

# Corporate Social Responsibility Practices of the Textile Firms Quoted in Istanbul Stock Exchange

Gulsevrim Yumuk Gunay and Suleyman Gokhan Gunay

**Abstract**—Corporate social responsibility (CSR) can be defined as the management of social, environmental, economical and ethical concepts and firms' sensitivities to the expectations of the social stakeholders. CSR is seen as an important competitive advantage in the textile sector because this sector has an important impact on the environment and it is labor extensive. Textile sector has a strong advantage when compared with other sectors in Turkey due to its low labor costs and abundance of raw materials. Turkey was a producer and an exporter of cotton, and an importer of fiber, clothes and dresses until 1950s. After 1950s, Turkey has begun to export fiber, ready-made clothes and become one of the most important textile producers in the world recently. CSR practices of the textile firms that are quoted in Istanbul Stock Exchange and these firms' sensitivities to their internal and external stakeholders and environment will be presented in this study.

**Keywords**—corporate social responsibility; Istanbul Stock Exchange; textile sector; Turkey

## I. INTRODUCTION

CORPORATE social responsibility (CSR) has emerged as a requirement for the firms' usefulness to their society that they operate. Thus, public-interest principle is the most important principle in CSR. This principle requires firms serve to the interests of all of their related stakeholders rather than only a few [1].

Today, it is a must for the textile sector to accord to the changes due to the intensive competition. The reality that the firms' social goals has become important is one of the biggest changes today's business world. Therefore, firms have tendencies to accept their social obligations such as providing fair wages and working conditions to their employees, paying their taxes to the government, protecting the environment, providing jobs for the local society, offering suitable prices to their suppliers, and offering qualified goods with reasonable prices to their customers.

Firms create differences not only through their goods and services but also through their contributions to the society.

Gulsevrim Yumuk Gunay is with the Tourism Administration Department, Applied Sciences College, Trakya University 22030 Edirne, Turkey (e-mail: gulsevrimyumuk@trakya.edu.tr)

Suleyman Gokhan Gunay is with the Department of Business Administration, Faculty of Economics and Administrative Sciences, Trakya University 22030 Edirne, Turkey (Phone: 00 33 683 15 27 78; e-mail: suleymangokhan@gmail.com)

Because successful firms know that gaining social reputation increases the value of a company. In this sense, maybe the most salient sector is the textile sector among others. There are many reasons for this salience.

First, there is an intense labor power, which can also be described as internal stakeholders, in the textile sector. Second, occupational safety and health is an important issue in this sector. Third, the activities in textile sector may create negative externalities to the natural environment. Finally, consumers in this sector give importance to the standards such as ISO 9000 or ISO 14000.

International institutions such as United Nations, Organization for Economic Cooperation and Development, World Bank gives importance to CSR for the sustainable economic development. Firms give importance to the CSR activities because they have to improve their knowledge and attachment to their society in which they operate for their sustainable development [2] so that they can have a good corporate reputation.

## II. THE CONCEPT OF CORPORATE SOCIAL RESPONSIBILITY (CSR)

The concept of CSR has gained importance and popularity simultaneously with the emergence of sustainable development concept. The main subject in CSR is that it is based on public-interests and altruism, which is opposite to egoism, [1], [3], [4]. Besides, CSR is based on the consistency of organizational interests and social expectations [5].

Since CSR has a little value in the Anglo-Saxon world [6], it is given much more importance by the firms based on the German-Japanese philosophy rather than the firms based on Anglo-Saxon philosophy. However, CSR is important for all the firms that try to maintain sustainable development and achieve competitive advantage. It is understood by firms that sustainable development is not only a concern for NGOs and public sector but all the stakeholders. As a result, firms have realized that they have to take action for the sustainability of the resources and human development in addition to their financial sustainability [7].

CSR practices in Turkey started during Ottoman Empire period. During the Ottoman Empire, the concept of foundation was the institutional basis for the public services such as education, health and social security. In this sense, the social expectation from the firms was shaped around the historical

foundation philosophy and social responsibility was perceived equivalent to the firms' donations and philanthropic activities [8]. Turkey's attendance to the international agreements, campaigns and activities increased the consciousness level in the country in terms of social responsibility and related subjects.

Day by day, society has began to give much more importance to the ethical behaviors such as the protection of natural environment [9]. Therefore, it is expected by stakeholders that firms have to make contributions to the local and regional development as well as to protect and improve the natural environment [10]. For example, Royal Dutch/Shell Group has been protested by the environment pressure groups due to the contamination of the sea base with its petroleum platform. These protests have made the Royal Dutch/Shell Group review its ethical principles and rewrite them in order to behave more responsibly to the natural environment [11]. Motorola Company is another firm that gives importance to the CSR activities. Motorola Company has renovated its own process by establishing the Motorola Ethics Renewal Process as a response to the concerns of the society, and then it has established Global Corporate Responsibility Task Force in order to maintain its ethics advantage [12], [13]. As a result, two important concepts, natural capital and social capital, are developed to reflect the concerns of firms for the natural environment and society in addition to their conventional profit concerns. These three concepts (i.e. profitability, natural environment and society) are termed as "triple bottom line" [14] in CSR.

European Union has defined CSR in its Greenpaper in 2001 that CSR is the firms' voluntary integration to their social and environmental activities [15]. The requirement that firms integrate with regions and people who live in these regions, with their own personnel, with all the people that they interact, and firms' contributions for these stakeholders determine the scope of CSR activities. Avoiding the responsibilities in this area will affect negatively many subjects such as firm image, employee motivation, customer satisfaction, communication with suppliers, and economic development of countries that firms operate. Therefore, it can be argued that CSR activities should be consistent with the economic goals.

### III. CORPORATE SOCIAL RESPONSIBILITY AND TEXTILE SECTOR

Today, textile industry meets the demands of the domestic market substantially, and it also shows big developments in the exports. The sector has showed big developments due to the export centered policies in 1980s and contributed significantly to the national income since 1980. In this contribution, there is the sensitivity of the textile sector for the quality issue. Most of the textile firms have certificates about the quality of their products.

Today, quality management systems (e.g. Eco-Tex 100, ISO 9000, OHSAS 18000, ISO 14000 and SA 8000) have become the main components of competition in addition to the quality factors and standards related with products. Firms will

feel the pressures of these systems more in the near future. Eco-Tex 100 is a standard which shows that a firm has an ecological textile production. Ecological textile issue is put forward in the beginnings of 1990s, and it refers to textile production that is suitable for human health and nature. Issues related with human health and nature such as chemicals used in the production process, waste water, noise level in the workplace, and waste gas constitute the outline of ecological textile. "Eco-Tex" is one of the most accepted standards in terms of textile and confection products in Germany. "Eco-Tex 100" contains the constitution of quality control, definition of test methods, and application of rules and effective regulations. This standard contains the analysis of uncertain and harmful substances for the human ecology and determines the limit value. When a textile product meets the terms specified in this standard, an applicant has the right to use the label that states "Confidence in textiles passed for harmful substances according to Eco-Tex Standard 100" [16]. Eco-Tex label is a quality identification mark which is related with the natural environment, and it shows the international reliability for a product.

Although ISO 9000 is a management standard, it increases the quality and decreases the costs because it lets all the processes in the firms work in order and under control. This document is important in the accomplishment of firms' responsibility for their customers (i.e. it is important in the introduction of qualified products with reasonable prices). The enormous increase in the China's exportation has affected not only the textile and confection manufacturers in the E.U. and U.S.A. but also the ones in the Asia, Africa and Latin America [17]. This situation shows that emphasis on quality is the most important way to deal with the Chinese textile products, which is also generally the case in other product categories. Therefore, giving weight to quality management systems increases each year in all around the world and it becomes inevitable to emphasize the importance of quality.

It is accepted by all the firms in Europe that all of the international quality standards should be brought together under the ISO 14000 environment standard in the near future. ISO 14000 determines the limits of environment management based on sustainability principles. ISO 14000 was first established as BS-7750 by the British Standards Institution (BSI) in 1992 [18]. ISO 14000 Environment Management System is a model that tries to minimize the harms to the soil, atmosphere, water and establish risk analyses base [19].

One of the most important social responsibilities that is undertaken by firms is to establish a safe and healthy workplace for their employees. Firms should conduct systematic studies and plans for the health and safety issues of their employees in order to achieve better competitive circumstances. OHSAS 18001 can be shown as an important standard in this sense. OHSAS 18001 is a standard that is developed to help organizations to control occupational health and safety risks [20].

Social Accountability 8000 (SA 8000) is a standard, which brings in transparent and ethical stand for the firms. SA 8000 guarantees the harmony with the ethical rules in the production of goods and services. SA 8000 is an officially

registered identification mark, and it can be applied to any firm with different sizes, in any place in the world, and in any sector [21]. SA 8000 was issued in October 1997 in order to guarantee the basic rights of the employees by a working group that contains labor unions, human and children's rights organizations, academics, and employers. This standard is based on the ILO agreements, United Nations' Universal Declaration of Human Rights, United Nations' Convention on the Rights of Children. SA 8000 shows the social responsibility for the employees, suppliers, customers and society [22], and it is especially important for the firms that operate in competitive markets.

#### IV. METHODOLOGY

The data related with the research is provided from the Internet. First of all, our most important data (mission statements, corporate governance reports, etc.) source is provided from the web sites of the textile firms that are quoted in Istanbul Stock Exchange (ISE). The population of our study is limited to the textile firms that are quoted in ISE. Thirty-six textile firms are determined as the population of the study after the examination of ISE indices. Among these thirty-six firms, twenty-four firms are in the National Market, three firms are in the Second National Market, four firms are in the Watch List Companies Market, and five firms are in the Other Companies Market. Afterwards, web sites of these thirty-six firms are tried to be reached and data related with CSR are provided from these web sites. Among these thirty-six firms, the web sites of the five firms were out of reach during our examination. Among these five firms, one is in the National Market, two are in the Watch List Companies Market, and two are in the Other Companies Market. Basic information about thirty-one firms is first given and then textile sector is scrutinized by examining CSR practices of these firms in terms of their four stakeholders (customers, employees, society, and natural environment) in the following sections.

#### V. EVALUATION OF THE EMPIRICAL RESULTS

The distribution of the thirty-six textile firms that are quoted in ISE in terms of their number of personnel, registered capital, and existence of the standards related with the CSR can be seen in table I.

According to the European Commission's definition about small and medium-sized enterprises (SMEs), firms which have fewer than 10 employees are defined as micro enterprises, firms which have fewer than 50 employees are defined as small enterprises, and the ones which have fewer than 250 employees are defined as medium-sized enterprises [23]. Based on this definition, 26% of the sample is SMEs and 74% is large scale firms. The number of personnel differs for each sector that firms operate. For example, textile sector is a labor intensive sector. Therefore, textile firms which have more than 500 employees are defined as large scale firms [24]. Based on this definition, 42% of the firms in the sample are defined as SMEs.

Finally, when the CSR practices of the firms for their customers, employees, natural environment, and society in terms of the effective standards are examined, it is observed that ISO 9000 (61%) and ECO-TEX 100 (48%) standards have the highest percentages. The most disappointing result in this finding is that there are only four firms, which emphasize value-adding practices rather than preventive ones on their web sites that use the Environment Management Standard ISO 14000 and that there are only three firms which emphasize employee health and safety on their web sites that use the OHSAS-18001.

TABLE I  
FEATURES OF FIRMS

Features of Firms	Number of Firms	%
0-50	3	10
51-250	5	16
<b>Number of Personnel</b>	5	16
501-1000	7	23
1001-2000	9	29
2001+	2	6
<b>Total</b>	<b>31</b>	
0-12.499.999€	13	42
12.500.000-24.999.999€	7	23
<b>Registered Capital</b>		
25.000.000-49.999.999€	6	19
50.000.000-99.999.999€	3	10
100.000.000-199.999.999€	1	3
200.000.000€ +	1	3
<b>Total</b>	<b>31</b>	
ISO 9001	19	61
<b>Standards</b>		
ISO 14001	4	13
ECO TEX-100	15	48
OHSAS-18001	3	10

CSR practices of the textile firms will be examined under four categories in the following sections. These categories are customers, society, employees, and environment.

##### A. Availability of CSR Standards Related with Customers

First of all, there are two factors in our study that shows the firms' social responsibility for their customers. The first factor is the ISO 9000, which emphasizes customer satisfaction via qualified products, and the second one is the ECO-TEX 100, which shows that uncertain harmful substances for the human ecology are not used.

As can be seen in figure 1, 61% of the firms have ISO 9000 and 48% of the firms have ECO-TEX 100. These results show that social responsibilities of textile firms for their customers are quite good. On the other hand, the reason for this result can be due to the globalization or due to the adaptation of Turkish textile firms to the rules of European Union. Turkish textile firms may still maximize their market shares and export incomes by creating brands. ECO-TEX is a good start to achieve this goal but it is not enough. The needs of other stakeholders should also be satisfied to accomplish this goal. Although customer satisfaction in terms of ISO 9000 and ECO-TEX is a good result for the Turkish textile firms, they need to have other standards related with other stakeholders to

perform CSR completely. Although this empirical finding is good, it is not adequate by itself.

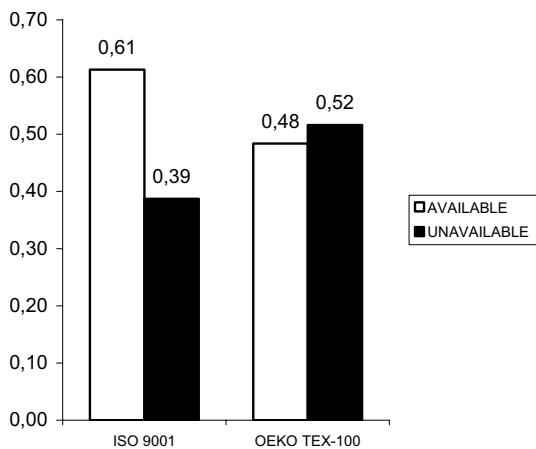


Fig. 1 Availability of CSR standards related with customers

*B. Availability of CSR Practices Related with Society*

Donations, charities, sponsorships and activities related with education of the society are some of the CSR practices for the society by the firms. Unfortunately, it can be seen in figure 2 that CSR practices for the society are not very important for most of the firms. Only 45% of the textile firms admit the idea that “firms should give back some of their gains to society because they earn most of their profits from the society”.

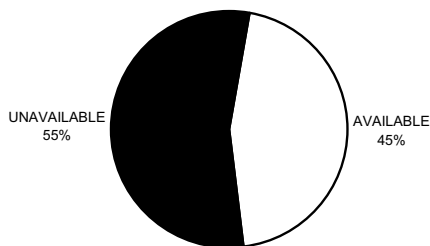


Fig. 2 Availability of CSR practices related with society

*C. Availability of CSR Standards, Education and Performance Evaluation System Related with Employees*

In terms of the responsibilities for the employees three factors are examined. 1. whether the firms have OHSAS-18001 or not, 2. whether employees are educated in the workplace or not, 3. whether employees are evaluated and

given remuneration based on the performance evaluation system or not.

There is no law about CSR in Turkey but there are some provisions related with CSR in consumer rights, business law and environmental law. For example, it is stated in the article 172 of the Turkish Republic Constitution that consumers are encouraged to protect their rights and to be informed.

As can be seen in figure 3, when the textile firms’ CSR practices for the employees are evaluated, it is seen that only 10% of the firms have OHSAS-18001. This is really a low percentage. On the other hand, 65% of the firms provides their employees with training, and this percentage is quite good. But it may be argued that training is one of the requirements of ISO 9000. Thus, this type of high percentage may be related with this standard. The other CSR practice of textile firms is to implement a fair and suitable remuneration for their employees. One of the methods to achieve this goal is to conduct performance evaluation system. Only 35% of the textile firms implement this type of system in their organizations.

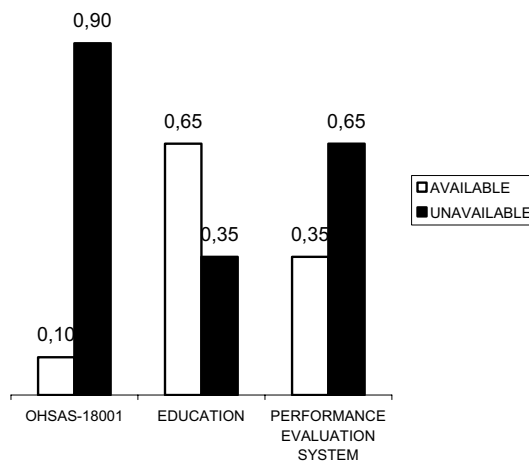


Fig. 3 Availability of CSR standards, education and performance evaluation system related with employees

*D. Availability of CSR Standards, Positive Externalities and Facilities Related with Environment*

Textile firms’ social responsibilities for the environment are examined based on three criteria (positive externalities to the environment, ISO 14001, and possession of water treatment plants. Some of the standards explain how firms will perform some of the CSR practices for the environmental issues such as the negative externalities (environmental pollution, water contamination) of the industrialized society, global warming, depletion of the natural resources, noise, waste products, energy savings. But most of these issues can only be solved voluntarily by the firms. In other words, as long as firms are not voluntarily sensitive to the environmental issues, the CSR practices related with environment will always be low.

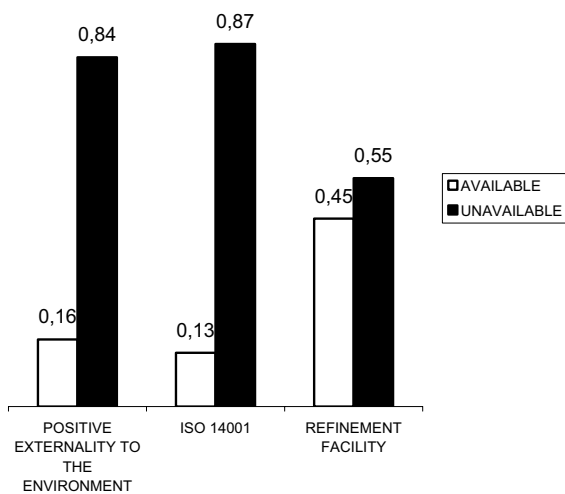


Fig. 4 Availability of CSR standards, positive externalities and facilities related with environment

Positive externality to the environment does not refer to the firms' preventive practices but it refers to the voluntary value-added practices such as afforestation. As can be seen in figure 4, only 16% of the textile firms has positive externality to the environment. 13% of the firms has established the environment management system or ISO 14001 in their organizations. Essentially, the proximity of these two percentages show that creating positive externalities for the environment is the requirement of ISO 14001. 45% of the firms declared that they have water treatment plants. Thus, these firms have tried to state that they create minimum negative externalities in the environment. Nevertheless, it should be specified that having a water treatment plants is not that much important but making it work effectively is really important because most of the firms have these facilities but they do not use them due to their high operating costs.

Sustainability implies that society must use no more of a resource that cannot be regenerated. This can be defined in terms of the carrying capacity of the ecosystem [25] and described with input-output models of resource consumption. Thus, for example, a paper industry has a policy of replanting trees to replace those harvested and this has the effect of retaining costs in the present rather than temporally externalising them [26].

Although CSR is appreciated for the last fifty years, it is still not dominant in the governance of corporations [27]. As the firms are institutionalized (i.e. they make long term plans), their responsibilities and knowledge for their external activities are also institutionalized. Briefly, institutionalization also involves CSR.

In order to examine the CSR practices of textile firms, corporate governance reports of these firms are tried to be reached in this study. Nevertheless, it is observed that 64.52% of the firms has corporate governance reports in their web sites. Although all of these textile firms are quoted in ISE and

they have many foreign customers due to their export activities, having no corporate governance report is thought-provoking.

## VI. CONCLUSION

Today, importance of the firms increases for the society each day due to their important impacts on the social, political, scientific and technological institutions of the society, and this situation requires them take some responsibilities. In this sense, firms' economic activities and social responsibilities should not be considered as separate issues [28]. Whenever a firm creates pollution due to its focus on being efficient [29] or contaminates society's water and air and sells unreliable products [30], this firm is irresponsible to the society. Whenever a firm does not give importance to the health of its employees, this firm is irresponsible to its employees. Therefore, concern for being efficient, pollution and unreliable workplaces lead to social irresponsibility [31].

It is especially important for the textile sector, which is considerably important for the Turkish economy, to value CSR that will bring additional costs in the short-term but increase their profitability in the long term. This issue is extremely important for the textile firms' existence in an intensive competitive markets due to the globalization.

Firms realized that making right things (e.g. providing qualified goods and services to customers, increasing the morale of the employees and caring about their safety, supporting suppliers, protecting the environment, and being useful to the society) will be sooner or later reflected to their bottom lines. When the CSR practices of textile firms are examined, it is seen that the scale of these firms (i.e. whether they are SMEs or large scale firms) has an impact on their practices. SMEs especially give importance to their responsibilities for their customers and comply with legal criteria. On the other hand, it is seen that large scale firms have much more voluntary social practices than the SMEs. Nevertheless, it is seen that no firms uses SA 8000, which is a good indicator of fulfilling all of the CSR practices. This situation shows that there are many things that should be done about CSR in Turkey.

Textile firms should have ISO 14000, which is related with the environment, and ISO 18000, which is an indication for the well-being of their employees and workplace safety, besides ISO 9000, which shows the quality management system. When ISO 9000 system is established in a firm, other systems such as ISO 14000 and ISO 18000 will be easily and effectively established in the same firm.

On the other hand, there are many reasons for the textile firms to perform CSR activities in their firms. These reasons are as follow:

- 1) CSR practices are requirement for the intregation of the Turkish textile sector to the European Union's standards.
- 2) CSR practices motivate employees and make positive contribution to the financial performances of firms.
- 3) Firms that position themselves by using CSR in the competitive international markets are preferred by both individual and institutional customers.

4) Society gives much more importance to the natural environment due to the global warming problem.

The reasons that are presented above shows that there are important reasons for the Turkish textile firms to solve some of their problems related with the CSR. Textile sector is the most important sector in Turkish economy due to its high value-added potential, especially in terms of creating new jobs. Thus, the future of textile sector is extremely important not only at the level of organization but also at the level of society. Hence, it is also the social responsibility of the textile firms to achieve sustainable growth. Paying attention to the interests of stakeholders is the key for the sustainable development. As a result, the existence of firms depends on their customers, employees, society and environment (i.e. stakeholders), and these firms will continue to exist and achieve sustainable growth as long as they perform CSR practices for their stakeholders in 21<sup>st</sup> century.

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