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ABSTRACT

of the dissertation for the degree of Doctor of Philosophy

THE IMPACT OF CORPORATE SOCIAL RESPONSIBILITY ON SUSTAINABLE DEVELOPMENT OF BUSINESS ACTIVITY

Speciality: 5308.01 - General economics

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GENERAL DESCRIPTION OF THE RESEARCH

Relevance and degree of elaboration of the topic: The late 20th century and the early 21st century were marked by scandals stemming from serious misconduct by a number of reputable companies in their treatment of society and the environment. These scandals were initially noticed in the USA, Canada, as well as in developed countries of Europe and Asia. These events have made it urgent to develop regulations and standards to globally guide the ethical behaviour of businesses and their corporate social responsibility (CSR) related activities.

Today, the issue of social responsibility of business is one of the most discussed issues and is considered one of the main conditions for the sustainable operation of the company. In order to ensure the proper implementation of socially responsible behaviour by business structures, a deep understanding of the CSR concept and other approaches that have emerged under its umbrella is required. One of the main reasons for the relevance of this research work is the recent increased attention to ethical principles and principles of corporate social responsibility of business both at the international and national levels.

In our days regardless of the size, ownership and organizational-legal form, field of activity, geographical location, and the national and cultural values of the country the demands on business' social responsibility are becoming more stringent. The rapid changes occurring worldwide in recent times - the bankruptcy of large transnational companies, the frequent replacement of new players in the market, and other unstable conditions have forced organizations engaged in commercial activities to seriously reconsider their social responsibility policy towards the public and the environment.¹ The large-scale economic crisis that began in the early 2000s and peaked in 2008 became a turning **point** globally encouraging the development

¹ Qəhrəmanova Ş. Korporativ sosial məsuliyyət fəaliyyətinin effektiv idarə edilməsi mexanizmləri (dünya təcrübəsində) // Elmi xəbərlər, - 2024 – il 5, – Cild 12, – s.74-86

of business activities that respect the requirements of corporate social responsibility and business ethics.

As a result of these trends over the past three decades we have been witnessing a fundamental change in the relationship among the private sector, state and the civil society. Firms are being called upon to adopt strategies that go beyond the financial interests of their operations and to consider the social and environmental impacts of their activities. Thanks to these calls, companies now change both their policies and practices and accept CSR as an integral part of their activities.

As 21st century society attaches significant importance to the non-financial activities of businesses, the interrelationship between the social activities of entrepreneur and its reputation is also deepening. In modern economic conditions, the sustainable development of any business is inextricably linked to the social well-being of the society in which it [business] operates. Large business, having extensive financial and material resources, can significantly influence the development of society. On the other hand, society, realizing the important role that business can play for social well-being, places more stringent demands on it [business], recommends and requires it to fulfil its social responsibility, not to harm the environment, use natural resources carefully, create decent and safe working conditions, and support the development of society as a whole.

Along with production, commercial and economic indicators all stakeholders are now paying close attention to non-financial indicators. Today, any investor considering to take a serious step of investing in a company's activity make a thorough assessment of all possible risks. In such a case, a company that appears favourable based on existing commercial and economic indicators but seems questionable in terms of social responsibility and ethical conduct is not considered an attractive partner for collaboration. CSR-oriented activities are serious reputation indicator for entering in international markets - organizations that have gained a reputation for their responsible and ethical behaviour are not interested in cooperation with companies that

neglect ethical values, even if they are attractive from economical perspective.

Looking back at the not that distant history of large business activities, we can see that the most reputable companies have been forced to change their production practices, strategies, and sometimes even their corporate governance philosophies due to consumer behaviour and the justified demands of the international community.² All these factors once again prove that in modern era, the role of corporate social responsibility is undeniable in building proper relationships with customers, society, government, potential investors, and other stakeholders and has a powerful impact on a company's attractiveness as a partner.

Furthermore, the CSR strategy is a significant subject for the contemporary scientific research both from economic and political perspectives. Today, the global economy has entered a stage of development where sustainable business practices are no longer possible without considering ethical, social, and environmental components. The CSR strategy has now become an essential political tool used by corporations to manage reputation-related risks and gain competitive advantage, and it can significantly influence the reputation of the country to which the company belongs. All these factors underlines the relevance of scientific research on corporate social responsibility as one of the key factors of sustainable development.

Another reason that makes this research work relevant is the fact that, at the national level, this concept has not yet been thoroughly and extensively studied. In Azerbaijan, efforts to raise awareness of corporate social responsibility and communicate it to relevant audiences have mostly cover the period after 2005 and do not fully reflect the genesis, developmental stages, and theoretical approaches proposed to regulate corporate social responsibility. Therefore, in order to keep pace with global developments, there is a strong need for in-

² How Consumer Behavior Shifts Forced Nike to Become a Leader in Building an Ethical and Sustainable Supply Chain. Available at: <https://medium.com/@gjohnston2/abstract-b7019511142e> (accessed on 22.04.2021)

depth scientific research on the concept of corporate social responsibility at the national level, its application by business entities, and the development of professional recommendations for its institutional implementation.

As for the level of scientific study of the issue, it can be said that the modern stage of studying corporate social responsibility began with publishing in 1953 of the work “Social Responsibilities of the Businessman” authored by Howard Bowen - an American economist and the professor of the University of Illinois. Following Bowen, several other scholars also published works on this subject. Among the most prominent are the works of T. Levitt, J. McGuire, M. Friedman, K. Davis, R. E. Freeman, and A. Carroll. Later, scholars such as M. Porter and M. Kramer, M. Camilleri, J. Elkington, O. Ferrell and J. Frederick, T. Montiel, A. Kleine and M. Hauff, Y. Blagov and others also contributed to the development of the CSR concept.

As mentioned above, although the history of CSR research at the national level is not very long, a number of scientific studies conducted in this field in Azerbaijan as well. Among the national scholars who have carried out comprehensive research on the social and ethical responsibilities of business are U. Alakbarov, N. Imanov, H. Hasanov, F. Rahmanov, M. A. Aliyev, H. I. Hamidov, A. Huseynli, R. Muradov, R. Guliyev, and M. Mammadli.

However, compared to the broad and extensive research conducted globally in the field of CSR, studies in Azerbaijan on the theoretical significance of CSR, its impact on sustainable development, and its practical application remain limited. Therefore, there is a pressing need for modern scientific research on corporate social responsibility at the national level to adopt a consistent, systematic, and comprehensive approach to CSR as a concept. These studies should also aim to provide substantial recommendations for the application of CSR on national level and propose ways of collaboration with commercial organizations to facilitate its implementation.

The object of the research is the institutional-level implementation and strategic management of corporate social responsibility in business structures.

The subject of this study is analysing the extent to which the implementation of corporate social responsibility strategies in practice influences the sustainable development of businesses.

Research goals and objectives. The main goal of this research work is to examine the current state, development dynamics and prospects of corporate social responsibility activities in Azerbaijan's business sector, and to develop recommendations and proposals to ensure effective development in this field in accordance with international standards.

To achieve the stated goal, it is necessary to fulfil a number of interrelated tasks:

- analysis and systematization of conceptual approaches underlying corporate social responsibility, which is considered an essential component of modern corporate governance system;
- identification of the interrelation between the concepts of sustainable development and corporate social responsibility;
- analysis of the current state of corporate social responsibility activities within the national business sector in Azerbaijan;
- development of proposals for improving CSR activities and ensuring their implementation at the institutional level;
- preparation of recommendations aimed at aligning the country's non-financial reporting practices with international standards by clarifying the current state of such reporting in Azerbaijan;
- study of the state policies implemented to promote strategic corporate social responsibility and sustainable business development in Azerbaijan, along with a comparative analysis of leading international practices.

Research methods.

In this study, general analysis methods, synthesis, comparative analysis, induction, qualitative and quantitative analysis were used. Data were collected from relevant scientific literature, interviews and

surveys, publicly available documents related to CSR activities of companies and international organizations, as well as other related sources. The questionnaire survey was conducted via the "Google Forms" platform, and Excel software was used to analyse the collected data.

The main provisions presented for defence:

1. There is a strong interrelationship between corporate social responsibility (CSR) activities and sustainable development of business. A comprehensive and well-structured CSR strategy positively influences sustainable and socially oriented economic development from various perspectives. The reputation gained through an organization's non-financial activities indirectly strengthens its market position and enhances its long-term competitiveness.
2. The institutionalization and strategic implementation of CSR significantly increase its effectiveness both for the organization itself and for its stakeholders. To successfully carry out this activity, it is essential to develop and implement a CSR strategy and CSR management mechanisms that define the company's priorities in terms of sustainable development and social responsibility.
3. An analysis of the current situation regarding corporate social responsibility and sustainable development in the activities of national companies in Azerbaijan shows that substantial work needs to be done to form CSR strategies for national business structures.
4. Enhancing non-financial reporting among business entities in Azerbaijan and aligning it with international standards can increase their chances of ranking higher in sustainable development and social responsibility indices, as well as improve access to international markets. This would be of significant importance both for the businesses themselves and for the national interest.
5. State support plays a crucial role in the formation and development of socially responsible business.

A state policy on corporate social responsibility and sustainable development is essential to ensure that businesses behave responsibly and ethically toward all stakeholders, especially society and the environment.

The scientific novelty of the research lies in the systematic study of the CSR concept and the development of theoretically and practically significant recommendations for optimizing strategic CSR activities in Azerbaijan, based on the analysis of its role in sustainable business development in global practice. The scientific novelty is reflected in the following points:

1. Several fundamental theories and approaches that define the directions of CSR's conceptual evolution have been analyzed, summarized, and clarified in terms of their practical significance for the first time systematically in the Azerbaijani language.
2. The reasons why CSR activities have not yet been fully implemented in Azerbaijan have been identified, as well as the main obstacles faced, and potential solutions to overcome these challenges have been proposed.
3. The importance of non-financial reporting as one of the key indicators of effective CSR policy and sustainable development has been substantiated. The main international standards for non-financial reporting, recognized globally, have been summarized. Additionally, for the first time in Azerbaijan, the status of non-financial reporting in national business structures has been examined, levels of such reporting across different business sectors have been identified, and recommendations for aligning private sector reporting practices with international standards have been proposed.
4. Based on leading international experience, directions for the institutional integration of CSR in Azerbaijan have been proposed. A mechanism for institutionalization that both reflects national characteristics and meets international

- requirements and standards has been developed and presented in the form of a block diagram.
5. The importance of state support in stimulating CSR activities has been substantiated, and relevant proposals and recommendations have been developed to improve state regulation policies and strategic management mechanisms for the development of corporate social responsibility in Azerbaijan.
 6. The potential long-term benefits and advantages that businesses can gain through CSR integration have been visualized and presented in the form of a block diagram.
 7. Several directions have been proposed for advancing the implementation of strategic CSR policies in Azerbaijan and increasing the significance of CSR in the sustainable development of national businesses.

Theoretical and practical significance of the study.

The theoretical significance of this research lies in systematizing the existing theoretical knowledge in the field of CSR and presenting them in the Azerbaijani language, which may serve as a valuable foundation for future scientific research in the field of corporate social responsibility and sustainable development in Azerbaijan.

As for the **practical significance** of the dissertation, the findings and recommendations presented in this study can serve as methodological support for business structures seeking to develop a comprehensive and effective CSR strategy. These recommendations may also be valuable for government agencies involved in improving corporate social responsibility practices and preparing and implementing socio-economic development programs. The leading international practices summarized in the research may serve as an important resource for the development of draft national legislation and normative-regulatory acts in the field of CSR and sustainable development.

In addition, the materials of the dissertation can be used in the teaching of relevant academic courses such as “Corporate social responsibility,” “Corporate Governance,” “Business Ethics,” and “Strategic Management,” as well as in the preparation of teaching and methodological materials. The content of the dissertation may also be used for developing training programs on corporate social responsibility and business ethics.

Approbation and application of the research results. The main theses and findings of the dissertation have been published in reputable national and international scientific journals recommended by the Supreme Attestation Commission, and the proceedings of the respective national and international scientific-practical conferences.

Six articles reflecting the results of the dissertation have been published with two of them published in Q1 and Q3 quartile journals indexed in SCOPUS and Web of Science databases. Additionally, four papers were published in conference proceedings, including one indexed in the Web of Science database.

Name of the organization where the dissertation was carried out. The dissertation was carried out at the Business and Logistics Department of the Azerbaijan State University of Economics (UNEC).

Structure and volume of the dissertation. The dissertation consists of an introduction, three chapters, a conclusion, and a list of references, with a total length of 169 pages. The total volume of the dissertation is 271,875 characters (of which Introduction - 15394, Chapter I - 51651, Chapter II - 112360, Chapter III - 64303, list of literature - 28167).

Content of Dissertation

Introduction

Chapter I. Theoretical and methodological foundations of the concept of corporate social responsibility

- 1.1. Corporate social responsibility as one of the core principles of corporate governance
- 1.2. The emergence and evolution of the concept of corporate social responsibility
- 1.3. The emergence and development of the idea of sustainable development and its interrelation with corporate social responsibility

1.4. **Chapter II.** Analysis of corporate social responsibility in the context of factors influencing sustainable business development

- 2.1. Corporate social responsibility as a key factor influencing sustainable business development
- 2.2. Mechanisms for the effective management of corporate social responsibility activities (in a global context)
 - 2.2.1. Formation and institutional implementation of strategic corporate social responsibility policy in global practice
 - 2.2.2. Non-financial reporting as a key indicator of effective corporate social responsibility policy and sustainable development
- 2.3. Analysis of the current state of corporate social Responsibility and sustainable development in the activities of national companies in Azerbaijan
 - 2.3.1. Analysis of the main directions and characteristics of social responsibility policies of national business structures
 - 2.3.2. The current state of non-financial reporting in the national business sector

- 2.3.3. State policy on corporate social responsibility and sustainable business development in Azerbaijan

Chapter III. Prospects for the formation and development of strategic corporate social responsibility and sustainable business in Azerbaijan

- 3.1. Directions for the institutional organization and implementation of corporate social responsibility in national business structures
- 3.2. Alignment of non-financial reporting practices of national entrepreneurial entities in compliance with international standards

Conclusions and proposals

References

Abbreviations and symbols

SUMMARY OF THE DISSERTATION

The introductory section of the dissertation substantiates the relevance of the topic, the objective of the study, the tasks set to achieve this objective and their solutions, the main theses for defence, and the scientific novelty and practical significance of the obtained results.

The first chapter, titled “Theoretical and Methodological Foundations of the Concept of Corporate Social Responsibility (CSR),” explores the historical emergence, evolution, and conceptual development of CSR. It emphasizes that social responsibility ranks among the most crucial responsibilities of business, highlighting its significance for successful business operations and its role in fostering effective communication with all stakeholders, including society and government.

Several fundamental classical theories that define the conceptual evolution of CSR are presented in chronological order, starting from the introduction of the CSR theory by American scholar H. Bowen in 1953. In addition to classical theories, the chapter sheds light on modern approaches and theories that have emerged under the umbrella of these classical foundations and currently guide CSR practices in the business environment. Their practical relevance is also emphasized.

One of the most prominent CSR theories is E. Freeman’s ‘stakeholder theory’, which advocates for considering the interests of all stakeholders and avoiding harm to them while developing business strategies. Freeman categorizes stakeholders into internal and external, as well as primary and secondary groups. He recommends that businesses should regularly analyse their stakeholders and pay attention to their expectations from the business³ (Figure 1).

Today, stakeholder theory is widely accepted as a practical approach aligned with leading international standards and principles, including ESG, GRI, ISO 26000, AA1000, and SA8000.

³ Freeman, E., McVea, J. A stakeholder approach to strategic management. Handbook of Strategic Management //Oxford: Blackwell Publishing – 2001 – 32 p.

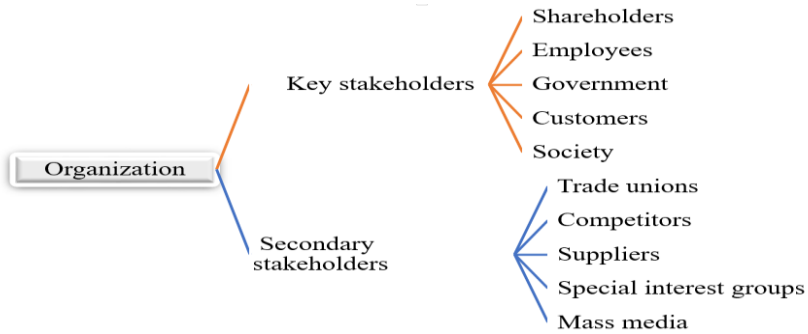


Figure 1. Relationship between a company and its stakeholders

Source: Compiled by the author based on relevant materials⁴

One of the most comprehensive theoretical approaches to the issue of business’s social responsibility is A. Carroll’s ‘CSR Pyramid’, which divides business responsibilities into four main categories: economic, legal, ethical, and philanthropic. This model presents business obligations in order of importance, thereby pushing aside earlier approaches that sought to limit corporate social and ethical responsibility merely to charitable activities (Figure 2).



Figure 2. CSR Pyramid of A. Carroll

Source: Compiled in Azerbaijani by the author based on relevant materials.⁵

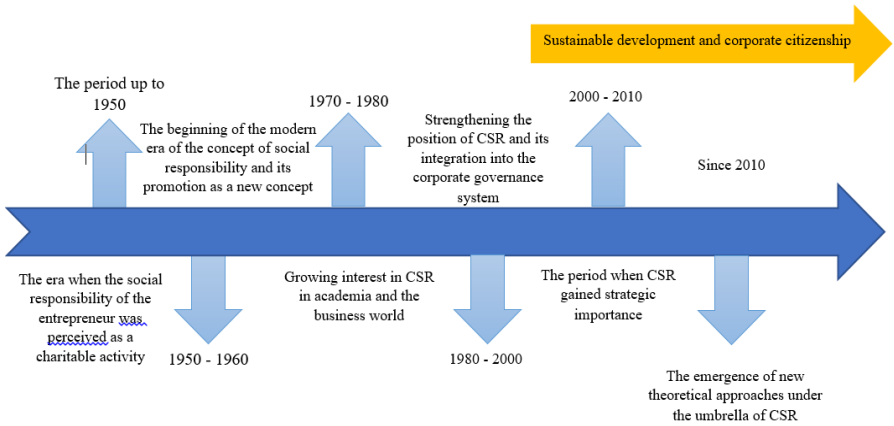
⁴ Freeman, R. E., Phillips, Robert A. Stakeholder theory: A libertarian defense // Business Ethics Quarterly – 2002, – 12 (3), – p.331-350

⁵ Carroll, A. B. The pyramid of corporate social responsibility: toward the moral management of organizational stakeholders. // Business Horizons, – 1991, – 34 (4), – p.39–48.

Scholars like K.Devis⁶, J.Elkington⁷, J.McGuire⁸ have also contributed to the theoretical and practical development and evolution of CSR concept. In their works, these scholars have approached business’s social responsibility from various perspectives, including the development of human capital and social issues, as well as the business's relationship with the environment, and its ethical and philanthropic responsibilities.

Thanks to their efforts, a number of related and widely applied concepts have developed under the umbrella of Corporate Social Responsibility (CSR) theory—such as ‘triple bottom line (TBL)’, ‘corporate citizenship’, ‘social entrepreneurship’, ‘corporate sensitivity’, ‘socially responsible investment’, ‘corporate accountability’, and ‘sustainable development’. These developments have strengthened the position of CSR, and by the end of the 20th century, it began to be integrated into corporate governance systems.

By systematizing these theories and approaches, the historical development and evolution of CSR is divided into the following main stages (Figure 3):



Şakil 3. Historical development stages of the CSR concept

Source: compiled by the author based on multiple sources

⁶ Davis, K. Can Business Afford To Ignore Social Responsibilities? California Management Review. – 1960. – Vol. 2. – N 3. - p. 70-76
⁷ Elkington, J., Towards the Sustainable Corporation: Win-Win-Win Business Strategies for Sustainable Development //California Management Review. – 1994 –Vol. 36 (2), – p.90–100.
⁸ McGuire, J.W. //Business and Society. McGraw-Hill, New York, - 1963. - 312 p.

Chapter 1 also clarifies the purpose and significance of sustainable development as an idea, its rise to prominence, and its formation as an essential concept. Furthermore, it elucidates the interaction between sustainable development and corporate social responsibility.

The sustainable development approach, which emphasized the responsible use of natural resources with a forward-looking perspective, went through several phases of evolution over the course of a few decades. Its stages starting from a focus on environmental responsibility, developing into an integrated framework that equally considers ecology, human well-being, economic growth and culminating in the adoption of ESG principles and the Sustainable Development Goals (SDGs) are systematized and presented below (Figure 4):

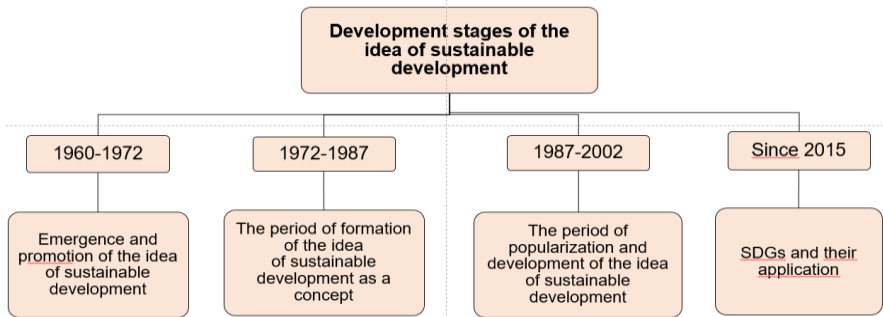


Figure 4. Development stages of the idea of sustainable development

Source: Compiled by the author based on relevant materials.⁹

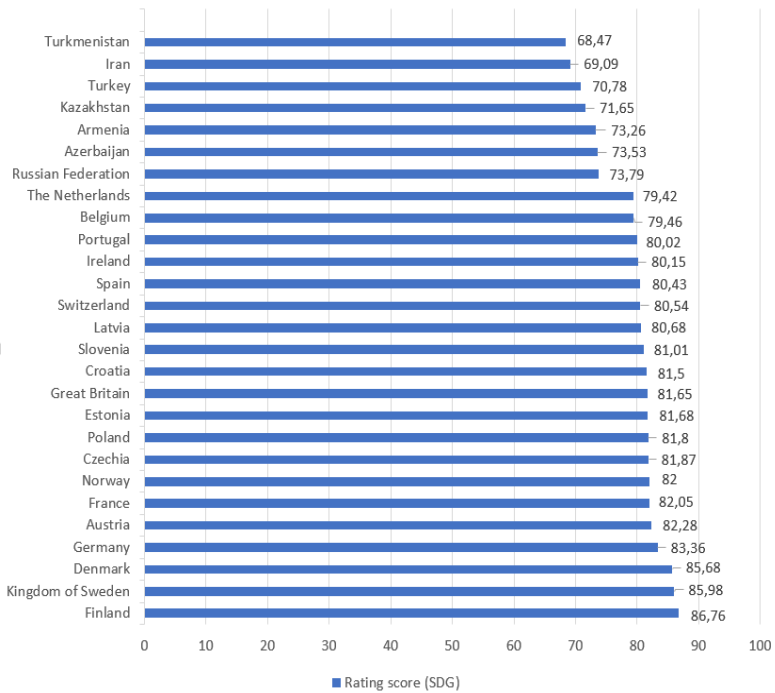
The second chapter, titled “Analysis of corporate social responsibility in the context of factors influencing sustainable business development,” clarifies the role of CSR in the context of internal and external environmental factors affecting the sustainable and effective development of business.

In this regard, the importance of a successful CSR strategy in increasing reputation and competitiveness, employee loyalty, properly

⁹ Shi, L. The Evolution of Sustainable Development Theory: Types, Goals, and Research Prospects. Sustainability // Han, L., Yang, F., Gao, L. – 2019, – 11(24), – 7158; <https://doi.org/10.3390/su11247158>

building relationships with stakeholders, attracting investments, access to global markets, brand differentiation, and improving economic and financial performance is substantiated.

In the 21st century, the impact of business’ social responsibility on its sustainable development, as well as on the reputation of the country, was emphasized, and a graph was compiled showing the CSR and sustainable development ratings of countries, including countries in the region, based on information obtained from relevant sources (Graph 1).



Graph 1. CSR ratings by country (Top 20 + Regional Countries)

Source: Prepared by the author based on relevant data.¹⁰

¹⁰ Sustainable Development Report 2023 [_https://dashboards.sdindex.org/chapters/executive-summary](https://dashboards.sdindex.org/chapters/executive-summary) (Accessed on 04.15.2024)

The mechanisms for effective management of CSR activities in world practice were examined and the formation of a strategic CSR policy and its implementation at the institutional level were presented in phases (Figure 5). CSR management mechanisms are classified as organizational and value-forming mechanisms, and their role in the sustainable development of businesses is substantiated.

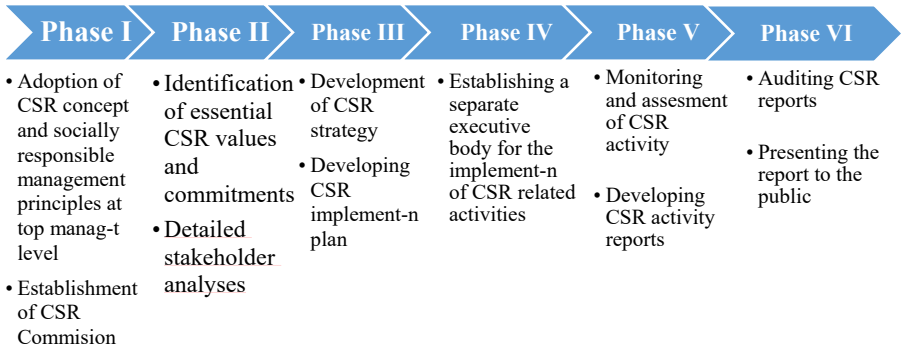
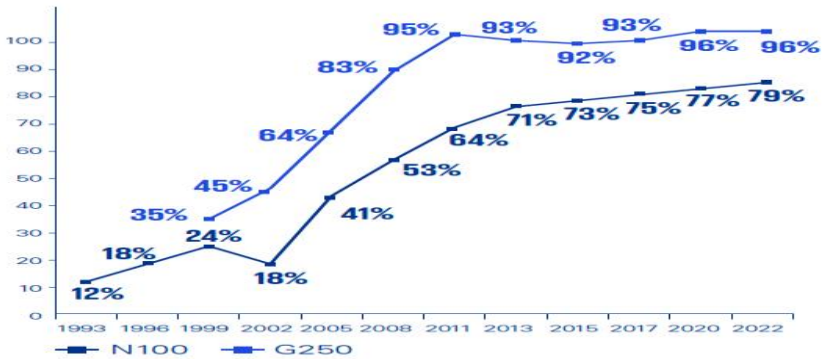


Figure 5. Stages of forming institutional level CSR Strategy

Source: Compiled by the author based on multiple sources.

Additionally, the role of non-financial reporting in enhancing business reputation has been examined, its importance has been emphasized based on the information taken from reliable sources highlighting the increasing significance and scope of non-financial reporting at the global level (Graph 2).



Graph 2. Global growth trend in non-financial reporting

Source: Review of KPMG survey on sustainable development (2023)

To study the current state of the non-financial reporting in Azerbaijan, the author conducted a survey. Since there is no national registry for non-financial reports in the country, the author investigated the practices of large national companies that are assumed to issue such reports. Information was collected from online sources and by establishing direct contact with respective business representatives. Based on the information obtained as a result of the study, it was determined that there was no significant increase in non-financial reporting in the country over the past 10 years (2013-2023), however a certain positive dynamics was observed (Graph 3).



Graph 3. Dynamics of nonfinancial reporting by national companies

Source: Compiled by the author based on the related research outcomes.

Based on the analysis of the content of national non-financial reports, it was revealed that the majority of them are not developed in accordance with international standards. In Azerbaijan, with the exception of SOCAR and a few other large companies, most organizations do not prepare reports that comply with the standards and recommendations established by relevant international institutions. The primary standard referred to is the GRI (Global Reporting Initiative) standards. In addition, there are reports based on the AA1000, ISO 26000, and the UN Global Compact recommendations. Among the companies examined, SOCAR stands out for providing the most detailed information in its reports regarding activities aligned with globally required standards.

The author also provided explanation of the main non-financial reporting standards such as GRI, SA8000, ISO 26000, AA1000, SASB and other standards, and argued the importance of preparing reports in accordance with the requirements of these standards.

A comparative analysis of the contents of non-financial reports of companies high-ranked in the global non-financial rating platforms and of the national business structures of Azerbaijan was conducted, and recommendations were proposed to improve national non-financial reports and their compliance with globally recognized standards (Table 1).

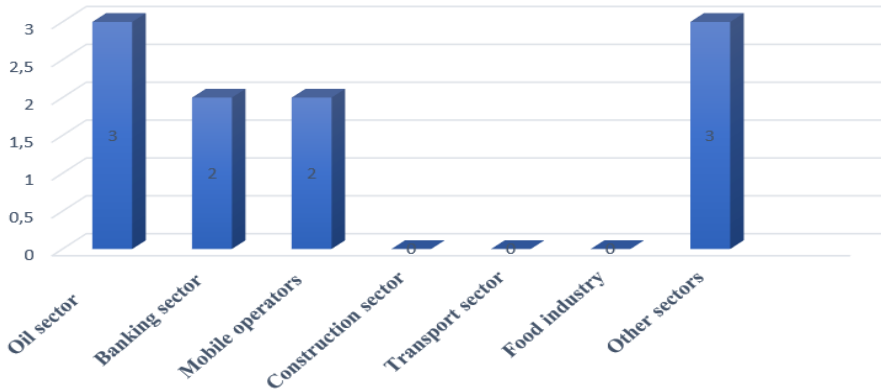
Table 1.
Benchmarking of non-financial reports of national and foreign companies

Key issues reflected in comprehensive non-financial reports	Issues covered in national non-financial reports
Addressing environmental and climate change issues in alignment with global strategies	Tree planting/greening campaigns
Strategic waste management and pollution prevention	Waste cleaning through volunteer efforts; Partial waste management
Use of alternative energy	Almost no information
Corporate governance and ethical principles	Information is very superficial, with no reference to documents covering these issues
Employee welfare issues	Generally provided and details are not included
Activities related to the local community	Mainly focused on charity and sponsorship projects
Ethical relationships with business partners	Almost no information
Compliance with relevant non-financial reporting standards	Covered to some extent in reports of only four researched companies
Audit and verification of reports	Mentioned in only two reports

Source: Compiled by the author based on multiple sources.

When classifying the submitted non-financial reports by business activity, the following picture emerges: non-financial reports are prepared mainly by oil companies, banks, mobile operators, and to a certain extent by companies operating in the mining industry. Oil

and gas companies and mobile operators are also stand-out by the regularity and comprehensiveness of their reports (Graph 4).



Graph 4. Distribution of CSR reports by sectors in Azerbaijan

Source: Compiled by the author based on the related research outcomes.

The second chapter also clarifies the state policy on corporate social responsibility and sustainable development of business in Azerbaijan, and justifies the regulatory and stimulating role of state policy.

In the third chapter of the research work, dedicated to “Prospects for the formation and development of strategic corporate social responsibility and sustainable business in Azerbaijan”, the key conditions required for the development of CSR activity in the country in line with leading international practices have been summarized. These conditions are addressed in terms of the institutionalization of CSR and the alignment of non-financial reporting with international standards. The author’s final recommendations for fulfilling these conditions are also presented in this chapter.

The directions for the institutional organization and implementation of corporate social responsibility within national business structures have been identified, and it has been noted that this is achievable through state support as well as the implementation of several measures at the organizational level.

This chapter also underlines the need for systematic and comprehensive state involvement in forming and developing ethical

and responsible business practices in Azerbaijan, based on the experience of countries where CSR is widely integrated into business operations, while taking into account national characteristics and conditions. It is proposed that government support should be implemented through the development of the normative-legal framework and the introduction of incentive and promotional measures. The specific areas that these activities should cover have also been identified (Table 2).

Table 2.
The role of the government in stimulating CSR activities

CSR Normative and Legal Framework	Developmental and Promotional Measures
<ul style="list-style-type: none"> - Activities in line with environmental, green energy, and green production requirements - Human resource management - Many issues such as non-financial reporting, etc., regulatory and guiding normative legal acts, rules and instructions - Rules and instructions related to the responsible credit and investment policy of financial institutions - Development of non-financial reporting standards - Development of relevant rules and instructions for specific areas of activity (construction, mining) - Improvement of the Corporate Code of Ethics 	<ul style="list-style-type: none"> - Tax benefits and exemptions - Preference in state-ordered projects - Establishment of rating platforms - Awards and recognition - Promotion of non-financial reporting standards - Awareness-raising/promotional activities and trainings - Support and coordination of public-private sector-civil society partnership

Source: Compiled by the author based on multiple sources.

The third chapter also emphasized the importance of developing a National CSR Model and presented the CSR institutionalization mechanism in the form of a block diagram (Figure 6).

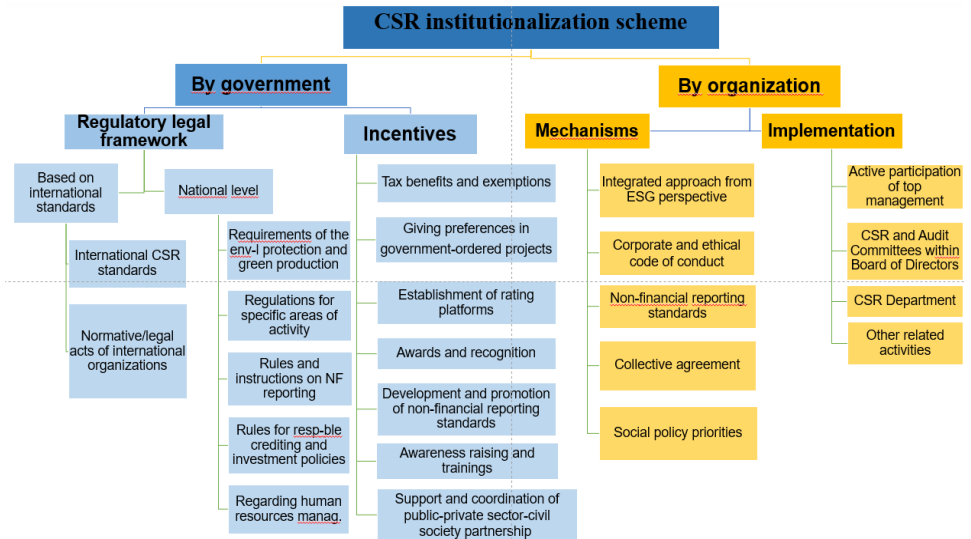


Figure 6. CSR Institutionalization mechanism

Source: Compiled by the author based on the related research outcomes.

The third chapter also provides a table of what a business should consider in relation to each stakeholder, including conducting a comprehensive stakeholder analysis, identifying their [stakeholders’] expectations from the business.

Additionally, a number of potential benefits and advantages that businesses can gain in the long term through the integration of strategic CSR activity have been systematized and presented in a block diagram (Figure 7).

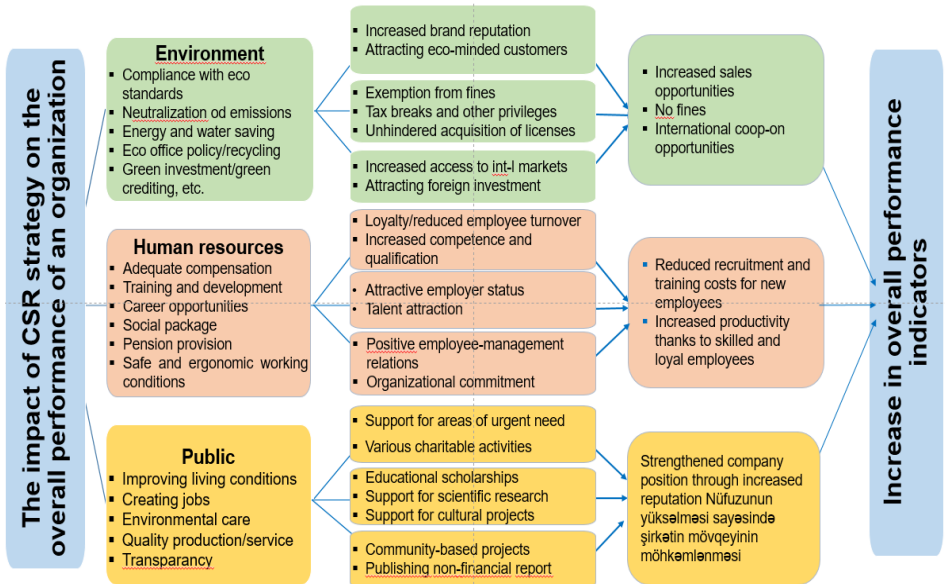


Figure 7. Potential benefits of CSR integration for business

Source: Compiled by the author as a result of relevant research.

CONCLUSIONS AND RECOMMENDATIONS

As a result of studying and analysing the impact of corporate social responsibility on the sustainable development of business in general, as well as the CSR activities of entrepreneurial structures in Azerbaijan, the following findings were identified:

1. In the modern world, great importance is attached to the social responsibility of business, and along with the economic indicators social responsibility and ethical behaviour are also of great importance for its [business's] sustainable development.

2. Looking at the general picture, it is felt that the impact of the global trend has already spread to the Azerbaijani business environment. However, national business is still far from implementing its social responsibility policy at a strategic level, and CSR practices close to those existing in developed countries are implemented by only a few large companies in Azerbaijan.

3. With the exception of a few large business structures, CSR has not yet been integrated into business activities at the institutional level.

4. Unlike in developed societies, it is difficult to say that members of civil society, non-governmental organizations, the media, investors, trade unions, clients, consumers, and other stakeholders in Azerbaijan act as active interested parties in ensuring that businesses operate in a socially responsible manner.

5. There are serious problems with non-financial reporting in the country - the vast majority of national companies do not submit non-financial reports. Non-financial reports are not prepared in accordance with relevant standards and in most cases, the audit of these reports is not ensured.

6. There is a need to accelerate state policy on CSR issues in Azerbaijan and to enhance the government's regulatory and supportive role in this field. Based on the results of the research we can see that certain steps have already been taken in this direction; however, there are still many issues that need to be addressed.

7. There is a need for appropriate mechanisms to monitor, evaluate, and acknowledge businesses' CSR and sustainable development activities.

8. There are no sources in Azerbaijani language that systematically present modern trends and global practices regarding the application of CSR in the contemporary business environment, as well as the CSR concept, its evolution, its role in sustainable development, and similar approaches. The available information is fragmented.

9. There are scarcity of specialists competent in implementation of globally recognized CSR and sustainable development policies and practices.

10. There is a serious need to include in the curriculum of higher education institutions subjects covering business ethics and corporate social responsibility.

However, it should be noted that even this study revealed a number of gaps in CSR activity of national business entities, it also

shows that there are prospects for the development of strategic CSR activities in the country and that it is possible to bring these activities to a level that can positively affect sustainable development. In particular, emphasizing CSR activities and non-financial reporting to access international markets and gain global acceptance gives grounds to predict a significant leap in social accountability in Azerbaijan in terms of both quantity and content and quality over the next years. For this, a number of complex measures need to be taken at both the organizational and governmental levels.

Based on the information presented in the previous sections, the author puts forward several categorized proposals aimed at achieving progress in the implementation of a strategic CSR policy in Azerbaijan, aligning it with international best practices, increasing the significance of CSR policy in the sustainable development of national business, and ensuring Azerbaijan's inclusion in global CSR ranking platforms. The implementation of these proposals directly depends on close cooperation between the government and the private sector, as well as the active involvement of civil society in this process. The proposed directions are presented below:

Direction 1 is related to the institutionalization of the CSR strategy. At the initial stage, institutionalization of the CSR strategy, i.e., establishing it as an important organizational strategy, should be ensured mainly in large business structures. For this, the following measures need to be taken with the support of both the business itself and the government:

- Since the vast majority of Azerbaijani companies do not have a department or at least a particular person permanently engaged in CSR, it is very important to create a separate organizational structure dealing with CSR issues. For this, based on international experience, especially the corporate governance experience of Western countries, positions such as CSR manager or sustainable development manager can be established in large companies, and a sustainable development or CSR committee with the participation of senior management can be created within the board of directors.

- In order to properly implement this work, it is advisable to establish a consulting organization that includes experts with extensive knowledge and experience in CSR and can cooperate with both business and relevant government agencies and relevant international organizations. The presence of consulting organization can help national business keep up with the demands of the time by providing expert support in issues such as the development, monitoring and evaluation of CSR policies and strategies, CSR programs and projects, preparation and verification of non-financial reports.

- One of the important conditions for the institutionalization of CSR is the existence of internal monitoring and evaluation, which can be carried out based on relevant international standards, as well as national legislation. In order to assess how the CSR strategy is being implemented, an appropriate monitoring and evaluation mechanism should be created at the corporate level, the results obtained, quantitative and qualitative indicators should be studied so that, if necessary, new decisions can be made, changes and amendments made, etc. For this, it would be appropriate to establish a relevant corporate body in the board of directors, for example, “CSR Committee”, “Sustainable Development Committee” or “Environment and Green Development Committee”.

Direction 2 is related to the adaptation of non-financial reporting to internationally accepted rules and standards. In order to carry out this work, it is necessary to apply both existing international standards and establish national standards in relevant areas. Organizing methodological support for business structures to prepare reports on their CSR activities in accordance with these standards can accelerate the implementation of this work.

One of the important tasks to be carried out in the second direction is the audit of CSR reports. Training professional auditors who know this field can be important in terms of supporting the preparation of these reports. In general, in order for CSR to develop properly and become a strategic policy, specialists who are sympathetic to this field and are aware of its subtleties should be

attracted and trained. In the training of qualified personnel in this field, there is a need for the participation of both higher education institutions and relevant state programs.

Direction 3 is related to the regulatory and legal regulation of CSR activities. In world practice, it is very rare to find a law on CSR activities or the creation of a separate body that can make decisions to regulate this activity. However, the CSR activities of businesses are regulated by the conditions arising from other relevant laws and regulatory and legal acts. In this regard, relevant provisions can be included in the Azerbaijani legislation to ensure the integration of CSR principles into business practice, as well as relevant work can be done to promote existing laws. The development of leading CSR standards for environmental protection, green energy, human rights, ethical business practices, consumer rights protection, transparent reporting, specific industry sectors and other requirements that businesses must comply with, relevant standards and other regulatory mechanisms by relevant bodies can accelerate this work. The fact that these works are carried out in the period after the COP 29 conference is held in Azerbaijan is also of great importance as an indicator of the country's activity in this area and the work it is doing to align with global standards.

Direction 4 is related to incentive and support measures. These measures can include the following:

- In order to encourage the private sector towards CSR and sustainable development and stimulate socially responsible and sustainable production, various incentive measures such as tax evasions, grants and certain privileges can be applied to responsible companies with a high social reputation.
- The government for example can stimulate ethical business by giving preference [during state-ordered procurements] to the products of companies with high indicators of CSR activities and ethical behaviour. It may also serve as a signal to all entrepreneurs that ethical behaviour is highly appreciated.

- In order to encourage national entrepreneurial structures to be socially accountable, nominations for CSR accountability can be established in National CSR competitions, along with other nominations.
- Appreciation of investments in ecological/green technologies, investments allocated to stimulate scientific and research activities can encourage business to contribute to these important areas.

Direction 5 is related to monitoring and evaluation measures. Since there is a high risk that this direction will be perceived as interference in business operations, the government can apply soft mechanisms such as monitoring, evaluating, and rewarding sustainable business development activities within the framework of various contests with promotional nominations.

Direction 6 involves raising awareness in the field of CSR through awareness-raising activities. Educating the private sector and civil society about the positive effects of CSR can yield positive results in terms of educating both responsible entrepreneurs and responsible consumers and civil society. Therefore, awareness-raising activities should be carried out in two main directions: 1) educating businesses about the importance and potential benefits of CSR activities; 2) raising the general awareness of civil society about CSR and responsible business through mass awareness-raising programs.

Direction 7 is related to supporting stakeholder engagement. The government can help identify and address existing problems, share best practices, and encourage cooperation by creating conditions for dialogue between business structures, civil society organizations, and other stakeholders to promote responsible business practices.

Direction 8 is the integration of CSR and ethical business thinking into the educational process. An educational platform is one of the most essential tools for cultivating socially responsible entrepreneurs as well as conscious consumers. This is because the education process integrates both theory and practice, allowing students to grasp the subject from multiple perspectives. In this regard, it can be highly recommended to include courses on business ethics,

corporate social responsibility, and the fundamentals of sustainable development - key requirements of modern business - in the curricula of higher education institutions, particularly in faculties that train specialists in business administration.

Direction 9 relates to conducting research on corporate social responsibility. A review of the existing literature on CSR reveals a lack of sufficient written materials by Azerbaijani authors concerning the theory of CSR at the national level, international best practices, and modern approaches and standards related to CSR and sustainable development. Therefore, there is a need to support comprehensive research in these areas and to present the findings to a wider audience. It would be more effective for such studies to cover several key areas, including the essence of the CSR concept, CSR practices in global experience, and its role in sustainable development, marketing, financial performance, and risk management."

Direction 10 is setting a strategic goal of achieving placement in international CSR ranking lists. In addition, there is a need to establish a national rating agency that conducts regular (at least annual) non-financial assessments and evaluations specific to the country. The existence of a national CSR rating system would also provide a foundation for the country to be represented in international CSR performance rankings

The main findings of the thesis are reflected in the following published scientific works of the author:

1. Qəhrəmanova Ş. Korporativ sosial məsuliyyətin Azərbaycan şirkətlərinin dayanıqlı inkişafında rolu//Elmi xəbərlər, - 2017 - il 5, – Cild 1, – s. 191-199
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