Research paper

Corporate Social Responsibility in Turkey: A Sectoral Analysis

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Structured abstract

Purpose: The aim of this study is to understand CSR in Turkey based on different sectors by analyzing the content and target group of the organization’s CSR activities and tries to find out if CSR activities of companies are self-homogeneous within sectors in a developing country context, Turkey.

Design/methodology/approach: Using a sample of 50 companies listed in İstanbul Stock Exchange (BIST) Corporate Governance Index, company statements have been examined by content analysis in order to discover contents and target groups of CSR activities. Hierarchical cluster analysis conducted in terms of CSR activities.

Findings: Results show that, CSR activities of organizations which are in the same sector are not similar to each other in terms of their content and target group. Based on these results, it is possible to say that sector specific factors do not seem to be decisive on CSR activities of organizations in Turkey. In every sector, CSR activities focus on the society and students as a target group. Paralleling to this, content of the CSR activities seems to be concentrate on environment, social aid and education.

Research limitations/implications: Future studies may also take into account the influence of organizational factors such as company strategy, mission, or structure in addition to industry over the content and target group of CSR activities.

Originality/value: This study contributes to the non-US CSR literature, by assessing the CSR practices of organizations among different sectors which have different regulative, normative, and cognitive characteristics in Turkish context.

Keywords: Corporate Social Responsibility, Sectoral Analysis, Cluster Analysis

1. Introduction

“Corporate social responsibility (CSR)” considered as an Anglo-American concept which has originated in developed countries diffusing into developing countries. The focal point of the concept CSR is the belief that society and corporations are nested each other. Based on the idea of “social contract” that characterizes the relationship between corporations and society; it is assumed that society expect from corporations to behave in an appropriate way to fulfill the obligations to them (Carroll, 1993, p.18-19).

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More than that, corporations are expected to behave as members of society and act as moral agents (Solomon, 1996). In this context, CSR can be defined as the organization’s responsiveness to the needs of its stakeholders which is defined as those groups who can affect or are affected by the achievement of an organization’s purpose (Freeman, 1984, p. 49). Responsiveness can be described as the capacity of a corporation to respond to social pressures (Carroll, 1979). In this point of view; a corporation is expected to behave in responsible manner to its shareholders, customers, employees and society. Two main conflicting perspectives dominate CSR phenomena. Classical economic doctrine with “self-interest idea” focuses the corporation itself. This viewpoint which is identified with Friedman (1970), asserts that the one and only responsibility of corporation is economic responsibilities to its shareholders. Here, it is emphasized that main obligation of a corporation is to increase profits on behalf of shareholders. In this point of view, it is proposed that social responsibilities should left to other corporations of free market (Friedman, 1970). On the other hand, long-run self-interest idea indicates that a corporation should be responsible not only to its shareholders but whole society (Frederick, 1960, p. 56). As a requirement of social contract, society expects from a corporation to accomplish a variety of social goods (Davis & Blomstrom, 1971, p. 95). In their saying “The Iron Law of Responsibility”, Davis & Blomstrom (1971) asserted that “in the long run, those who do not use power in a manner which society considers responsible will tend to lose it” (Davis & Blomstrom 1971, p. 95). This viewpoint is based on the idea that corporations must behave social responsibly or they may lose their power and legitimacy granted by society. Hence, according to Davis & Blomstrom (1971), CSR is much more than fulfilling the requirements of the law, it requires decision makers to take actions that protect and improve the welfare of society as a whole along with their own interests. It is assumed that this will bring benefits to corporation in the long run.

Giving an answer to the question “What does it mean for a corporation to be socially responsible?” Carroll (1979, p. 499), formed a four-part CSR model which have the idea that a corporation has not only economic and legal obligations, but ethical and discretionary (philanthropic) responsibilities as well. Based on his four-part CSR model Carroll created a CSR pyramid (Carroll, 1991, p. 42). The pyramid of CSR which defined the components of CSR is showed in figure 1.

![Figure 1: Pyramid of Corporate Social Responsibility](image-url)
The first leg of the pyramid is the economic responsibility. This is the business’ fundamental responsibility to make a profit and expand. The second component is legal responsibility. Business is expected to obey the law because the law is society’s codification of acceptable and unacceptable behavior. Next is business’s responsibility to be ethical. At its most fundamental level, a business has to respect the rights of employees, consumers, the environment, and others and meet the expectations applied by society to do what is right, just and fair. The last and highest component is philanthropic responsibility. Business is expected to be a good corporate citizen by contributing to and supporting the broader community and improve the quality of society (Carroll, 1991). In his paper which he reviews CSR pyramid, Carroll (2016) defines economic and legal responsibilities as required by society, ethical responsibilities as expected by society and philanthropic responsibilities as desired by society. All these components of CSR have always existed to some extent, but it has only been in recent years that ethical and philanthropic functions have taken a significant place (Carroll, 1991). Within this approach, CSR perceived as a strategic tool, became part of business models of corporations.

Carroll (2016) declares that his pyramidal depiction of CSR (Carroll, 1991) was clearly done ‘with American type capitalistic societies in mind’ (p.7). Hence, as CSR is based on the concepts developed in US, especially before the 1990s, CSR literature seemed to be dominated by US based research. However, with the continuing grow in importance of the concept in developing countries, the number of articles examining a non-U.S. context showed an increasing trend in late 1990s and 2000s. For example researches from United Kingdom (e.g. Ogden & Watson, 1999), Spain (e.g. Prado-Lorenzo, Gallego-Álvarez, García-Sánchez & Rodríguez-Domínguez, 2008), Japan (e.g. Tanimoto, 2009), Canada (e.g. Mahoney & Thorne, 2005), etc.

As Carroll (2016, p.7) emphasized, there are four strong drivers of CSR since 1990s which include globalization, institutionalization, reconciliation with profitability, and academic proliferation. So globally, CSR became a management strategy which is formalized and integrated into organizational structures, policies and practices in developing countries as well as in developed ones. Thus, not only in developed countries, CSR has become widespread also in developing countries. However the diffusion of CSR raises the question of how CSR is being perceived and implemented in different countries—especially in developing ones. But as Visser (2008, p. 474) mentioned, developing countries have some specific characteristics; they are rapidly expanding economies, they are affected more acutely by social and environmental crisis they are influenced dramatically by globalization, economic growth, investment, and business activity. Thus developing countries present a distinctive set of CSR agenda challenges which are collectively quite different to those faced in the developed world. Revisiting Carroll (1991)’s pyramid, Visser (2008) argue that CSR layers differs from the classic pyramid in developing countries. Accordingly, economic responsibilities continues to get the most emphasis, but philanthropic responsibilities are given second highest priority followed by legal and then ethical responsibilities (Visser, 2008, p. 489).

Although researches from developing countries like India (e.g. Krishnan & Kozhikode, 2015; Balasubramanian, Kimber, Pussayapibul, & Davids, 2005), Malaysia (e.g. Zulkifli & Amran, 2006), Pakistan (e.g. Lund-Thomsen, 2004), Nigeria (e.g. Amaeshi, Adi, Ogbechie & Olufemi 2006), China (e.g. Moon & Chen, 2010), Russia (e.g. Kuznetsov, Kuznetsova & Warren, 2009) etc. focus on developing countries and
contributes to the non-US CSR literature, the evolution of CSR in in emerging economies still needs to be examined and deserves scholarly attention, as they have a different underlying social compact and expectation of the role of businesses, at country, sector, corporate, or individual level (Visser, 2008, p. 476).

**Corporate social responsibility in Turkey**

According to World Bank 2014 report, Turkey is one of the developing countries with a GNI less than US$ 11,905. Also Nations Developments Program’s categorization identifies Turkey as a developing country and Turkey is perceived as the most rapidly and continuously developing economies in the last decades. Campbell (2007) has mentioned that corporations are likely to act in socially responsible ways if there are strong and well-enforced state regulations, sector associations and private independent organizations such as Non-Governmental Organizations (NGOs) who encourage, monitor, enforce rules and regulations. Consistent with this argument, during the rapid development, Turkey is experiencing implicit and explicit pressure to incorporate CSR into its business world along with its domestic economic progress, increasing globalization and foreign trade activities (Nuhoğlu & Wan, 2012). Turkey is coming from a very rich Turkish-Islamic culture which is consisting values that form a basis for philanthropy of individuals and organizations for all the time periods. However, especially after the 1980, informal philanthropy in Turkey has started to be institutionalized by the effect of some factors such as importing knowledge of management from USA to Turkey, Foreign Direct Investment (FDI)-multinational companies and legal arrangement. After 2003, some developments such as- Turkey’s bid for membership in the EU, released Corporate Governance Guidelines (2003) which bring the principle of CSR reporting for Listed Companies of Borsa İstanbul (BIST), new mission of Turkish Businessmen and Industrialists’ Association (TUSIAD) to establish the social role of Turkish private enterprise, spread of international accreditation standards (ISO, SA etc.)- increase the level of CSR activities and changed situation as Turkey moves toward a more institutional model (Alakavuklar, Kılıçaslan & Öztürk, 2009).

A survey of Turkey’s CSR Report that was carried out by United Nations (CSR in Turkey, Evaluation Report, 2008) emphasized that there is confusion in business environments about the description of CSR, this confusion then occurs in CSR practices. International companies which operate in Turkey affect CSR practices in a positive way. International companies have a positive influence on their local cooperators and suppliers. Thus, this influence becomes an impulsive force for Turkish companies. “The Principles of Corporate Government” announced by SPK (Capital Markets Board of Turkey) made an awareness and perception about CSR practices and reporting shareholder policies.

In literature there are studies that focus on historical development and key drivers of CSR in Turkish context at country level (Ararat & Gocenoğlu, 2006; Ertuna & Tükel, 2009; Alakavuklar, Kılıçaslan & Öztürk, 2009). However, Carroll (1991) mentioned that implementation of responsibilities may vary depending upon the sector characteristics.

Although several studies examine how internal factors such as an organization’s financial performance, size and amount of resources affect the level of CSR activities of organizations, these variables offers micro view of an organization’s CSR engagement and they do not provide the larger contexts and sufficiently complete picture of what drives and shapes CSR among organizations. In this respect, it is
suggested that industry level analysis is useful in order to understand different CSR drivers across organizations that have similar internal factors (Pang, Mak & Lee, 2011). Such studies have found differences in CSR among different industries and study results indicated that these differences caused by larger institutional differences (Schmitt, 2009). Pang et al. (2011) examine status and role of CSR in different sectors, including multinational corporations, small to medium sized enterprises, non-governmental organizations and the public sector and discuss the importance of politico-socio-cultural-economic setting that impacts CSR. They indicated that CSR is influenced by a larger societal context in addition to organizational factors such as: corporate size, business turnover and mission.

Thus, there is also need to understand CSR practices in different sectors and assess how programs, major player and key drivers making difference (Visser, 2008). CSR practices among nations were explained with reference to new institutionalism (Matten & Moon, 2008). Because this theoretical perspective indicated that regulative, normative, and cognitive processes lead to increasingly standardized and rationalized practices in organizations across sectors and national boundaries (DiMaggio & Powell, 1983).

Following with this argument, we assume that CSR practices of organizations may also differ among sectors which have different regulative, normative, and cognitive characteristics.

There are various studies focusing on sectors like banking, food, energy etc. and the differences of CSR activities among them (e.g. Wu & Chen, 2013; Hartmann, 2011; Sweeney & Coughlan, 2008; Torugsa, O’Donohue & Hecker, 2012) in recent years. These studies emphasize that ‘acting socially responsible means different things in different sectors’. Of course all sectors of the economy are affected by the expectation of social responsible behavior of society in a similar ways. However, given the characteristics of a sector, the pressure exerted on companies to carry out CSR activities differs related with economic, social and environmental impact of them. So, this situation differentiates the norms and required CSR activities among diverse sectors. As Hond, de Bakker and Neergaard (2007, p.213) mentioned, all sectors face different stakeholder pressures and social issues, so it impacts the companies CSR adoptions. Also researches conducted by independent research companies such as KMPG, Sustainalytics, etc. offer insights about these differences. For example, in banking sector especially after 2008 financial crisis, banks are expected to be more transparent, accountable and supposed to carry out socially sensitive commercial activities by applying strong lending and investment standards. Besides, banks are considered risky organizations about CSR issues like working conditions and human rights. Also banks have an indirect role in various types of CSR risks via their clients they finance and/ or the companies they invest in. Other sectors like energy, industrials, materials, textile, mining etc. are dependent on natural resources and have stronger impact on the environment like pollution, loss of biodiversity, deforestation, water scarcity climate change, etc. Also employee health and safety, child labor and human rights violations have become important in these sectors. The food sector also has considerable impacts on the environment and linked to societal concerns. Issues like animal welfare, product quality etc. are critical for companies as they respond to pressure to offer healthier foods.

In the direction of these points mentioned above, more sectoral research on CSR practices with a closer examination of the factors accounting for different CSR norms and required activities in different sectors that they stem from larger institutional differences seems to be needed. So, the aim of this study is to understand CSR in Turkey based on different sectors by analyzing the content and target group of the organization’s CSR activities. Thus, the following research question is posed: “Does CSR activities
differ in terms of content and target group among different sectors in Turkey?” In other words, this study tries to understand if sectors are self-homogeneous in terms of CSR activities or not.

2. Methodology

Sample of the study is consisted of 50 companies listed in Istanbul Stock Exchange (BIST) Corporate Governance Index in 2014. The reason of this selection is that all of the listed companies report and share their CSR activities regularly. The companies have operations in 10 different index groups of the Borsa Istanbul (food and beverage, chemistry, finance-investment-insurance, machinery, technology, construction, transport-logistic, mining, glass-ceramic-porsel, paper-pulp).

CSR activities of companies have been derived from; Corporate Responsibility Reports, Corporate Sustainability Reports, Annual Reports, Company websites. It is assumed that company statements in these reports and websites reflect their CSR activities and projects in an accurate and transparent manner. Company statements have been examined by content analysis in order to discover contents and target groups of CSR activities. Content analysis is a common method for making inferences by objectively and systematically identifying specified characteristics of messages” (Holsti, 1969) and has been widely used to investigate CSR reporting (Gray, Kouhy, & Lavers 1995; Beattie & Thomson, 2007). Sentences in company statements were used as a unit of analysis and coded. Finally consistent codes were collected in categories for content and target group of activities. This coding procedure was conducted by the 2nd and 3rd author of the study. Average coefficient of inter-coder agreements was highly satisfied (0.81). Categories for content and target group of activities are shown in table 1.

<table>
<thead>
<tr>
<th>Categorization for the Content of CSR Activities</th>
<th>Categorization for Target Group of CSR Activities</th>
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<tbody>
<tr>
<td>1) Education</td>
<td>1) Society</td>
</tr>
<tr>
<td>2) Culture / Art / Tourism</td>
<td>2) Students</td>
</tr>
<tr>
<td>3) Sports</td>
<td>3) Vulnerable Groups (etc. minorities, people with disabilities)</td>
</tr>
<tr>
<td>4) Environment</td>
<td>4) Local People</td>
</tr>
<tr>
<td>5) Health</td>
<td>5) Company Employees</td>
</tr>
<tr>
<td>6) Industrial Infrastructure Improvements</td>
<td>6) Customers</td>
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<tr>
<td>7) Social Aid</td>
<td>7) Sector Associations</td>
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<tr>
<td>8) Natural Disaster Search and Rescue</td>
<td>8) Turkish armed force</td>
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<tr>
<td>9) Animal Rights</td>
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</tbody>
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After categories have been determined, Hierarchical clustering analysis was conducted. Hierarchical cluster is the most common method which can handle nominal, ordinal, and scale data to cluster variables together based on the characteristics they possess in a manner somewhat similar to factor analysis.

Thus, Ward’s Hierarchical Clustering method (for each cluster, the sum of squares is calculated) and Euclidean distance (measure of similarity) were used in order to see if the CSR activities of organizations (in terms of content and target groups) are clustered by the sectors.
3. Results

Using a sample of 50 companies listed in İstanbul Stock Exchange (BIST) Corporate Governance Index, general results of the study revealed 47 of 50 companies (n=47) in our sample made reference to some content and target group of social responsibilities on their reports or websites. Based on these results, it is possible to say that most companies (94%) hold a positive attitude to sharing their CSR activities.

The revenues of companies vary from 7 million Turkish Lira (TL) to 63,556 million TL and 33 employees to 34,389 employees. Based on previous work (e.g. Orser Hogarth-Scott & Riding, 2000), firm size was accounted for both annual revenues and number of employees. The cut points for size groupings were based on the frequency distributions of revenues and number of employees. According to this; 32% of companies are very large-sized, 34% is large-sized, 28% is medium-sized and 6% is small-sized.

Companies have operations in 10 different sector; food and beverage, chemistry, finance-investment-insurance, machinery, technology, construction, transport-logistic, mining, glass-ceramic-porsel, paper-pulp. The distribution of sample companies by sector is shown in graphic 1.

Figure 2: Sectoral distribution of the companies

Analysis results showed that content of CSR activities were grouped under nine categories: Education Culture / Art / Tourism, Sports, Environment, Health, Industrial Infrastructure Improvements, Social Aid, Natural Disaster Search and Rescue, Animal Rights. The distribution of CSR activities by content is shown in graphic 2. As seen, environment (60%), education (55%), social aid (51%), culture/art/tourism (47%) and sports (47%) are portrayed as being the most important issues in CSR activities. When we examined each sector separately it is found that the most important and less important issues are consistent with the general figures for each sector.
Analysis results also showed that target group of CSR activities were grouped under seven categories: society, students, vulnerable groups (etc. minorities, people with disabilities), local people, company employees, customers and sector associations. As seen in graphic 3, society (87\%), students (79\%), vulnerable groups (53\%) are portrayed as being the most important target groups of CSR activities. Again, when we examined each sector separately; it is found that the most important and less important target groups are consistent with general distribution figures.

Finally, hierarchical cluster analysis was performed using the Ward method with the aim of examine if companies grouped in similar sector clusters in terms of their CSR activities.
activities. Firstly, companies were clustered by their content of CSR activities. The dendrogram shown in graphic 4 is the most important result of cluster analysis. It lists all samples and x-axis is some measure of the similarity or distance at which clusters join. The dendrogram shown below is suggesting the presence of four major clusters in this analysis. However, these clusters do not represent any meaningful or a homogeneous distribution within the same sectors in terms of CSR activities by content.

Similarly, second hierarchical cluster analysis was performed by their target group of CSR activities of listed companies. The dendrogram in graphic 5 shows again four major clusters which do not represent any meaningful or a homogeneous distribution within the same sectors in terms of CSR activities by target group.

This cluster analysis was also done by controlling company size for content and target group of CSR activities. Focusing only small, medium, large or very large-sized companies didn’t change the result that companies which perform in same sector were not in same clusters in terms of similarity of their CSR activities by content or/and target group.
4. Discussion and concluding remarks

The main purpose of this study was to identify if CSR activities differ in terms of content and target group among different sectors in Turkey. In other words, this study tries to understand if CSR activities are homogenous within same sectors. Although it is suggested that companies’ CSR activities are driven by some external factors that cause isomorphism such as; different CSR norms and required social behaviors, competition in sector, economic characteristics, external agreements (Ararat, 2005), cluster analysis revealed that CSR activities of organizations’ which are in the same sector are not similar to each other in terms of their content and target group. In other words companies in same sectors are grouped into different clusters in terms of their CSR activities. So, we could not suggest that there is homogeneity in CSR activities between the organizations in the same sector. Based on these results, it is possible to say that sector specific factors do not seem to be decisive on CSR activities of organizations. This findings constitute opposition with various studies revealing the role of sector specific factors in CSR activities (e.g. Amponsah-Tawiah & Darley-Baah, 2016; Pang, Mak & Lee, 2011). In the light of these results, it may be suggested that external factors rather than internal factors (in a sector) determinate CSR activities of companies.

Based on past research, it is expected that the size of the firm will play a role in the firm’s corporate social performance (e.g. Stanwick & Stanwick, 1998; Trotman & Bradley, 1981; Dierkes & Coppock, 1978). Larger firms receive a high level of attention from the general public, which may, in turn, “encourage” the firms to have a higher level of corporate social performance. However our study results didn’t support the idea that company size plays a role in the content or target group of CSR activities.

Examining the distribution of CSR activities of companies’ in the sample, one can see that CSR activities focus on the whole society and students as a target group. Paralleling to this, content of the CSR activities seems to be concentrate on environment, social aid
and education. Findings show that a large majority of the companies in the sample conduct CSR activities focusing on environment, education and social aid towards society and students. However, a small number of the companies conduct activities about topics such as industrial infrastructure improvements, healthcare, natural disasters, search and rescue, sports and animal rights. Sector associations, customers, company employees are the less targeted groups in CSR activities of the companies in the sample.

The results of the study allow concluding that “society” and “student” related CSR activities rather than other stakeholders are the priority targets for organizations in all kind of sectors. The underlying reason for this situation may the national and cultural factors as various studies emphasize in related literature (e.g. Thanetsunthorn, 2015; Perry, 2012; Wanderley, Lucian, Farache & de Sousa-Filho, 2008). Here, it should be noted that the education system in Turkey is one of the most problematic issues for many years. Authorities and the government have always been trying to change the system in order to solve the problematic situations however it is highly probable that inequalities and insufficiency of the system are the major problems to overcome. Thus company’s interest from all sectors on education as a CSR project and students as a target group may attribute to their sensitivity to the problem of society.

Based on these results, it can be said that companies in Turkey seems to perform CSR activities in order to gain legitimacy in the eye of society. Results showed that Turkish companies prioritize philanthropic responsibilities. Thus, CSR model as corporate philanthropy seems to be turn out an institutional CSR model which companies focus on to be a good corporate citizen by contributing and supporting the broader community and improve the quality of society. This finding is consistent with Visser’s (2008) consideration about philanthropic responsibilities in developing countries.

This study tries to show an overall situation of Turkish companies’ CSR activities in sectoral basis. Results indicate that sector specific factors do not have strong effect content and target group of CSR activities. National and cultural factors seem to be more effective on CSR activities of companies in Turkey. However, this study has some limitations. The sample is consisting of the companies listed in İstanbul Stock Exchange (BIST) Corporate Governance Index in Turkey which can be regarded as limited. So, in future studies sample size should be expanded. Future studies may also take into account the influence of organizational factors such as company strategy, mission, or structure in addition to industry over the content and target group of CSR activities.

References


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