

REPUBLIC OF AZERBAIJAN

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ABSTRACT

of the dissertation for the degree of Doctor of Philosophy

**DIRECTIONS OF REGULATION
OF INCREASING SOCIAL RESPONSIBILITY
IN CORPORATE STRUCTURES**

Specialty: 5308.01 – “General economics”

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Applicant: **Javid Iftikhar oghlu Huseynli**

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The work was performed at the Academy of Public Administration under the President of the Republic of Azerbaijan.

Scientific supervisor: Doctor of Economic Sciences
Rasmiyya Sabir gizi Abdullayeva

Official opponents: Doctor of Economic Sciences, Professor
Shafa Tofiq gizi Guliyeva

Doctor of Philosophy in Economics,
Associate Professor
Vugar Mehrali oglu Nazarov

Doctor of Philosophy in Economics,
Associate Professor
Parviz Samad oglu Hasanov

Dissertation council ED 2.10 of Supreme Attestation Commission under the President of the Republic of Azerbaijan operating at Azerbaijan State University of Economics.

Chairman of the

Dissertation council


signature

Doctor of economic sciences, Professor
/Mahish Alish oghlu Ahmadov

Scientific secretary of the

Dissertation council:


signature

Doctor of philosophy in economics,
assistant professor
Zohrab Hasan oghlu Ibrahimov

Chairman of the

scientific seminar:


signature

Doctor of economic sciences, Professor
Rasul Anvar oghlu Balayev

GENERAL DESCRIPTION OF THE WORK

Relevance of the topic and degree of elaboration. Modern corporations' activity is organically connected with achieving sustainable development goals. The emerging field of Corporate Social Responsibility (CSR) is vital in this regard. CSR is significantly relevant in exploring and interpreting the relationship between companies and society. In the 21st century, the concept of management is subject to recent economic, political, social, and environmental influences. Therefore, corporate structures and companies should consider CSR activities in business processes in their management models according to the requirements of the time, and modern corporations should participate in actions that go beyond the framework of profit maximization. At the same time, they should develop measures related to the welfare of other interested parties, such as the creation of environmentally friendly products, the provision of services, and many other actions that affect the improvement of the quality of life. Among the experts of various educational institutions, business, government, and civil society institutions, there is a significant difference of opinion in the approach to the issues of CSR development. But in most directions, CSR goes far beyond the traditional framework of requirements and into environmental and social behaviors, and greater emphasis places on the existing advantages of corporations.

One of the directions of the dissertation is the Public-Private Partnership regarding the implementation of the "2030 Agenda for Sustainable Development". Additionally, most experts in this field characterize CSR as an event that goes beyond the form of philanthropy. They point out that, unlike earlier business philanthropy, CSR focuses on promoting responsible activities in fundamental business processes. In this context, the author emphasized that the CSR model will serve to achieve the Sustainable Development Goals. On the other hand, based on the national priorities for the socio-economic development of the country for the next ten years, such as a "dynamic, inclusive and social justice-based society" and a "clean environment

and "green growth" country," the importance of CSR is more evident in terms of the realization of goals.

There is a need to explore the reasons and ways corporations should apply CSR decisions and choices to implement the concept of intellectual CSR accurately. The set of company-oriented CSR measures and practical proposals should consider the effects of external and internal environments for adequate responses. All this determines the relevance of the research work on "**Directions of regulation of increasing social responsibility in corporate structures**" in contemporary times.

The object of the study is large Azerbaijani companies specializing in various business fields.

The theme of the study is the adoption of CSR practice in Azerbaijani companies, the principles of its organization, and the mechanisms of its application in business activity.

There are many studies with different scientific approaches to corporate social responsibility. In the study of this problem, the leading researchers named below played a unique role:

U.K.Alekbarov, A.F.Musayev, Sh.M.Muradov, A.J.Muradov, F.R.Rakhmanov, R.A.Balayev, A.G.Alirzayev, U.G.Aliyev, A.S.Shekaraliyev, H.A.Khakhhalilov, A.P.Babayev, N.M.Imanov, R.S.Abdullayeva, A.T.Nagiyev, Bowen H., Friedman M., Freeman R.Frooman, Philip Kotler, Porter Michael E., Kramer Mark R., Drucker P. F., Carroll A.B., Shabana, K. M., McWilliams, A., Siegel, D., Wagner, T., Melo, T., Garrido-Morgado, Lankoski, L., Halme M., Stephen R., Baah, K. D., Tawiah, K. A., Barroso J., Carroll Archie, McWilliams, A., Siegel, D. S., Wright, P. M., Jeffrey D. Sachs, Levy, D.L., Kaplan, R., Bondy, K., Moon, J., Matten, D., Reis A., Monteiro, Kemp R., Lindgreen, A., Swaen V., Campbell, M. Reid E., Toffel M., Waddock, Schwartz M.S., Visser W., Walls H. L., Wood D. J., Windsor D, and others.

Nevertheless, these studies have focused on CSR factors specific to industries or companies. In this dissertation, the study of CSR was conducted in three primary contexts:

- Justification - justification of the need to include these or other activities and proposals in the organization's CSR plan;

- Processes – how the company measures and recommendations contained in the organization plan of CSR;
- Decisions and choices – an organizational perspective of CSR.

The purpose and tasks of the study. The research aims to study the current state of CSR based on modern socio-economic foundations, explore why corporate structures should take on social responsibility in uncertain internal and external environmental flows, and expand further and promote the potential application of CSR in the future.

For the realization of this goal, the solution to the following tasks is envisaged:

- By explaining the initial and modern theories about CSR, the dissertation will study the advantages of CSR based on economic views and will put the author's approaches regarding the shortcomings forward, and the dissertation will learn CSR models in modern business;
- In a period of critical importance, sustainable development is considered in the context of the long-term perspective of natural ecological systems and environmental management systems;
- The importance of a precise CSR strategy mechanism for integrating CSR strategy into business is discussed and developed to clarify the rules, tools, and concepts applied in management and business. In addition, integration into internal and external factors that may affect the implementation of CSR was analyzed, as well as the involvement of stakeholders in the strategy.
- The dissertation will explain the vital role of defining strategic directions and public-private sector partnership in the regulation of CSR;
- Based on the collection of statistical data from various sources through the survey method and conducting interviews, strategic perspectives during the implementation of CSR strategies will be determined;
- Decision-Making Model, a valuable tool for making sustainable decisions by evaluating the risks related to internal and external factors in the field of CSR, will be

developed, and the author will give suggestions and recommendations regarding the expansion of the application of CSR.

Research methods. Systematic analysis, observation, survey, expert assessment methods, and comparative, statistical, and analytical analysis methods were used while conducting the research.

Main clauses defended.

1. By summarizing theoretical approaches related to CSR, the reasons for including the CSR strategy in the strategic activities of corporate structures are explained;
2. It argues that CSR is a valuable and effective tool for achieving sustainable development goals;
3. The author analyzed the process of CSR integration in the activities of corporate structures, and structural trends were determined;
4. Strategic directions and the critical role of the public-private sector partnership in the process of regulation of CSR are substantiated;
5. The directions for regulating the increase of CSR in Azerbaijan are defined;
6. For the first time, an inclusive model, called CSR Decision-Making Model, links corporate and business strategies proposed and potential ways to expand the application of CSR identified.

The scientific novelty of the research

- Based on a new approach, the research has identified the advantages of CSR based on the principles and economic views, combining three contexts (justification, processes, decisions, and choices);
- Necessary conditions for the application of CSR to national business in achieving the goals of sustainable development have been put forward;
- During the implementation of CSR, integrating stakeholders into business processes was analyzed for the first time, and the directions for increasing CSR were determined;

- Existing and potential strategic prospects for the implementation of CSR strategies in the private sector has revealed, and the role of the state in these processes has been justified;
- Decision-Making Model has developed as a valuable tool for making sustainable decisions by assessing risks related to internal and external factors in the field of CSR;
- Identified potential ways to increase the use of CSR, made proposals and recommendations.

The theoretical and practical significance of the research. The author could apply the academic results obtained from the research work in the teaching of "Basics of Business," "Corporate Management," and "Strategic Management" subjects in higher education institutions. The use of the proposed proposals and recommendations in corporate structures is of an applied nature. The dissertation organically reflects modern theory and practice in CSR and innovations in this field. The research results can be involved in the organization of CSR in enterprises, firms, and companies operating in the private sector.

Approval and application. The results of the research were approved. The author has reported and supported the dissertation's main provisions, results, and recommendations at local and international conferences and seminars—theses and articles reflecting the work's content published in local and foreign scientific journals.

On local level scientific conferences:

- In 2018, the Academy of Public Administration under the President of the Republic of Azerbaijan Conference; In 2019, the Academy of Public Administration under the President of the Republic of Azerbaijan / Republican Scientific-Practical Conference on "Modern directions in the management of regional development in Azerbaijan."

At international scientific-practical conferences:

- 5th International CSR Conference at Bocconi University Milano in 2016; In 2018, the 12th International Scientific Conference on "Public Administration" held jointly with the Faculty of Economics and Management of the University of

Pardubice, the Ministry of Internal Affairs of the Czech Republic, the Department of Strategic Development and Coordination of Public Administration of Pardubice Municipality; Press; In 2019-2022, seminars held by the German-Azerbaijan Chamber of Foreign Trade and in 2020-2021, training on Green Finance at Green Academy, Berlin, Germany.

Fourteen scientific articles have been published on the research topic in our country and abroad.

Dissertation volume. The total book of the dissertation is 265,563 characters, including the title page and table of contents 2,139 characters, introduction 10,360 characters, first chapter 71,324 characters, second chapter 106,192 prints, third chapter 38,079 characters, conclusion 10,040 characters, reference list 27,429 characters. The volume of the work is 237,552 characters, excluding pictures, tables, graphs, and the bibliography. Supplements are not included in the total volume.

THESIS CONTENTS

Introduction

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- 2.2. Current status of corporate social responsibility standards: a comparative analysis of multinational companies SOCAR, BP, and Nestle

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MAIN CLAUSES SUBMITTED TO THE DEFENCE

1. Summarizing the theoretical approaches related to CSR, the reasons for including the CSR strategy in the strategic activities of corporate structures are explained.

For the scientific community, CSR study in practice has always been at the center of attention and has attracted the attention of management and business. An aspect that interests many scholars in the economic field is the financial impact of CSR on commercial enterprises. There are three views in the literature on the consequences of companies' CSR activities and their business, especially in the financial sphere: The first approach is based on Friedman's ¹Point of view. According to Friedman's approach, executives should act as representatives of shareholder welfare, appointed by shareholders to serve as trusted leaders. From this approach, it is understood that the unique purpose of corporate responsibility is to increase shareholders' income and prosperity and use financial resources.

¹ Friedman M. The social responsibility of business is to increase its profits // New York Times Magazine. 1970-13. Sept. 130 p. 122-126.

Freeman's Stakeholder theory believes that companies' achievements in the field of CSR have a positive effect on financial indicators. Based on stakeholder theory, corporations should consider opportunities to discuss management decisions and take multiple social initiatives involving various stakeholders, especially customers, employees, and vulnerable social groups. According to the stakeholder theory proposed by Freeman and refined by Frooman, ²Companies should focus on non-financial aspects, especially their employees, consumers, and local communities, which will significantly benefit the company's long-term results.

It turns out that there is a conflict between Stakeholder theory and Friedman's views. In other words, CSR reflects the well-being of a wide range of stakeholders, which can harm the maximization of the corporation's achievements. Nevertheless, scholars have tried to overcome the contradiction between the two views and have proposed a rational argument for the interested parties. According to that idea, a business cannot ensure long-term growth rates without paying attention to various stakeholders' welfare³. Carroll and Shabanani also focused on CSR justification methods.

Since the 1990s, scholars have focused primarily on stakeholder theory and environmental responsibility issues. As attention to economic, social, and environmental issues has increased, along with the concerns of investors and owners, dialogue has been successfully conducted on the internal and external aspects of CSR. In addition, the thesis shows that CSR aspects have numerous motivating factors in developing countries, unlike the classical manifestation typical for European countries and America.

The author justified the companies' income from the field of corporate social responsibility with the following reasons:

1. more efficient use of natural resources due to reduction of energy and raw material loss;

² Frooman, J. Stakeholder Influence Strategies, *Academy of Management Review* 1999, Vol. 24, No. 2, 191-205.

³ Jensen, MC Value Maximization, Stakeholder Theory, and the Corporate Objective Function. *European Financial Management*, 2001,7, 297–317.

2. developing existing relations between interested parties, leading to the establishment of more convenient cooperation in the future, increasing customer loyalty, and at the same time creating an opportunity for savings;
3. allowing companies to differentiate the products and services they offer, thereby increasing sales prices and volumes;
4. expanding the possibilities and opportunities of companies to access specific markets;
5. creation of entirely new innovative opportunities;

As the world economy develops, more and more companies will adopt a corporate strategy related to socially responsible business operations. This development strategy has strengthened the company's competitive position on the world stage. In recent years, this practice has been reflected in the activities of global companies, where the management aims to apply the socially responsible component to various exercises to strengthen their competitive advantages in both domestic and international markets.

2. It has been argued that CSR is a valuable and effective tool for achieving sustainable development goals.

The purpose of CSR has gone beyond short-term economic achievements and has been mainly concerned with sustainable prosperity and the social sustainability of enterprises. In this regard, enterprises have begun to consider the impact of their commercial achievements on public order. They have started applying it based on the principle of balance with their interests. Companies use CSR doctrines in their daily, monthly, and annual tasks through socially conscious practice in the face of increasing challenges, threats, and pressures in business, processes and employees, customers, contractors, commercial partners, trade unions, vulnerable population groups, non-governmental organizations as well as government departments.

In general, all theories on CSR are fully compatible with the Sustainable Development Goals and can serve as a Roadmap to achieving them. Paragraph 67 of the UN General Assembly resolution 70/1 states that the private sector performs the necessary functions

related to the development of CSR. At the same time, it is requested to contribute as follows. ⁴:

"Private business, investment, and innovation drive productivity, inclusive economic growth, and job creation. We recognize the diversity of the private sector, from small businesses to cooperatives and multinational corporations. We challenge all businesses to apply their creativity and innovation to solve sustainable development issues. We will promote the development of a dynamic and well-functioning business sector that protects labor rights and environmental standards by relevant international standards and agreements, as well as other current initiatives in this regard."

According to this statement of the UN General Assembly, the private sector should apply CSR activities as a means of achieving sustainable development. In the study context, the research paper details how and why a business should engage in CSR. In addition, the author emphasized the importance of efficient and productive use of resources to justify how and why companies should engage in CSR and explained the need for sustainable development. Within the framework of the changes and events we have experienced in recent times, it was observed that more attention was paid to specific activities in solving unwanted practices and behaviors in solving global problems.

The study justified that the current governments should implement political strategies at the global level to reduce the negative impact on the familiar environment and prevent the threats that threaten the quality of life of the followers of our civilization. Examples of such strategies include an excess carbon tax, waste management trading schemes, and liability legislation that directs the private sector to use environmentally friendly forms of energy and prevents harmful behavior. Another strategy could be to encourage and fund future research in sustainable technologies openly.

In the direction of public-private partnership in implementing national priorities in the field of sustainable development until 2030,

⁴ United Nations, General Assembly. Transforming our world: the 2030 Agenda for Sustainable Development. The General Assembly adopted the resolution on September 25, 2015./ [online] A/RES/70/1.

the author should emphasize that in that context, the CSR model has an essential role in achieving sustainability and development goals.

3. The author analyzed the process of CSR integration in corporate structures' activities and determined structural trends.

SOCAR and BP, the largest active companies in Azerbaijan, were taken as the research object. To determine the practical side of CSR implementation, the researcher interviewed managers representing public and private organizations. Within that activity, the author asked CSR development strategies and questions related to its implementation.

The corporate social responsibilities of both SOCAR and BP are practiced on a vast scale. As an outcome, CSR is applied in the form of the social and integrated approach in SOCAR. They evaluate CSR in the direction set by the state, as well as the environmental impact of their business processes. We can say that SOCAR implements the social projects the state orders to execute.

BP also has a unique, sustainable development committee in close contact with state and private individuals, where projects are financed. We can say that BP has a socially oriented and integrated approach.

However, we do not encounter such cases when studying other companies in Azerbaijan. Research shows that other micro, small, and medium-sized entrepreneurs and companies mainly apply a socially oriented approach despite the large companies.

The author has conducted a survey that allowed observing CSR from a practical point of view. The survey consists of 22 questions. The survey questions cover general, business, and management experience, CSR practice, CSR accountability, and CSR measurement practice. The study interviewed participants in the following economic sectors: financial services, insurance services, retail, manufacturing (food, metal, plastic, construction materials, glass, paper and cardboard, textiles, non-oil raw materials), technology, transport, agribusiness, development of norms of mining and quarrying, labor conditions.

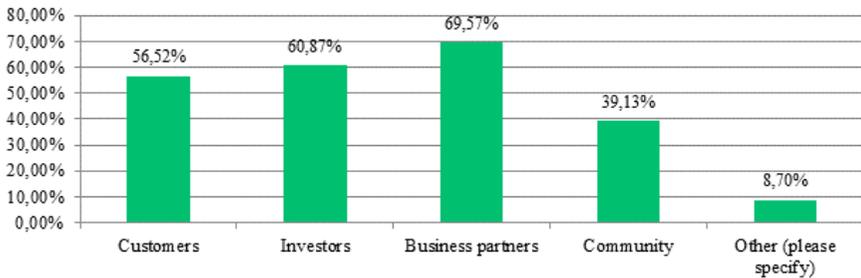
Based on our survey results, the author can say that the companies do not have official CSR policies, there is no separate committee in this regard, and the particular department is not included in their

structures. Directors' participation in CSR management in companies is not satisfactory.

Below the reader can find some of the results from the survey:

There is very little involvement of stakeholders in CSR decisions. The most involved stakeholders are business partners, and the opinions of society and customers are hardly considered in CSR decisions (Graph 1).

Engage the following stakeholders in decisions relating to CSR?



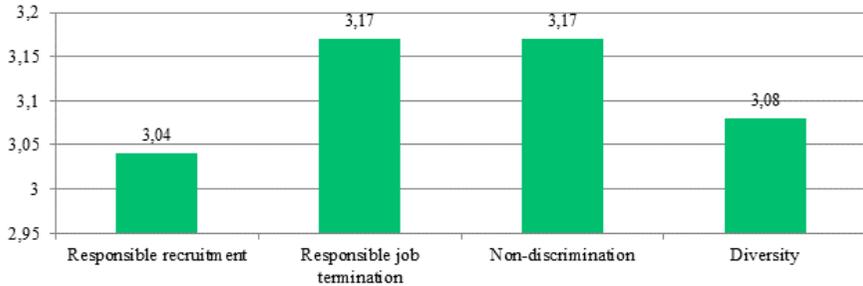
Graph 1. Involvement of stakeholders in CSR decisions

Source: Compiled by the author based on survey materials.

As a result of the research, it said that the companies in the market apply a social approach. Companies implement CSR in the direction set by the state, but they do not evaluate the environmental impact of their business processes. On the other hand, they are creating special donation funds within the framework of social projects that the state wants to implement and donating companies in the market to these funds evaluated as CSR activities. Projects related to CSR are mostly shared internally and not presented to the external environment in an accountability format, which is the biggest downside for the market and companies.

Let's look at Human capital in CSR activity (Graph 2).

Human Capital



Graph 2. Human capital

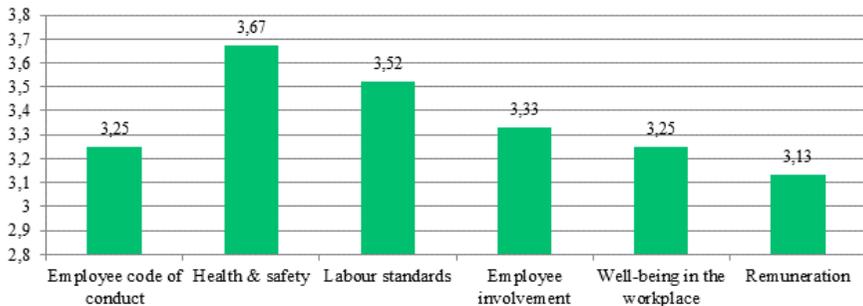
Source: Compiled by the author based on survey materials.

Rating scale (1=Strongly disagree; 2=Disagree; 3=Neutral; 4=Agree; 5=Strongly agree).

According to the obtained result, the author can say that companies pay attention to non-discrimination issues in the process of hiring and termination of employment. The results show that companies still need to develop in this area.

At the same time, let's look at the working environment (Graph 3).

Work Environment



Graph 3. Work environment

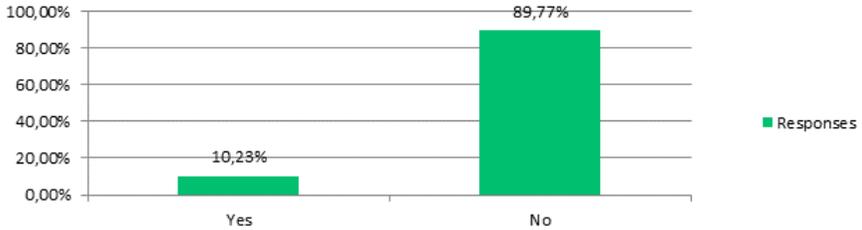
Source: Compiled by the author based on survey materials

Rating scale (1=Strongly disagree; 2=Disagree; 3=Neutral; 4=Agree; 5=Strongly agree)

According to the obtained result, the author can say that the lack of development of the code of conduct in the healthy formation of the

work environment harms the division of responsibilities. Still, since HSE and other factors are under the supervision of the state, more importance is given to these areas.

A survey asks about return on investment (ROI) for CSR investments (Graph 4).



Graph 4. Measuring return on investment (ROI) for CSR investments

Source: Compiled by the author based on survey materials.

It seems that measuring the ROI ratio of CSR investments is not carried out because CSR projects in the market are more charitable, and most of them are non-profit projects, such projects seen as donations.

Let's look at the analysis of the question "Supply chain, customers and marketing" in the survey (Graph 5).

Supply chain, Customers & Marketing



Graph 5. Supply chain, customers, and marketing.

Source: Compiled by the author based on survey materials.

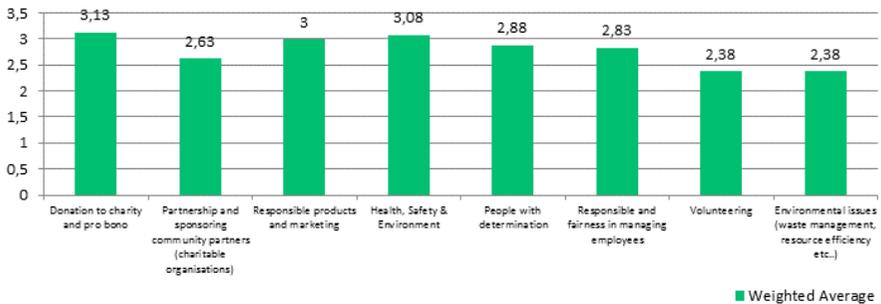
Rating scale (1=Strongly disagree; 2=Disagree; 3=Neutral; 4=Agree; 5=Strongly agree)

One of the most critical issues here is the development and further expansion of CSR issues in the supply chain of large companies and financial institutions. One of the weakest points is the lack of consideration of CSR aspects in the supply chain. New conditions in the market should be dictated and required so that companies provide services with unique requirements. In this regard, the United Nations Global Agreement criteria will play an essential role in developing this field.

We can also include environmental aspects here. Failure to conduct this type of assessment when choosing a service harms the development of CSR. If these factors are considered in conducting tenders, the market will develop more healthily, and the requirements (standards) will rise to a new level.

Another graph is related to CSR initiatives (Graph 6).

To what extent do your CSR initiatives focus on the following issues:



Graph 6. CSR initiatives

Source: Compiled by the author based on survey materials.

Rating scale (1=Strongly disagree; 2=Disagree; 3=Neutral; 4=Agree; 5=Strongly agree).

It seems that the issues mentioned in CSR initiatives are not given enough attention: Environmental issues (waste management, resource efficiency, etc.), responsibility and fairness in employee management, volunteerism, Partnerships, and sponsoring community partners (charities). Companies hardly consider environmental aspects in their business processes. The development of this field can increase with the support of banks.

The graph below shows the extent to which CSR initiatives are motivated by which factors (Graph 7).

To what extent your CSR initiatives were motivated by the following factors

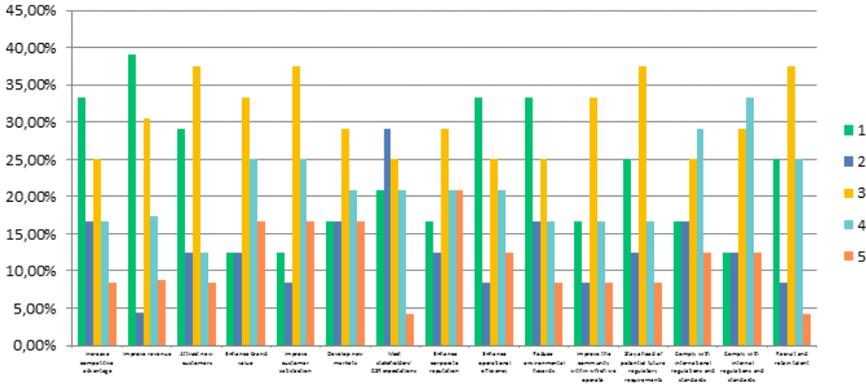


Figure 7. Factors affecting CSR initiatives

Source: Compiled by the author based on survey materials.

Rating scale (1=Strongly disagree; 2=Disagree; 3=Neutral; 4=Agree; 5=Strongly agree).

It shows the mindset and direction of the market environment. The author can draw many conclusions from this. It shows which aspect of motivation should be focused on, which is stronger or which should be developed more in the direction of the market's CSR development. One of the reasons for the low appreciation is the lack of awareness of what CSR is in the market. This graph can lead to the development of large potential locations and form long-term strategies.

The analysis of all the questions asked in the survey showed that there were three versions of CSR in the companies: the preparation of CSR measures supported by the top management; CSR-related action objectives linked to long-term strategy; CSR measures help managers understand the relationships between activities and functional areas. Out of the three versions, the third option was the least popular.

These cases are sporadic in the banking sector, and banks pay little attention to them, even though banks are the main driving factor of the economy, so their effects should be more extensive and could play an essential role in the development of CSR. The main issue here is the lack of staff, implementation of the environmental system, and the fact that the market has not yet formed in this area. The government should introduce new financial and non-financial incentive tools to develop this sector in a country with higher state regulations. To realize the

vision of the green economy of the Republic of Azerbaijan by 2030, it is appropriate to allocate more resources from the Azerbaijan Business Development Fund to this field in the coming years.

The author can conclude that there is an excellent potential for the development of CSR, and it should be developing. The author thinks that pilot projects can realize the story based on pilot projects to be implemented by the state. Companies must now focus on long-term strategies rather than short-term profits. They should involve every stakeholder in their decision-making processes, and internal and external stakeholders should report on their activities. In the 21st century, in addition to quantitative indicators, qualitative indicators also play an essential role. The risks mentioned are non-financial risks. An effective corporate social policy should be long-term and social investments should be regularly planned, monitored, and evaluated.

4. The critical role of selecting strategic directions and state and private sector partnership in regulating CSR is substantiated.

The 21st century is characterized by modern challenges to governance, such as the development of digital technologies and demographic and climate changes. Contemporary companies face a changing structure, changing technology, and changing personnel potential. More precisely, in the conditions of these changes, public-private relations, coordination, control, work processes, equipment, new approaches, expectations, and behaviors, take on a new meaning. Corporations continue to face the question of how they can demonstrate and manage corporate social responsibility. Healthy behavior for society is one of the essential goals of economic obligations. In this regard, CSR strategy planning and implementation, which factors shape CSR management, are critical points to consider.

Based on the strategies or approaches of applying CSR to business processes, we found that under these strategies, we conducted interviews with representatives of SOCAR and BP and tried to learn the opinions of other companies in the market (different participants from different sectors). As a result, the following three strategic approaches to CSR in companies and, in addition, CSR approaches within the framework of the "Shared Values" principle were discovered:

Socially oriented - Corporations applying a socially oriented approach are definite that the idea of CSR is reflected in their activities within the framework of obligations, restrictions, and regulations that include the protocols according to the country's legislation.

Strategic approach - CSR can be characterized as behavior aimed at solving economic, social, and environmental problems that affect a company's fundamental operations internally and externally and are consistent with its strategic program to enhance its long-term sustainability. CSR, in this regard, is a strategy that operates as a component of the company's strategic planning for effective interactions. There is evidence that a strategic approach guarantees higher efficiency for enterprises that practice socially responsible behavior. Here we can mention the support of environmentally friendly projects and the Green finance market.

Integrated approach - aims to reduce environmental, economic, and social risks by making the social responsibility of corporations a necessity, a response to systemic requirements, a means of interaction with complete social order, and at the same time providing the necessary conditions for improving corporate efficiency and increasing competitiveness.

While corporations play an active role in accelerating development in developing countries, governments, NGOs, and local communities must step up their efforts to improve living standards and create financial stability in these markets. Thus, the cooperation of corporations with governments can lead to positive outcomes for developing economies and communities. Moreover, there is a severe need for regulation to achieve successful results. To analyze CSR from an alternative perspective, stakeholders need to incorporate specific ideas from stakeholder theory. Also, to achieve "green expansion," companies should value the local community's environmental, economic, and social development issues in the areas where they operate.

Indeed, the idea of CSR is a multifaceted phenomenon that develops between the public and private sectors.

5. The directions for regulating the increase of CSR in Azerbaijan have been defined.

The second main feature of CSR is to define and organize the specific and measurable benefits of companies' socially responsible activities. For this, companies need to make CSR a part of daily processes and operations within their business. In most cases, the initiative of serious participation in CSR starts with the desire and approach of the directors, shareholders, and the key member of the management team of the companies, that is, a single person. After the companies decide to integrate the policy related to CSR into their activities, they should first form all aspects of their actions on CSR with small group forms and simple projects and aim for development towards strategic, comprehensive, and broad goals in this area. Necessary steps for successful strategic planning of CSR have been identified.

At the same time, recently, international organizations and funds have invested in many projects to minimize risks related to climate change and ensure sustainable development. For this reason, companies need to see and manage their negative and positive impacts on society and the environment. Considering the above, reviewing the following draft laws on corporate governance standards is recommended.

1. Preparation of sustainability reports (Sustainability Report).

In recent years, sustainability reports have been an effective tool for attracting investors. Sustainability reporting generally identifies business processes' environmental, social, and corporate governance aspects and provides comprehensive information about the company's preventive measures. The preparation of sustainability reports helps ensure the improvement of the country's business environment rating. Implementing the regulation and standard on sustainability reports is a positive sign for international financial institutions and investors. Based on international practice, it requires public and private companies to disclose certain information on non-financial matters. Azerbaijan 2030: taking into account the National Priorities for socio-economic development, it is possible to apply the preparation of Sustainability reports to several industries of the economy. For

example, if the operations of state and private companies have significant or long-term environmental and social risks and the number of employees is more than 1,000. Companies can prepare the sustainability report according to internationally accepted standards: OECD management principles for multinational organizations; European Union training 2014/95/EU, and others used as a guide.

2. Application of ESG (environmental, social, and governance) criteria to "Risk Management in Banks" and "Rules for Credit Risk Management in Banks."

Loans approved by banks and other financial institutions should reduce or mitigate ecological impact risks in future years. Taking into account the scale of global climate changes, together with the future economic development of the country, the banks should ensure environmental health and sustainable use of resources. The focus should be on the comprehensive solution to emerging environmental and social risks and providing sustainable development in this area. In this direction, the management of environmental, social, and corporate management risks should be added to the existing rules, and banks should implement their application in their business processes. Internationally recognized credit rating agencies in this field have added the assessment of ESG risks to their rating criteria.

The importance of determining the extent to which economic activities can be considered environmentally sustainable should be emphasized.

Another critical point is that if EDF (Entrepreneurship Development Fund or KOBIA) offers new financial instruments to the market (financial and non-financial incentives in the direction of ESG), the EDF should reflect the environment, corporate sustainability, and other factors in the loan conditions. Progress will be visible in the development of this area. Currently (2022), the market is not ready for these approaches. Therefore it is essential to prepare the market in this area and work with entrepreneurs as a pilot project, educate them and help them prepare their internal rules in this area.

6. For the first time, an inclusive model related to corporate and business strategies, called the CSR decision-making model, has been proposed, and potential ways to expand CSR implementation have been identified.

Applying CSR principles and integrating them into the general policy meets the interests of companies, and it makes an essential contribution to the long-term activities of companies in terms of strategic and competitive advantage. In addition, research has shown that the views of different stakeholder groups on companies' CSR activities differ and, in particular, vary depending on the intentions of CSR managers. Also, the analysis showed that any company's decision-making processes in the field of CSR are highly dependent on the factors determined by their geographical location.

In the study, the author has proposed the systematization of decision-making processes in companies to develop more sound and sustainable planning strategies for CSR in the future. This model is called the " **CSR Decision-Making Model** " (CSR-DMM) (Figure 1). This model consists of two dimensions (Demand, Desire, and Talent) and four approaches. The CSR-DMM model described in detail below covers ethical and business principles of CSR, as well as micro and macro indicators.

Company's DDT (demand, desire, talent)

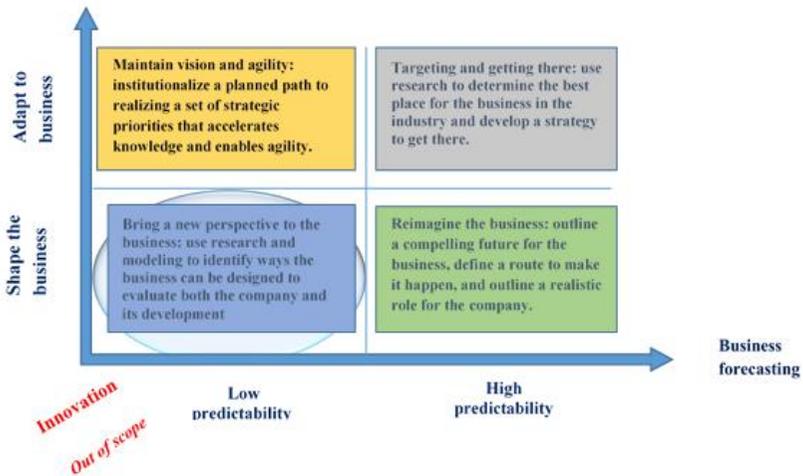


Figure 1. CSR-DMM

Source: Compiled by the author

The author should note that each approach in this decision-making model has appropriate strategies unique to specific situations. When necessary, these strategies allow the company to follow a general guideline when adopting and implementing the necessary CSR plans.

The future of CSR

The importance of CSR is expected to increase in the future. Current megatrend events are likely to bring significant changes and contributions to the field of CSR. For example, sudden challenges such as food production, clean water, natural disasters, and immigration caused by climate change will refocus responsibility for companies.

As a result, voluntary CSR components will be incorporated into international and national legislation and become part of regular business practice.

Based on current trends, assumed that more and more companies will begin to pay more attention to the demands of stakeholders in the context of CSR, and most of these companies will try to integrate CSR into their long-term strategic plans. As multinational corporations implement strategic CSR in their management chains, responsible practices will spread throughout the value chain. As a result, more companies might be forced to apply CSR to their operations.

Finally, in addition to the innovations that will emerge through the implementation of strategic CSR, new types of cooperation between civil society institutions, corporations and governments will appear. Joint action in this field will act as a catalyst in finding meaningful solutions to many world problems.

In addition to the introduction of social networking sites everywhere, the emergence of increasingly advanced communication technologies and the transfer of large amounts of information will create more diverse forms of people's relationships. Therefore, in a globalized world, companies should act more responsibly and ethically when they value the importance of an honest reputation. In the end, the behavior of people and consumers will determine the attitude of companies to apply CSR innovations. The study of CSR policy will reach a level that can ensure competitive advantage and strategic activity in transforming core values and standards in this field.

Thus, CSR should be a strategic necessity, and the author can consider further development and support of the CSR-DMM model proposed above in future research.

Suggestions and recommendations for increasing the implementation of CSR given:

- As a result of the research, it can be mentioned that the social approach is applied in most companies in the market. Companies implement CSR in the direction determined by the state but do not evaluate the environmental impact on their business processes. On the other hand, the establishment of special donation funds within the framework of social projects that the state wants to implement and the donation of companies in the market to those funds evaluated as CSR activities;
- from a practical point of view, there is a lack of a relevant section in the structures of official CSR policies, specific committees, and systems of operating companies. As well as the lack of satisfactory involvement of directors in the management of CSR and the participation of stakeholders in decisions, the fact that the most involved stakeholders in decisions are business partners and the opinions of society and customers are hardly taken into account in CSR-related decisions. In addition, the ROI of CSR investments is not measured because CSR projects in the market are more charitable, and most of them are non-profit projects, which are seen as donations. One of the weakest points is the lack of consideration of CSR aspects in the supply chain;
- sectoral and inter-sectoral partnerships within the development strategies of CSR-related companies, the formation of the "Business-government-society" triangle, such as improving the quality of life and increasing the transparency of business directions are defined;
- it is believed that stakeholders' specific views vary depending on CSR managers' intentions. Systematization of decision-making processes in a company has been proposed as a means to develop healthier and sustainable planning strategies from a CSR

perspective. The CSR Decision Model (CSR - DMM) presented in the dissertation;

- sudden challenges such as food production, clean water, natural disasters, and immigration caused by climate change will refocus responsibility for companies;
- finally, in addition to the innovations that will emerge through the implementation of strategic CSR, new types of cooperation between civil society institutions, corporations and governments will appear. Joint action in this field will act as a catalyst in finding essential solutions to many world problems;
- the importance of CSR will increase in the future. The author believes that CSR components, which are currently voluntary, will be incorporated into international and national legislation and become part of regular business practice;
- in countries with higher state regulations, the government should introduce new financial instruments to develop this sector. Currently, to realize the "Green Economy" vision of the Republic of Azerbaijan until 2030, it is appropriate to allocate more resources to this field in the coming years;
- suppose banks consider environmental and social risks in their lending processes or internal procedures as one of the economy's main drivers. In that case, it is appropriate for companies in the market to adjust their internal operations accordingly. Banks regularly monitor their own and their customers' environmental and social impacts - environmental impacts and social risk management in internal policies; should try to regulate environmental and social risks and consequences in lending (Application of ESG (environmental, social and governance) criteria to "Risk Management in Banks" and "Rules for Credit Risk Management in Banks");
- Azerbaijan 2030: Considering the National Priorities for socio-economic development, it is possible to apply the preparation of Sustainability reports to several industries of the economy. For example, if the operations of state and private companies have significant or long-term environmental and social risks and the number of employees is more than 1000.

- in any company, managers could integrate the CSR-DMM model into the decision-making processes;
- education - it is necessary to increase the role of educational factors such as projects, events, awareness increase training, etc., implemented jointly with private and state enterprises;
- Public-Private Partnership programs - by funds that stimulate the economy, such as SIF, and KOBIA, with private enterprises, projects friendly to the development of CSR and the environment should be implemented. In addition to local financial institutions, international financial institutions could be involved in developing the green economy.
- one of the main issues is the application of tax incentives - discounts to be applied to green projects, environmentally friendly projects/products;
- financing ecologically friendly projects / Financing renewable energy projects - development of Green Finance is necessary;
- in the development of the environmental and social management system of the Central Bank, CBAR should implement projects such as establishing close relations with banks and providing personnel training;
- most importantly, the development of environmental and social management systems in banks - as they play an essential role in the economy, they can have more impact on sustainable development, and they should take more responsibility.

Scientific works reflecting the main results of the dissertation have been published in the following publications.

1. Korporativ sosial məsuliyyətin (KSM) hərəkətverici amiləri // Azərbaycan Respublikası, Təhsil Nazirliyi Azərbaycan Texnologiya Universiteti “İnnovasiyalı iqtisadiyyat və menecment” jurnalı, ISSN2616-8626. №1(5). – Gəncə, – s.37-43.

2. Davamlı inkişaf kontekstində Azərbaycanda transmilli şirkətlərin korporativ sosial məsuliyyət strategiyaları // AMEA İqtisadiyyat institutu, Xəbərlər. – Bakı: – 2021. №1, – s.198-206.

3. Client Protection Principles in Microfinance Industry // Journal Impact Azerbaijan, Official Publication of American Chamber of Commerce in Azerbaijan, İSSUE. – Bakı: – 2020, – s.27-29

4. CSR integration processes // AMEA İqtisadiyyat İnstitutu, Xəbərlər. – Bakı: 2020. №5, – s.142-147.

5. CSR Decision Making Model // AMEA İqtisadiyyat İnstitutu, Xəbərlər. – Bakı: 2020. №6, – s.207-211.

6. İqtisadi artım, iqtisadi inkişaf və davamlı inkişaf: fərqləndirici cəhətlər // Azərbaycan Respublikasının Prezidenti yanında Dövlət İdarəçilik Akademiyası, “Azərbaycanda regional inkişafın idarə olunmasında müasir istiqamətlər” mövzusunda Respublika Elmi-Praktik Konfransı. – Bakı: 2019, – s.152-157.

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8. İqtisadi artımın davamlı inkişafda rolu // Azərbaycan Respublikasının Prezidenti yanında Dövlət İdarəçilik Akademiyası. Doktorantların və Dissertantların Elmi-Praktik Konfransı. – Bakı: – 2018.

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12. Business and Society: Corporate Social Responsibility // 5th International CSR Conference in Milano/Volume 5, Bocconi University. – Milan, İtaly: – 2016, – s.17

13. Developing the International Manager: WalMart's Cross-Cultural Management in Germany // International Journal of Scientific & Engineering Research. ISSN 2229-5518. – Volume 7. – Issue 5. – 2016, – səh. 1321-1342.

14. İqtisadiyyat və davamlı inkişaf // AMEA İqtisadiyyat İnstitutu, Xəbərlər. – Bakı: 2016. №3, – s.86-92.

A handwritten signature in blue ink, consisting of stylized, cursive letters that are difficult to decipher but appear to start with 'H' and 'J'.

The defense will be held on *28 September 2022* at *16.00* at the meeting of the Dissertation council ED 2.10 of Supreme Attestation Commission under the President of the Republic of Azerbaijan operating at Azerbaijan State University of Economics.

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For contact: capevi@internet.ru / (+99455) 201-2809