

Article

Corporate social responsibility in the context of sport in Azerbaijan

Namig MIRZAYEV¹

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Abstract: Corporate social responsibility (CSR) has become an important concept in business practices, and its significance in sports has also increased. This article discusses the increasing importance, main drivers and challenges of CSR in the global sports industry and the role it plays in promoting sustainable development and social responsibility. Moreover, the article specifically focuses oil and gas companies, particularly those operating in Azerbaijan. Currently, SOCAR and BP are two main operators responsible for oil production in Azerbaijan and their CSR practices are examined in the context of sport.

Keywords: corporate social responsibility; corporate social responsibility in sport; corporate social responsibility in Azerbaijan

JEL Classification: Q01; Q56

¹ University of Debrecen, Faculty Economics and Business, Department of Sports Economics and Management

INTRODUCTION

Sport is a powerful platform for social change, as it has the ability to unite people and communities across national borders and cultural divides. However, the global sports industry has been criticized for its lack of attention to environmental and social issues, such as climate change, human rights violations, and labour exploitation. In response, there has been a growing interest in CSR in the context of sport and many sport organizations and companies have begun to embrace CSR practices as a means of promoting sustainable development and social responsibility (Coalter, 2007).

Currently, oil and gas companies are increasingly engaging with CSR initiatives, particularly those related to sport, due to the potential negative impact their operations can have on local communities and the environment. By investing in sport-related initiatives, they can address some of these impacts and build positive relationships with stakeholders (Frynas, 2009).

In Azerbaijan, the oil is one of the most significant contributors to the economy, accounting for over 90% of the country's exports and more than half of its GDP for 2022 (SSC, 2023). As such, the industry has a major role to play in promoting sustainable development and social responsibility in the country. Moreover, CSR practices in the oil and gas industry can have a significant impact on communities, particularly those that are directly impacted by oil and gas exploration and production activities. Currently, SOCAR and BP are the two main operators responsible for oil production, logistics, and related activities in the country.

At last, this paper aims to examine main drivers and challenges of CSR in the global sports industry. Furthermore, it will discuss the current situation of CSR and CSR practices of oil companies in Azerbaijan, with a particular focus on their initiatives related to sport.

MATERIAL AND METHODS

The main drivers and benefits of CSR in sport

One of the primary drivers of CSR in sports is the need to address societal issues, such as environmental sustainability, social justice, and human rights. CSR activities in sports include initiatives that promote healthy lifestyles, environmental sustainability, community development, and diversity and inclusion. Such activities are becoming increasingly important for

sports organizations and teams, as they aim to promote a positive image and build trust with their stakeholders (Dolles and Söderman, 2012). For instance, the Olympic Games have increasingly emphasized the importance of sustainability in recent years, and the organizing committees have implemented various measures to reduce their environmental impact, such as using renewable energy sources, recycling waste, and promoting public transportation (Ramsay and Smith, 2015).

While the benefits of CSR activities in sports are widely acknowledged, their impact on the overall performance of sports organizations remains unclear. Some studies suggest that CSR activities can enhance brand image and reputation, leading to increased customer loyalty and financial performance (Filimonau et al., 2019). Other studies argue that CSR activities may have a limited impact on financial performance, and that the relationship between CSR and financial performance is contingent on the type of CSR activities implemented (Gibson and Cordery, 2014). Nevertheless, there is evidence that CSR activities can have a positive impact on the well-being of communities and individuals, which is an important aspect of the social responsibility of sports organizations (Wicker et al., 2013).

Main challenges and opportunities of CSR in sport

One of the challenges of implementing CSR in sports is the complexity of the sports industry, which involves multiple stakeholders with divergent interests and values. In addition, sports organizations operate in a highly competitive environment, which may limit their willingness to engage in CSR activities that are not directly linked to financial performance. Furthermore, there is a lack of consensus on the definition of CSR in sports, which may lead to confusion and ambiguity in its implementation. Another challenge is the measurement of the impact of CSR activities in sports, which requires the development of appropriate metrics and evaluation methods (Lee and Kim, 2015).

Despite the challenges associated with the implementation of CSR in sports, there are also opportunities for sports organizations to demonstrate their commitment to social responsibility and to promote positive social change. One of the opportunities is to leverage the popularity and influence of sports to raise awareness of societal issues and to promote positive values and behaviours. Another opportunity is to use CSR activities as a means of engaging with stakeholders

and building relationships based on trust and mutual benefit (Breitbarth et al., 2015). In addition, the implementation of CSR activities in sports can contribute to the development of new business models that integrate social and environmental considerations into organizational strategies (Gibson and Cordery, 2014).

Oil companies' CSR engagement in sport

In recent years, CSR has become an increasingly important issue for companies operating in the oil industry. As part of their CSR activities, many oil companies have begun to sponsor sporting events and teams, with the aim of promoting their brand and enhancing their reputation.

Several studies have explored the motivations behind oil companies' sponsorship of sports. For instance, oil companies are attracted to sports sponsorship because it allows them to reach a wide audience and create positive associations with their brand (Breitbarth et al., 2015). Similarly, sports sponsorship can be an effective tool for enhancing a company's reputation and creating a positive image in the eyes of the public (Filimonau et al., 2019).

While there are many benefits to oil companies sponsoring sports, there are also some potential risks. One of the main concerns is the negative impact that oil companies can have on the environment. For example, 2014 Winter Olympics in Sochi was sponsored by oil companies, and the event had a significant impact on the local environment. In light of this, some critics have argued that oil companies should not be involved in sports sponsorship at all (Ramsay and Smith, 2015). Despite these concerns, there is evidence to suggest that oil companies can use sports sponsorship as a way of promoting CSR and sustainability initiatives. For instance, sports sponsorship can enhance brand awareness and lead to greater support for CSR initiatives, including those related to the environment (Wicker et al., 2013). Moreover, sports sponsorship can improve employee engagement and promote a culture of social responsibility within a company (Lee and Kim, 2015).

METHODOLOGY

This paper is conceptual in nature. The goal of this paper is to examine and evaluate the current status of the CSR practices in sport by oil of gas companies in Azerbaijan. The available literature on corporate social responsibility in sport is undertaken for the theoretical underpinnings on the subject. To conduct the research, a qualitative method was also used, specifically document

analysis method. The secondary data related to CSR activities and initiatives in the sports industry was obtained from annual sustainability reports and official websites of the companies. These sources are considered written materials in the document analysis method (Saunders et al., 2012).

RESULTS

The roots of CSR can be traced back to the oil industry in Baku in 1847, where entrepreneurs like Tagiyev and Mukhtarov engaged in philanthropic activities, focusing on helping the poor and promoting education and public welfare. Although these early actions did not fully align with the modern definition of CSR, they can still be considered as the first steps towards it (Mirzayev, 2020).

The Azerbaijan got its independence in 1991 and it has seen significant economic development over the past few decades, which has led to an increase in the number of companies operating within the country. However, the concept of CSR gained popularity in Azerbaijan after the 2000s, as an increasing number of foreign investors began to invest in the country. This corporate culture has led to a greater emphasis on CSR practices, with both foreign and national companies engaging in such initiatives. As a result, there has been a growing recognition of the importance of CSR as a means of promoting sustainable business practices and contributing to the well-being of society as a whole (Mirzayev, 2020).

One of the key drivers of CSR in Azerbaijan has been the government's focus on sustainable development. The Azerbaijani government has recognized the importance of CSR and has taken steps to encourage companies to adopt CSR practices. For instance, the government issued a decree that mandated companies to adopt CSR practices in their operations in 2017 (Presidential Library, 2017). Another factor driving CSR in Azerbaijan is the growing awareness and demand for sustainable practices among consumers. As consumers become more conscious about the impact of their actions on the environment and society, they are increasingly seeking out companies that prioritize social and environmental responsibility (Guliyev, 2018).

Despite the growing interest in CSR in Azerbaijan, there are several challenges that companies face when trying to implement CSR practices. One of the biggest challenges is the lack of awareness and understanding of CSR among businesses and stakeholders. Many companies in Azerbaijan are not

familiar with CSR concepts and do not understand the potential benefits of adopting CSR practices. Another challenge is the lack of institutional support for CSR. There are limited resources and expertise available to companies that want to implement CSR practices. Additionally, there is no formal mechanism in place for monitoring and enforcing CSR practices (Musayeva and Bayramov, 2019). Lastly, it should be also noted that the majority of companies view CSR as a philanthropic activity, although a small number of banks, food, and oil companies are exceptions. This perception leads to misconceptions and constrains the implementation of corporate responsibility principles to occasional charity activities performed by local organizations, governmental bodies, and only a handful of private sector entities (Mirzayev, 2020).

CSR practices: examples from oil and gas industry with a specific focus on sport in Azerbaijan

Azerbaijan is primarily an oil-exporting country, with over 70% of its export profile coming from oil and gas production for last 25 years, it is undeniable that oil and gas companies are among the most profitable in the country (The State Statistics Committee of Azerbaijan Republic, 2023). As such, there is a high level of expectation from the government that they engage in CSR initiatives that can have a positive impact on society and the environment. Currently, the main two operators, SOCAR and BP have responded to this expectation by taking a leading role in various CSR activities, particularly in the sports sector. Their involvement in such initiatives not only provides them with opportunities to enhance their reputation and brand image, but also contributes to the development of the country's sports infrastructure and the promotion of healthy lifestyles among its citizens. Furthermore, their involvement in CSR activities demonstrates their commitment to being responsible corporate citizens and contributing to the sustainable development of the country.

It should be also noted that the most prominent forms of CSR activities in the context of sports are sponsorships and the construction and maintenance of sports facilities in Azerbaijan. Such initiatives are typically undertaken through collaborations between private companies and government bodies, as this is often viewed as a key expectation of the government.

SOCAR. SOCAR was founded as the largest national company in Azerbaijan in 1992. In 2011, SOCAR achieved the milestone of being the first Azerbaijani company to publish a sustainability

report. So far, SOCAR has exhibited a strong CSR, as evidenced by the Table 1 below which illustrates an increase in social expenditures each year (SOCAR, 2020). This indicates a heightened awareness of the importance of CSR for the company.

In case of sport initiatives, the company has supported the establishment of a number of sports facilities across the country, including football fields and basketball courts. SOCAR has also sponsored a range of sports events, including Formula 1 Azerbaijan Grand Prix, National Football Cup, the Azerbaijan Chess Championship, and the Azerbaijan Judo Championship. In addition, SOCAR has provided financial support to a range of sports events organized by the National Olympic Committee's (NOC), including marathons, cycling races, and football tournaments (SOCAR, 2019; SOCAR, 2020; SOCAR 2021).

BP. BP, the multinational oil and gas company, established its initial office in Baku in 1992, and has been publishing sustainability reports since 2003. Similar to SOCAR, BP has also increased its social expenditure, with spending rising from 6.9 million AZN to 7.1 million AZN in 2019. This is indicative of the company's heightened awareness of the importance of corporate social responsibility (BP, 2019).

BP also has shown a high commitment to CSR in sports in Azerbaijan. For example, BP Azerbaijan has been a sponsor of the annual Baku Marathon since its inception in 2016. Moreover, the company has been supporting the NOC and Paralympic Committees since 2012, helping to fund training programs and sponsor athletes. Moreover, the company supported the Baku 2015 European Games, which were held in Azerbaijan, as a sustainability partner and contributing to the sustainability of the games. Lastly, BP sponsored and supported local sports clubs and organizations, such as the Azerbaijan Women's Football League and the Azerbaijan Wrestling Federation. (BP, 2018; BP 2019; BP; 2023).

CONCLUSIONS

CSR in sport has become an important concept and its implementation can bring benefits to sports organizations and society as a whole. It is undeniable fact that oil companies' CSR activities in sport are a complex and multifaceted issue. While there are many benefits to sponsoring sports, including increased brand awareness and a positive image, there are also concerns about the

environmental impact of such activities. However, by using sports sponsorship as a way of promoting CSR and sustainability initiatives, oil companies can enhance their reputation and contribute to a more sustainable future.

In Azerbaijan, the government's focus on sustainable development and the growing demand for sustainable practices among consumers are driving the adoption of CSR practices in Azerbaijan. There are several reasons why the government of Azerbaijan is encouraging oil and gas companies to engage in CSR activities. Firstly, the oil is a significant contributor to the economy of Azerbaijan. The country relies heavily on oil and gas exports to generate revenue. The government recognizes that the sustainability and longevity of this industry are essential for the economic growth of the country. Therefore, it makes sense to encourage companies in this sector to adopt sustainable and responsible. The government's encouragement of CSR is driven by increasing public awareness and concern for environmental and social issues. The people of Azerbaijan are becoming more conscious of environmental degradation, human rights abuses, and social inequalities. As a result, there is a growing demand for companies to act more responsibly towards society and the environment. The government recognizes that this demand is not just a moral imperative but also a business imperative. Companies that engage in CSR activities are more likely to build a positive reputation and enhance their brand image, leading to increased customer loyalty and stakeholder support.

However, companies face several challenges when trying to implement CSR practices, including a lack of awareness and understanding of CSR concepts, limited institutional support, and a perception that CSR is primarily a philanthropic activity. Addressing these challenges will be critical to ensuring that CSR practices are adopted widely and effectively in Azerbaijan, contributing to the country's long-term sustainability and social development.

At last, CSR activities in the sports sector are highly valued and are often undertaken through collaborations between private companies and government bodies. While oil and gas companies such as SOCAR and BP are actively engaged in promoting sports and healthy lifestyles in Azerbaijan and have made significant contributions to the development of the country's sports infrastructure, it is notable that there is no separate section dedicated to sports in their annual sustainability reports. The reasons behind this could be that sports development may not be considered a

significant part of their CSR initiatives, or that it may not be given a separate section in the sustainability reports due to various other factors. Overall, CSR activities in the sports sector have the potential to bring about significant social and environmental benefits in Azerbaijan.

RECOMMENDATIONS

One potential recommendation for oil and gas companies in Azerbaijan is to improve the transparency of their CSR activities related to sports. This can be achieved by including more detailed information about their initiatives in their annual sustainability reports. By providing stakeholders with more information, companies can build trust and credibility, and demonstrate their commitment to social responsibility. In particular, companies could consider including a separate section on sports in their reports to highlight their contributions to the development of sports infrastructure and promotion of healthy lifestyles in the country. In addition, it is important for companies to establish clear metrics to measure the impact of their CSR activities related to sports. This will help them to understand the effectiveness of their initiatives and make necessary adjustments for future projects. By measuring the impact of their initiatives, companies can identify areas for improvement and ensure that their investments in sports-related CSR are having a meaningful impact.

Secondly, oil companies can encourage employee engagement by promoting volunteerism and providing opportunities for their employees to participate in sports-related CSR activities. Participating in these activities can also benefit the community and society as a whole. In this case, companies that engage in CSR activities are seen as more socially responsible and are often looked upon more favourably by consumers and stakeholders.

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LIST OF TABLES

Table 1
Total social expenditures of SOCAR, mln AZN

Year	Amount
2018	105
2019	118
2020	171

Source: SOCAR Sustainability report 2020