAZERI et al., 2017).

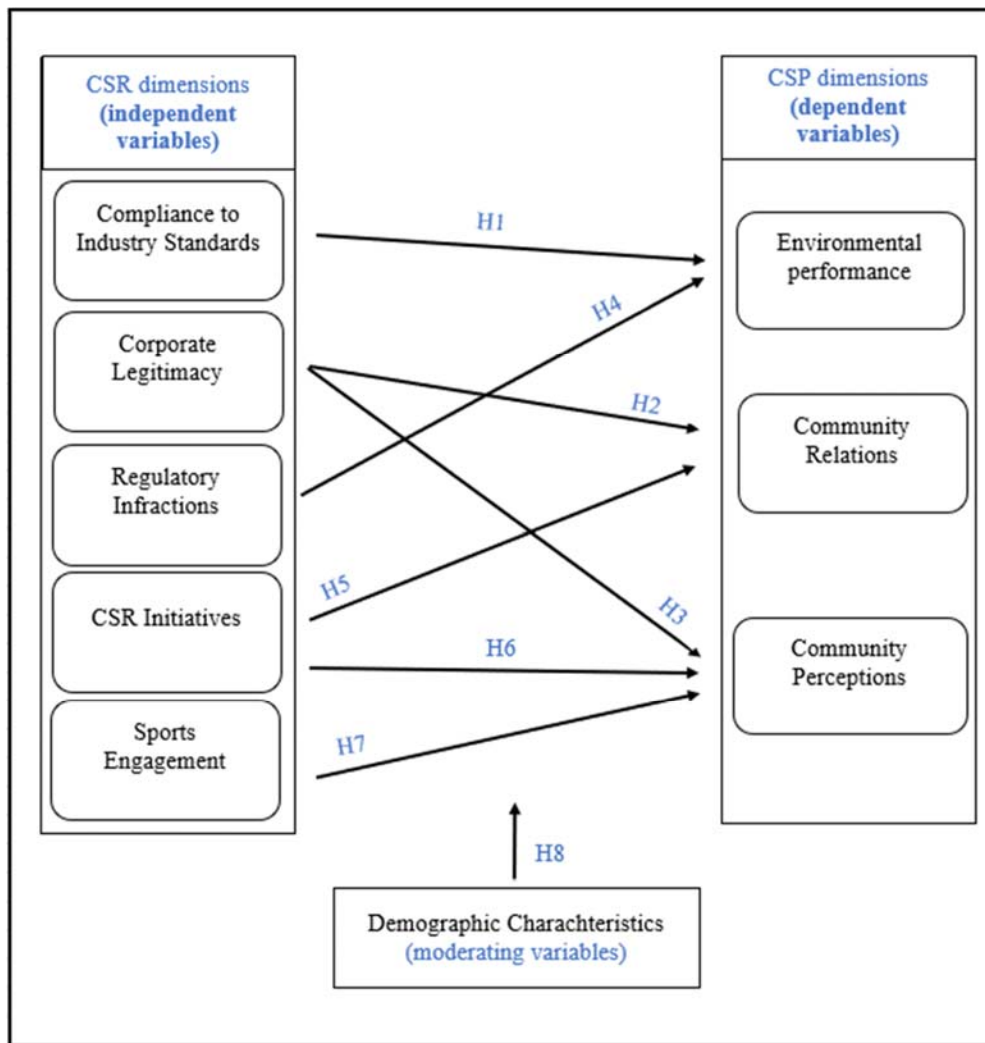


Figure 4-1: Proposed Theoretical Framework for Hypotheses

Source: Author's own construction (2023)

4.2.2 Data Preparation

In this process, the raw data collected by circulating the survey questionnaire was prepared for the analysis. This process involves the cleaning of the data and the common method variance, which are illustrated as follows:

4.2.2.1 Data Cleaning

The data preparation process is helpful in ensuring that the entry and numerical coding of the data contain the fewest biases and errors and that the data becomes qualitative so that meaningful analyses can be conducted. A total of 289 responses were received, and the same was transferred to Microsoft

Excel. Upon careful examination, it was found that some responses were answered in full, and a few cells had missing values. Out of a total of 289 questionnaires, 15 were considered not useful due to the high number of non-responses to the construct variables. Consequently, the survey ended up with 275 respondents. With the help of the filter option, the responses with missing cells were identified and deleted. Thereafter, using pivot tables in Microsoft Excel, the frequencies on the data sets were performed with the aim of checking for any data entry errors, which showed no inconsistency.

4.2.2.2 Common Method Variance

The data for this research is self-reported and uses a cross-sectional design; the same questionnaire has been utilized to collect all the data (FAROOQ et al., 2014). This may lead to the presence of common method biases in the collected data. The room for bias also arises since the data on both the CSR and CSP dimensions are collected using the same survey instrument (questionnaire) (KRISHNAVENI and DEEPA, 2013). To check for this bias, factor analysis is performed for the measurement items for the different CSR-CSP dimensions. It has been found that the factor analysis does not show any general factors, implying that the common method variance is not significant in the data set.

4.2.3 Respondent Profiling

The communities are considered one of the most important and primary stakeholders of the oil and gas industry, and thus, respondent profiling will help understand the key demographic variables of the respondents (community members). The demographic information collected for the respondents included their gender, age group, educational level, and marital status. The rationale for collecting this information is to gain some general understanding of the community members, to ensure that the results of the findings are not biased towards some specific demographic group and are representative of the population, and assess its moderating effect on the relationship between the CSR-CSP relationship.

The summary of the respondents profiling based on their frequencies is presented in Table 4-3.

Table 4-3: Summary of Demographic Characteristics of the Study Respondents

Variables	Frequency	Percentage
Gender		
Male	163	59.27%

Female	112	40.73%
Age Group		
Below 24	19	6.91%
25- 29	34	12.36%
30- 39	91	33.09%
40- 49	86	31.27%
Above 50	45	16.36%
Marital Status		
Married	197	71.64%
Single	78	28.36%
Education Level		
High School or less	25	9.09%
Bachelor	92	33.45%
Masters	99	36.00%
PhD	59	21.45%

Source: Author's Calculation (2023)

From Table 4-3, it can be stated that about 59.27% of the respondents were males and 40.73% were females. Similarly, 31.27% of the respondents belonged to the age group of 40-49 years, while 33.09% were between 30 and 39 years old. 16.36% are above 50 years old, and 6.91% are below 24 years of age. It signified that the majority of the respondents are in the middle age group and are mature enough to understand and answer the survey questions. Moving ahead, 71.64% are married, while 28.36% are single. Lastly, assessing the educational qualifications of the respondents, it is found that the maximum number of respondents have attained their master's education, denoting about 36% of the total sample. Another 33.45% have attained their bachelor's degrees, and 21.45% hold PhDs. Only 9.09% of the respondents have attained the educational qualification of high school or lesser.

4.2.4 Analytical Strategy

In this research, the relationship between the dimensions of CSR (CIS, RI, CL, CI, and SE) and the dimensions of CSP (EP, CR, and CP) is assessed. The moderating effects of demographic

characteristics (gender, age group, marital status, and educational level) on the relationship between CSR and CSP are also examined. The study makes use of regression analysis to test the hypothesised path model between the dimensions of the structural model.

The data analysis procedure as propounded by HAIR et al. (2014) has been used to evaluate the measurement and the structural model of this research. The validity of the model is further performed to determine whether the structural model meets the quality criteria for an empirical study or not (HAIR et al., 2014). Once the measurement model exhibits satisfactory performance, the structural model criteria are examined using regression coefficients, coefficient of determination (R²), effect size (f²), and predictive relevance (Q²) (SARSTEDT et al., 2014). Finally, the significance of the direct effect is evaluated with the help of a non-parametric measurement model (HAIR et al., 2014).

4.2.5 Reliability and Validity

4.2.5.1 Internal Consistency

To assess the internal consistency and reliability of the data related to the constructs, Cronbach’s alpha analysis is performed on each set of independent and dependent variables. This test is considered an important tool to measure the reliability of the survey questionnaire that makes use of the Likert scale (CRONBACH, 1951). The threshold value for Cronbach’s alpha is considered to be higher than 0.70.

Table 4-4: Cronbach Alpha for Variables

Variables	Cronbach Alpha	Number of Items
CIS	0.928	6
CI	0.925	6
CL	0.955	6
RI	0.882	5
SE	0.879	6
CR	0.851	5
EP	0.936	6
CP	0.894	6

Source: Author’s Calculation (2023)

From Table 4-4, it can be concluded that all the variables have a Cronbach alpha value of more than 0.70, and hence, it can be stated that the variables are internally consistent and thus accepted for further analysis.

4.2.5.2 Construct Reliability and Convergent Validity

The indicator loadings, composite reliability (CR), and average variance extracted (AVE) for the survey questionnaire are presented in Table 3-1. The loadings that are higher than the threshold values of 0.70 as suggested by HAIR et al. (2014) were retained, and the others have been deleted. The items CI1, CI3, CI4, SE4, CR3, and CR4 have a loading less than 0.70 and are dropped. After dropping the items with low loadings, the composite reliability for each construct and AVE scores are above the acceptable threshold values of 0.70 and 0.50, respectively (HAIR et al., 2014). Thus, it can be concluded that all the constructs meet the requirements for reliability and convergent validity.

Table 4-5: Parameter Estimate for Measurement Model: Factor Loadings, CR and AVE for the questionnaire

Latent Variables	Indicators	Loadings	CR	AVE
Compliance to Industry Standards	CIS1	0.859	0.9306	0.6913
	CIS2	0.847		
	CIS3	0.758		
	CIS4	0.810		
	CIS5	0.851		
	CIS6	0.860		
CSR Initiatives	CI2	0.707	0.7504	0.5006
	CI5	0.710		
	CI6	0.706		
Corporate Legitimacy	CL1	0.832	0.9458	0.7442
	CL2	0.848		
	CL3	0.890		
	CL4	0.866		
	CL5	0.894		
	CL6	0.846		
Regulatory Infractions	RI1	0.736	0.8281	0.5892
	RI2	0.741		

	RI3	0.771		
	RI4	0.805		
	RI5	0.782		
Sports Engagement	SE1	0.768	0.8834	0.6026
	SE2	0.779		
	SE3	0.781		
	SE5	0.763		
	SE6	0.790		
Community Relations	CR1	0.692	0.7693	0.5267
	CR2	0.729		
	CR5	0.756		
Environmental Performance	EP1	0.898	0.9415	0.7287
	EP2	0.851		
	EP3	0.861		
	EP4	0.855		
	EP5	0.812		
	EP6	0.843		
Community Perceptions	CP1	0.794	0.9068	0.6188
	CP2	0.839		
	CP3	0.762		
	CP4	0.785		
	CP5	0.786		
	CP6	0.751		

Source: Author's Calculation (2023)

4.2.6 Descriptive Statistics

Before undertaking the hypotheses analysis, the descriptive analysis of all the sub-factors of different independent and dependent variables is computed. Descriptive analysis is undertaken to learn the basic features of the collected data and to gather information about the mean and standard deviation of the items from the mean. To avoid any confusion, the descriptive values for each of the variables are assessed, and presented as follows:

4.2.6.1 Descriptive Analysis for Compliance to Industry Standards (CIS) variable

The descriptive statistics for six items for compliance to industry standards (CIS) in the questionnaire were measured using a five-point Likert scale, as given in Table 4-6.

Table 4-6: Descriptive analysis of questions on Compliance with Industry standards

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
CIS1	275	1	5	3.78	.922
CIS2	275	1	5	3.81	.972
CIS3	275	1	5	3.83	.936
CIS4	275	1	5	3.90	.950
CIS5	275	1	5	3.83	.986
CIS6	275	1	5	3.81	.883

Source: Author's Calculation (2023)

From Table 4-6, it can be seen that the mean for “Oil companies appropriately report injuries, accidents, or illness whenever it affects our communities” is the highest at 3.90, followed by the responses “Oil companies take appropriate steps if prevented from or punished for exercising your rights in our communities” and “Oil companies explain to other workers to report safety violations relating to our communities”, both estimated at the mean values of 3.83 each. The mean value of the question “Oil companies apply appropriate work practices to reduce exposure to dangers in our communities” is least at 3.78, implying the magnitude of positivity expressed by the stakeholders on different questions pertaining to the compliance to industry standards by the oil and gas companies in Azerbaijan.

4.2.6.2 Descriptive Analysis for CSR initiative (CI) variable

The descriptive statistics for six items for the CSR initiatives (CI) in the questionnaire were measured using a five-point Likert scale, as given in Table 4-7.

Table 4-7: Descriptive analysis of questions on CSR Initiatives

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
CI1	275	1	5	3.70	.928
CI2	275	1	5	3.71	1.083
CI3	275	1	5	3.69	1.078

CI4	275	1	5	3.70	1.036
CI5	275	1	5	3.74	1.008
CI6	275	1	5	3.76	.917

Source: Author's Calculation (2023)

Out of the six questions asked for the CI variable, the stakeholders viewed the statement, “Oil companies provide financial support activities for arts and culture in our communities,” as the most positive aspect of the CSR initiatives by the oil and gas companies in Azerbaijan, with an estimated mean value of 3.76. The second important aspect of CI considered by the stakeholders is “Oil companies provide money for charities in our communities”, as given by the mean value of 3.74. The least important question (out of the given questions), as perceived by the stakeholders, is “Oil companies help to reduce the poverty rate in our communities”, with a mean value of 3.69. The other questions, namely “Oil companies provide financial support for education in our communities”, “Oil companies improve the quality of life in our communities,” and “Oil companies put the interests of our communities into consideration before taking decisions,” fetched mean values of 3.71, 3.70, and 3.70, respectively.

4.2.6.3 Descriptive Analysis for Corporate Legitimacy (CL) variable

The descriptive statistics for six items for the Corporate Legitimacy (CL) in the questionnaire were measured using a five-point Likert scale, as given in Table 4-8.

Table 4-8: Descriptive analysis of questions on CL

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
CL1	275	1	5	3.85	.947
CL2	275	1	5	3.70	.862
CL3	275	1	5	3.89	.860
CL4	275	1	5	3.71	.921
CL5	275	1	5	3.89	.869
CL6	275	1	5	3.72	.940

Source: Author's Calculation (2023)

The stakeholders perceive that the most favored CL initiative by the oil and gas industry in Azerbaijan has been rated as “Oil companies do a good job by extracting oil in our community” and “Oil companies are a necessary part of our community”, given by the mean value of 3.89 each. The next important statement identified by the stakeholder has been “Our community has a positive opinion

about the CSR initiatives of oil companies”, given by the mean value of 3.85. The least important factor considered for the CL variable has been “Most often, oil companies believe that it is good to follow government regulations”, as reported by the mean of 3.70. The other statements, namely Oil companies are honest with our community” and “Oil companies’ benefits to our community outweigh the problems,” are rated by the mean values of 3.71 and 3.72, respectively.

4.2.6.4 Descriptive Analysis for Regulatory Infraction (RI) variable

The descriptive statistics for five items for the Regulatory Infraction (RI) in the questionnaire were measured using a five-point Likert scale, as given in Table 4-9.

Table 4-9: Descriptive analysis of questions on RI

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
RI1	275	1	5	3.71	.997
RI2	275	1	5	3.81	1.016
RI3	275	1	5	3.72	1.080
RI4	275	1	5	3.70	.936
RI5	275	1	5	3.71	.956

Source: Author’s Calculation (2023)

Out of the five questions for assessing RI, the respondents perceive the most important to be “Oil companies’ employees adequately report violations to their company whenever it affects our communities,” given the mean value of 3.81. The other statements, in terms of their perceived importance, are given by “Oil companies’ heads expect employees to report violations and irregularities to the company whenever it affects our communities”, “Oil companies properly handled reports of violations or irregularities in our communities” and “Oil companies take unreported violations in any of their unit serious whenever it affects our communities” which are rated at the mean values of 3.72, 3.71, and 3.71, respectively, in terms of importance. The least favored statement as perceived by the respondents was “Oil companies often encourage our communities to report violations and irregularities to the company” given by the mean value of 3.70.

4.2.6.5 Descriptive Analysis for Sports Engagement (SE) variable

The descriptive statistics for six items for the Sports Engagement (SE) in the questionnaire were measured using a five-point Likert scale, as given in Table 4-10.

Table 4-10: Descriptive analysis of questions on SE

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
SE1	275	1	5	3.71	1.027
SE2	275	1	5	3.75	1.054
SE3	275	1	5	3.73	1.005
SE4	275	1	5	3.68	.981
SE5	275	1	5	3.78	.947
SE6	275	1	5	3.76	1.084

Source: Author's Calculation (2023)

The mean value recognizing the importance of different statements to assess the sports engagement by the oil and gas industry in Azerbaijan has been highest for the statement, “Oil companies promote the participation of women in sports”, estimated at 3.78. After that, the mean is reported at 3.76 for the statement, “Oil companies’ sports initiatives are improving the welfare of the community”, and 3.75 for “Oil companies invest money for sport in schools and universities”. The other statements, “Oil companies often organize sport events in our communities”, Oil companies provide financial support for sport in our communities,” and “Oil companies promote and increase knowledge about local sports clubs,” received mean values of 3.73, 3.71, and 3.68, respectively.

4.2.6.6 Descriptive Analysis for Community Relations (CR) variable

The descriptive statistics for five items for the community relations (CR) in the questionnaire were measured using a five-point Likert scale, as given in Table 4-11.

Table 4-11: Descriptive analysis of questions on CR

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
CR1	275	1	5	3.73	.997
CR2	275	1	5	3.63	1.181
CR3	275	1	5	3.74	1.099
CR4	275	1	5	3.55	1.091
CR5	275	1	5	3.85	.934

Source: Author's Calculation (2023)

The respondents ranked different statements pertaining to community relations by the oil and gas industry in Azerbaijan. The most importantly favored statement has been “Oil companies employ long-term unemployed people in our communities”, given the mean value of 3.85. Thereafter, a mean score of 3.74 and 3.73 were found for the statements, “Oil companies invest in the education of young people in our communities” and “Oil companies employ people with disabilities in our communities,” respectively. The less favored CR questions have been “Oil companies make donations to social activities in our communities” and “Oil companies contribute to problems solving in our communities”, with mean values of 3.63 and 3.55, respectively.

4.2.6.7 Descriptive Analysis for Environmental Performance (EP) variable

The descriptive statistics for six items for the environmental performance (EP) in the questionnaire were measured using a five-point Likert scale, as given in Table 4-12.

Table 4-12: Descriptive analysis of questions on EP

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
EP1	275	1	5	3.82	.991
EP2	275	1	5	3.85	.898
EP3	275	1	5	3.76	.999
EP4	275	1	5	3.81	.936
EP5	275	1	5	3.83	.891
EP6	275	1	5	3.83	.899

Source: Author’s Calculation (2023)

Out of the six questions posed to EP by the oil and gas industry in Azerbaijan, the stakeholders most favored the statement, “Oil companies participate in activities that protect and improve the quality of the natural environment,” marked by a mean value of 3.85. The next most ranked statements about EP are “Oil companies make the investment to create a better life for future generations in our community” and “Oil companies make an investment to create employment opportunities for the future generation in our community”, given by the mean values of 3.83 each. Thereafter, the statement “Oil companies implement special programs to minimize its negative impact on the natural environment” fetched a mean value of 3.82, followed by “Oil companies make an investment to create a better life for the future generation in our community” with a mean value of 3.82. The least important perceived statement for the EP variable has been “Oil companies have the necessary equipment to reduce its negative environmental impact”, as estimated by the mean value of 3.76.

4.2.6.8 Descriptive Analysis for Community Perception (CP) variable

The descriptive statistics for six items for the community perception (CP) in the questionnaire were measured using a five-point Likert scale, as given in Table 4-13.

Table 4-13: Descriptive analysis of questions on CP

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
CP1	275	1	5	3.75	.962
CP2	275	1	5	3.72	1.056
CP3	275	1	5	3.79	1.013
CP4	275	1	5	3.76	1.041
CP5	275	1	5	3.74	.934
CP6	275	1	5	3.80	.923

Source: Author's Calculation (2023)

Assessing the descriptive for the various statements on CP, the highest mean value of 3.80 was achieved by the statement, “Oil companies’ desire is to give to our communities without needing to receive anything in return”, followed by “Oil companies feel that our communities have shared and will share history, common places, time together and similar experiences” reported by the mean value of 3.79. thereafter, the mean value of 3.76 and 3.75 have been received by the statements “Oil companies give a sense of responsibility to support the well-being and success of our communities” and “Oil companies sharing a sense of personal connection to the members of our communities”, respectively. The statements that are perceived to be least important have been “Oil companies provide a sense of responsibility to the well-being of our population that share a common goal with them” and “Oil companies feel that communities’ needs will be met by the resources received through our cooperation”, reported by 3.74 and 3.72 mean scores

4.2.7 Regression Analysis and Hypotheses Testing

To answer different hypotheses, regression analysis has been computed to find the relationship between the dependent and independent variables. Different constructs for CSR are considered the independent variables, namely compliance to industry standards (CIS), CSR Initiatives (CI), Corporate Legitimacy (CL), Regulatory Infraction (RI) and Sports Engagement (SE). On the other hand, the constructs for CSP scale are the dependent variables, which are categorized as Community Relations (CR), Environmental Performance (EP) and Community Perception (CP). (Figure 3-1)

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 4-14 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 4-14: 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:

H2. 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 4-13 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 4-15: 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:

H3. 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 4-16 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 4-16: 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:

H4. 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 4-17 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 4-17: 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:

H5. 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 4-18 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 4-18: 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:

H6. 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 4-19 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 4-19: 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:

H7. 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 4-20 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 4-20: 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:

H8. 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 4-21 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 4-21: 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.

5. CONCLUSIONS AND RECOMMENDATIONS

5.1. Research Questions

In this section of the chapter, the key research objectives are revisited to check to what extent they have been met, which further helps drive the main conclusions of the research. It is interesting to note that all the research objectives are successfully achieved by using the literature review and analyses drawn from the secondary and primary data. Each of these objectives and research questions is assessed, and the findings drawn from each are further summarized as follows:

5.1.1. Research Question 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.

5.1.2. 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.

5.1.3. 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.

5.1.4. 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

5.1.5. 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.

5.1.6. 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.

5.1.7. 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.

5.2. Recommendations

After summarizing the key objectives and answering the research questions in the previous section, this section of the chapter will discuss the main contributions and implications of the research findings. The implications are further segregated into two heads, namely theoretical and practical (or managerial) implications. The findings and study contributions are intended to benefit different stakeholders, including the managers and decision-makers operating in the oil firms in Azerbaijan, the government, members of the community and society, NGOs, and the research scholars interested in further studying this research subject.

5.2.1. Theoretical Implications

Though the existing literature provides many studies in the discipline of CSR, not many papers have been able to exploit the CSR-CSP model from the perspectives of the oil industry and its influence on community members. This study not only tests this CSR-CSP model in the context of the oil industry in Azerbaijan but also unveils important dimensions of CSR, namely compliance with industry standards, corporate legitimacy, regulatory infractions, and sports engagement. Similarly, CSP has also been well-defined in this paper, exploring the key dimensions of community relations, community perceptions, and environmental performance. This study provides a robust and significant relationship between these variables (CSR and CSP), which can be leveraged to augment the social performance

of oil firms in Azerbaijan. There are also no existing studies on the empirical evidence of CSR in the oil industry, and thus, these findings add value to the existing literature. Furthermore, this research emphasizes one of the core factors of organizational existence, to be accountable to the stakeholders, and not operate only with the motivation of profit maximization. This assumption is rather more important for those industries that have a stronger bearing on natural resources, like the oil industry, which not only utilizes natural resources but also directly impacts the natural environment.

Furthermore, to derive the findings, the researcher designed a survey questionnaire, which can further be populated to extract the CSR-CSP dimensional relationship in other countries and industries. The regression analysis is also another important contribution of this study, used to measure the relations between different sub-dimensions of both the variables, namely CSR and CSP.

Finally, this research studies the concept of CSR from the lens of different management and organizational research theories, namely Stakeholders theory, legitimacy theory, and social contract theory. This study, therefore, helps to reinstate the importance of these theories in studying the subjects of CSR.

The last significant implication of this study is the role of demographic differences between the survey participants in determining the relationship between CSR and CSP. The study found that the differences in demographic variables, namely gender, age group, marital status, and education level pose no influence on the relationship between CSR and CSP, and that the CSR initiatives by the oil companies in Azerbaijan have a strong effect on securing high corporate social performance.

5.2.2. Practical Implications

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.

5.3. Limitations and Directions for Future Research

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. Moreover, the survey questionnaire for quantitative data analysis has been self-administered by the respondents, which may have their own inherent limitations in understanding and interpreting the research instrument in the same manner that the researcher implied. Moreover, the smaller sample size may involve a higher probability of biases and may not be representative of the population.

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.

Based on the overall findings and the limitations of present study, it can be asserted that the research subject of CSR-CSP is very vast and still evolving. It, therefore, provides the scope for further research. Future research should test the generalisability of the suggested model and the dimensions of CSR and CSP in the oil industry. For this, a larger sample of respondents from different geographies and sizes must be considered to find out whether the model can be implemented in an international or other geographical area.

There is also a possibility to undertake other analyses to test the dimensions and variables considered in this study. Currently, the study makes use of regression analysis, but the use of PLS-SEM, SEM, or AMOS can be used to test the path analysis between different variables under study. One can also explore the possibility of dropping out or considering more (and other) variables to study the variables of CSR and CSP.

The current study mainly secured the opinions of the community members, but the opinions and perceptions of other stakeholders can also be gauged to provide a holistic perspective of the research subject.

6. MAIN CONCLUSIONS AND NOVEL FINDINGS OF THE RESEARCH

This study aimed to indicate the level of awareness and implementation of CSR practices among oil companies in Azerbaijan, examine the external CSR of oil companies in their CSR disclosures in Azerbaijan, and explore the relationship between CSR and CSP of oil companies in Azerbaijan.

The scientifically remarkable contribution of this study is that investigating the CSR of oil companies in Azerbaijan can guide their decision-making processes when engaging with CSR. By examining the details of CSR activities and their effects, companies can make more informed choices, prioritize initiatives that resonate with their stakeholders, and strategically align their actions with both business objectives and societal expectations. Furthermore, the positive relationship between CSR and CSP can encourage more CSR projects, serving as a motivator for companies to bolster their CSR commitments and enhancing their connection with the broader community.

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.

SUMMARY

The study examined the level of awareness and implementation of CSR practices among oil companies in Azerbaijan using interviews and CSR disclosures and assessed the impact of CSR on the CSP of these oil firms.

In the introduction, the subject is outlined, providing an overview of the CSR phenomenon. This encompasses CSR in Azerbaijan, the significance of the oil industry in the country, the importance of this study, and the primary motivations of the researcher.

Chapter 1 clearly presents the research aims, objectives, questions, hypotheses, and methodology employed in the study.

Chapter 2 outlines the literature review of the dissertation. It covers the history of CSR, its evolution, various areas and theories of CSR, and the stakeholders in the oil and gas industry. This literature review was also used to create hypotheses and empirical analyses for the dissertation. Additionally, it provides a clear overview of CSR in Azerbaijan, setting the context for the study.

Chapter 3 presents the general strategy for carrying out the research, including its structure and integration of its numerous components. In a mixed methodological approach, both qualitative and quantitative research methodologies were used. A document analysis and interviews were used in the qualitative study. Furthermore, quantitative data for the study was obtained via self-administered questionnaires, and the quantitative study sample consisted of 275 respondents from the Qaradagh region.

The findings of both the qualitative and quantitative studies are described in Chapter 4. The triangulation method is used in document analysis and interview analysis. The quantitative results including, demographic analysis, reliability analysis and regression analyses are illustrated using tables and figures.

Chapter 5 concludes the dissertation by summarizing the study's findings, implications, and limitations. Additionally, the researcher offers practical recommendations and suggests potential directions for future research.

The last chapter displays the novel findings of the study, which present that the study is unique in that it is the first to examine the implementation of CSR practices among oil companies, and impact of CSR on the CSP of these oil firms.

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LIST OF PUBLICATIONS



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Registry number: DEENK/82/2024.PL
Subject: PhD Publication List

Candidate: Namig Mirzayev
Doctoral School: Károly Ihrig Doctoral School of Management and Business
MTMT ID: 10076914

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



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APPENDICES

Appendix 1: Interview Questions for SOCAR and BP

Dear Respondents,

Your participation in this interview is invaluable, as it plays a significant role in the doctoral research project titled “Corporate Social Responsibility of Oil and Gas Industry in Azerbaijan: Stakeholder Approach”. We deeply appreciate your time and contribution. It's essential to understand that there are no correct or incorrect responses. Your candid and honest opinions are all that we seek. Feel free to respond in Azerbaijani, English, or a mix of both languages as you find comfortable

Best regards,

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1. What do you think about CSR? What is it and why do you think it is important?
2. Is your company engaged with CSR? Please elaborate.
3. Do you think your company aligned with industry standards in order to protect communities?
4. What are the activities your companies do in order to avoid environmental damage on nature?
5. What kind of CSR policies do your company have? Please elaborate.
6. Do you think CSR initiatives affecting communities positively? Is there any sport related initiatives taken by your company ?

Appendix 2: Interview Questions for MLSP

Dear Respondents,

Your feedback on these interview questions is crucial, as it contributes to the doctoral research on “Corporate Social Responsibility of Oil and Gas Industry in Azerbaijan: Stakeholder Approach”. We deeply value your cooperation. Please understand that there's no right or wrong response; we are solely interested in your genuine opinions. You can choose to answer in Azerbaijani, English, or a blend of both languages.

Best regards,

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Hungary.

1. What do you think about CSR? What is it and why do you think it is important?
2. Do you think oil companies aligned with industry standards in order to protect communities?
3. How would you assess the relationship between your oil company and the communities? And do you think CSR initiatives affect communities positively?

Appendix 3: The Research Survey Questionnaire.

Please take a moment to provide your responses to the following statements. This survey aims to delve into the corporate social responsibility activities of Azerbaijan's oil and gas sector, particularly focusing on the link between corporate social responsibility and corporate social performance. Your insights are invaluable as they contribute to the doctoral research entitled “Corporate Social Responsibility of Oil and Gas Industry in Azerbaijan: Stakeholder Approach”.

All information you provide will remain **STRICTLY CONFIDENTIAL** and will only be utilized for academic research. We greatly appreciate your cooperation.

Best regards,

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Part 1: Demographic Profiling

1. What is your gender?
 - a. Male
 - b. Female
2. What is your age group?
 - a. Below 24
 - b. 25-29

- c. 30-39
 - d. 40-49
 - e. Above 50
3. What is your marital status?
- a. Single
 - b. Married
4. What is your education level?
- a. High school or less
 - b. Bachelor degree
 - c. Masters
 - d. PhD

Part 2: Corporate Social Responsibility Scale

CSR as Compliance to Industry Standards					
Strongly Agree (SA), Agree (A), Neutral (N), Disagree (D) and Strongly Disagree (SD)	SA	A	N	D	SD
Oil companies apply appropriate work practices to reduce exposure to dangers in our communities.					
Oil companies use appropriate protective equipment as indicated by the health and safety plan in the industry to protect our communities.					
Oil companies take appropriate steps if prevented from or punished for exercising your right in our communities.					
Oil companies appropriately report injuries, accidents, or illness whenever it affects our communities.					
Oil companies explain to other workers to report safety violations relating to our communities.					
Oil companies take action to stop safety violations in order to protect the well-being of our communities.					

CSR as CSR Initiatives					
	SA	A	N	D	SD
Oil companies put the interest of our communities into consideration before taking decisions.					
Oil companies provide financial support for education in our communities.					
Oil companies help to reduce poverty rate in our communities					
Oil companies improve the quality of life in our communities.					
Oil companies provide money for charities in our communities					
Oil companies provide financial support activities for arts, culture in our communities.					

CSR as Corporate Legitimacy					
	SA	A	N	D	SD
Our community have positive opinion about corporate social responsibility initiatives of oil companies.					
Most often oil companies believe that it is good to follow government regulations					
Oil companies do a good job by extracting oil in our community.					
Oil companies are honest with our community.					
Oil companies are necessary part of our community					
Oil companies' benefits to our community outweigh the problems.					

CSR as Regulatory Infractions					
	SA	A	N	D	SD
Oil companies properly handled reports of violations or irregularities in our communities.					
Oil companies' employees adequately report violations to their company whenever it affects our communities.					
Oil companies' heads expect employees to report violations and irregularities to the company whenever it affects our communities.					
Oil companies often encourage our communities to report violations and irregularities to the company					
Oil companies take unreported violations in any of their unit serious whenever it affects our communities.					

CSR as Sports Engagement					
	SA	A	N	D	SD
Oil companies provide financial support for sport in our communities					

Oil companies invest money for sport in schools and universities					
Oil companies often organize sport events in our communities					
Oil companies promote and increase knowledge about local sports clubs					
Oil companies promote the participation of women in sports					
Oil companies` sport initiatives are improving the welfare of the community					

Part 3: Corporate Social Performance Scale

CSP as Community Relations					
	SA	A	N	D	SD
Oil companies employ people with disabilities in our communities.					
Oil companies make donations to social activities in our communities					
Oil companies invest in the education of young people in our communities.					
Oil companies contribute to problems solving in our communities.					
Oil companies employ long-term unemployed people in our communities					

CSP as Environmental Performance					
	SA	A	N	D	SD
Oil companies implement special programs to minimize its negative impact on the natural environment.					
Oil companies participate in activities which protect and improve the quality of the natural environment.					
Oil companies have the necessary equipment to reduce its negative environmental impact.					
Oil companies make well-planned investments to avoid environmental degradation.					
Oil companies make investment to create a better life for future generation in our community.					
Oil companies make investment to create employment opportunities for future generation in our community.					

CSP as Community Perception					
	SA	A	N	D	SD
Oil companies sharing a sense of personal connection to the members of our communities					
Oil companies feel that communities' needs will be met by the resources received through our cooperation.					
Oil companies feel that our communities have shared and will share history, common places, time together and similar experiences.					
Oil companies give sense of responsibility to support the well-being and success of our communities					
Oil companies provide sense of responsibility to the well-being of our population that share common goal with them.					
Oil companies' desire is to give to our communities without needing to receive anything in return.					