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## **New Interpretation of Social Contracts as a Form of Business Contracts between Companies and Communities in Türkiye**

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# NEW INTERPRETATION OF SOCIAL CONTRACTS AS A FORM OF BUSINESS CONTRACTS MADE BETWEEN COMPANIES AND COMMUNITIES IN TÜRKİYE

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**ABSTRACT:** This research paper explores the evolving landscape of business contracts in Türkiye, focusing on the emergence of social contracts as a novel framework for interaction between companies and communities. Aim of this study is analyzing the motivations behind this shift, examining case studies of successful social contract implementations across various sectors. The paper uses a qualitative method of assessment and interpretation of social contract clauses in Republic of Türkiye that effectively become a form of business contracts between communities and companies. The findings suggest that as businesses in Türkiye navigate the complexities of globalization and social expectations, social contracts may serve as a transformative approach to redefining corporate-community relationships, ultimately fostering a more inclusive and sustainable business environment.

**Keywords:** business contract, CSR, Republic of Türkiye, social contract, sustainable business environment.

**JEL Codes:** B55, I38, G18

## TÜRKİYE'DE ŞİRKETLER VE TOPLULUKLAR ARASINDA YAPILAN BİR İŞ SÖZLEŞMESİ ŞEKLİ OLARAK SOSYAL SÖZLEŞMELERİN YENİ YORUMLANMASI

**ÖZ:** Bu araştırma makalesi, şirketler ve topluluklar arasındaki etkileşim için yeni bir çerçeve olarak sosyal sözleşmelerin ortaya çıkışına odaklanarak Türkiye'deki iş sözleşmelerinin gelişen manzarasını araştırmaktadır. Bu çalışmanın amacı, bu değişimin ardındaki motivasyonları analiz etmek ve çeşitli sektörlerde başarılı sosyal sözleşme uygulamalarının vaka çalışmalarını incelemektir. Makale, topluluklar ve şirketler arasında etkili bir şekilde bir iş sözleşmesi biçimi haline gelen Türkiye Cumhuriyeti'ndeki sosyal sözleşme maddelerinin nitel bir değerlendirme ve yorumlama yöntemini kullanmaktadır. Bulgular, Türkiye'deki işletmelerin küreselleşmenin ve sosyal beklentilerin karmaşıklıklarıyla başa çıkarken, sosyal sözleşmelerin şirket-toplum ilişkilerini yeniden tanımlamaya yönelik dönüştürücü bir yaklaşım olarak hizmet edebileceğini ve nihayetinde daha kapsayıcı ve sürdürülebilir bir iş ortamını teşvik edebileceğini göstermektedir.

**AnahtarKelimeler:** iş sözleşmesi, KSS, Türkiye Cumhuriyeti, toplumsal sözleşme, sürdürülebilir iş ortamı.

**Jel Kodları:** B55, I38, G18

### 1. INTRODUCTION

Social contracts are designed to integrate human rights safeguards into procurement contracts, indicative of a transition from conventional contractual objectives to more expansive social justice aspirations. They promote a nexus between multinational enterprises and the communities engaged in their supply chains, surpassing geographic limitations and underscoring the ethical obligation of corporations to uphold the rights and welfare of laborers.

Social contract theory provides a framework for understanding the evolving relationship between business and society. As globalization creates new challenges, traditional governance models struggle to ensure economic stability and social progress. Businesses are increasingly expected to address societal concerns and environmental issues, necessitating a new social contract that balances corporate interests with public good. This evolving contract emphasizes business purpose, leadership, and social responsibility, reflecting changing societal expectations. Extant social contracts, derived from community norms, can generate ethical duties for businesses when consistent with broader ethical theories. Various approaches to business legitimacy based on social contract theory have emerged, including the

Integrative Social Contracts Theory and corporate governance models (Francés-Gómez, 2020). As public trust in business has declined, companies face challenges in taking on greater social responsibility while maintaining competitiveness

Worldwide, studies have revealed that due to changes in people's lives, there is need for binding social contracts. According to Seabright (2021), governments are obliged to perform limited tasks, mainly related to security providing without limiting the people's freedom and rights. Such a perspective considers theoretical possibility of governments' intervention into private affairs, up to private life, hence limiting the growth of an Inclusive society, which supports inclusive development. Vlerick (2019) argues that social contracts are evolving to due to rapid developments, which have led to social challenges, hence there is need social contracts that help to handle such cooperation bottlenecks in society. It is these social problems leading to coordination and competition challenges (Vlerick, 2019) as antagonistic problems faced by people in the whole world.

According to Barkatullah (2020) laws and regulations are much needed when the government turns the state into a welfare one. The policies are needed to provide protection and security to all citizens, more so those involved in social contracts. Such a situation has made governments across the globe to initiate policies which deregulate the existing ones (Limberg, et al., 2021), in order to create hybrid regulations which are implemented under a meta-government, promoting more of pro-society regulations. Deregulation has come as a result of several abrupt innovations leading to diffusion of countless changes, thus turned into a forceful global trend, exerting pressure on a number of regulations (Wassmer & Williams, 2021), causing governments to accommodate policies and regulations proposed by civil societies and business owners as fundamental requirements for efficient and effective public service delivery (Masiya, et al., 2019).

In general, governments across the globe have been introducing and engineered social change through policies and regulations, laws, incentives and through forceful measures (Loewe, et al., 2021). At times, governments' efforts had their effect, helping to prevent social misunderstandings and conflicts, but at times fueled conflicts and unrest in some regions of the world (Furness & Trautner, 2020). In a situation where people feel government regulations are fair and their needs are fulfilled (Cloutier, 2021) in most cases it is easy to implement policies, so institutions would operate normally. However, in situations where the society feels it has been abandoned and believes there is no any benefit from government, each regulation is comprehended negatively, and in many cases that causes unrest, hence conflicting parties within society.

The dynamic of social contracts and society reflects evolving understanding of the role of businesses in addressing societal needs. As the dialogue surrounding social contracts continues to grow, further research is necessary to explore the practical implications and effectiveness of these frameworks in fostering sustainable relationships between corporations and communities.

## **2. LITERATURE REVIEW**

### **2.1. Social Contract, Society and Law**

While traditionally the social contract was framed as a foundational agreement between individuals and the state, recent literature has sought to redefine the social contract in light of emerging social expectations (Marco-Lajara, et al., 2022). Carney (2022) argues that modern interpretations should include the roles of corporations and communities, suggesting that social contracts now encompass broader societal relationships and responsibilities beyond mere governance.

The intersection of social contracts and corporate governance has gained traction in recent studies. Khairandy, et al. (2022) highlight how businesses are increasingly adopting social contracts to enhance their reputation and foster community trust. Their analysis of case studies from various sectors demonstrates that companies recognizing their social responsibilities can lead to improved stakeholder relationships and sustainable business practices. This aligns with research of Kumar and Yadav (2023) which posits that businesses can create economic value by addressing societal challenges.

Community engagement has emerged as a critical component of the social contract framework. Huangfu, et al. (2022) conducted a qualitative study on local businesses in urban settings, revealing that companies that actively engage with their communities through social contracts experience enhanced loyalty and support from local populations. Findings of Kalemci and Özkan (2024) suggest that

community involvement not only fulfills ethical obligations but also serves as a strategic advantage in competitive markets.

The relationship between social contracts and CSR has been extensively explored in recent literature. Ghai (2024) argues that CSR initiatives should be viewed as manifestations of social contracts, where businesses commit to ethical practices that benefit society. Their research indicates that companies that align their CSR efforts with the principles of social contracts are more likely to achieve long-term success and positive societal impact (Ninan, et al., 2023).

Despite the positive implications of social contracts, several challenges persist. Loewe, et al. (2024) identify barriers such as corporate resistance to change, lack of awareness about social contract principles, and the complexities of measuring social impact. It is argued that without a clear understanding of social contracts, both businesses and communities may struggle to realize the full potential of these frameworks.

## 2.2. Social Contracts in the Context of Türkiye

Recent research on social contracts and business ethics in Türkiye reveals a complex interplay between cultural, historical, and economic factors. The Turkish business environment is characterized by a strong state influence, with the government often setting ethical norms through micro-social contracts (Kalemci & Özkan, 2024).

Corporate social responsibility initiatives in Türkiye appear to be gaining traction, with companies recognizing the importance of engaging with stakeholders and communities. For instance, Istanbul Bilgi University has implemented social responsibility initiatives as part of its corporate identity program, with philanthropy being a key element (Dahan & Senol, 2012). This suggests that some institutions in Türkiye are developing forms of social engagement that could be seen as informal social contracts with their communities. Turkish Airlines, as a global company, reports extensively on its CSR activities, with a particular emphasis on environmental initiatives (Okumus, et al., 2020). This indicates that large Turkish corporations are aware of their social responsibilities and are taking steps to address them, which could be interpreted as a form of social contract with the broader community (Kalemci & Özkan, 2024). However, there are some contradictions in the research findings. While some studies show positive effects of CSR on corporate performance (Kurt & Peng, 2021), others indicate a negative relationship between CSR disclosure and financial performance in Turkish firms (Borak & Dogukanli, 2023). This suggests that the concept of social contracts as a business practice may still be evolving in Türkiye, with varying outcomes for different organizations.

In general, while there is no specific research on social contracts as a new form of business contracts in Türkiye, the growing emphasis on CSR and stakeholder engagement suggests that Turkish companies are increasingly recognizing the importance of their social responsibilities. Present research aims to fulfill this gap, exploring how the aforementioned practices are evolving into more formalized social contracts between companies and communities in Türkiye.

## 3. METHODOLOGY

Our study methodology is designed for a comprehensive exploration of how social contracts are evolving into business contracts between companies and communities in Türkiye, providing insights into this emerging phenomenon. The paper utilizes two emerging points, also identified by Vlerick (2019), which impact much on the concept of social contracts, namely coordination and competition (Table 1).

**Table 1.** Social contract components (formulated by the author based on Vlerick, 2019).

Coordination	Competition
Defined as the collaborative efforts among businesses, communities, and governments to achieve common goals, particularly in CSR initiatives.	The drive among businesses to innovate and improve their offerings, which can lead to enhanced community engagement and social impact

This research paper examines the dual role of coordination and competition within the framework of social contracts in Türkiye. As businesses increasingly engage with local communities,

the necessity for coordination among various stakeholders has become apparent. Simultaneously, competition among companies drives innovation and responsiveness to social needs.

This paper utilizes qualitative method of investigating the activities of Turkish authorities in social contract area and interpreting their effects as business contracts between companies and communities. This interpretation also assumes the implications of coordination and competition for enhancing corporate social responsibility (CSR) and community development in Türkiye.

#### 4. FINDINGS AND DISCUSSION

The analysis of existing social contracts and related policies in Türkiye reveals a transformative approach towards community-company interactions. Social contracts in Türkiye have emerged as a response to the growing recognition of corporate social responsibility (CSR) and the need for sustainable business practices. These contracts emphasize mutual benefits, social responsibility, and community engagement, moving beyond traditional transactional relationships.

The Turkish government, through the Ministry of Trade, has established guidelines for CSR that encourage companies to engage with local communities (Demir, et al., 2016). These guidelines outline the importance of transparency, ethical behavior, and community involvement, serving as a foundational document for businesses seeking to implement social contracts.

Türkiye's National Development Plans emphasize the role of the private sector in achieving sustainable development goals. These plans encourage companies to adopt social contracts that align with national objectives, promoting community development and social equity. (Grand National Assembly of Türkiye, 2023)

Various sectors, such as manufacturing, technology, and agriculture, have specific regulations that mandate community engagement. For instance, the Ministry of Agriculture and Forestry has policies that require agricultural companies to collaborate with local farmers, ensuring fair practices and community support (Ministry of Agriculture and Forestry, 2022).

Table 2 summarizes identified social contracts existing in Türkiye as effectively mantling the role of business contracts between communities and companies and interprets them via coordination and competition axes.

**Table 2.** Turkish authorities performing social contract clauses with the business contracts effect (formulated by the author).

Authorities performing social contract clauses	Business contract effect between communities and companies	Coordination/Competition prevalence
Ministry of Trade: establishing guidelines for CSR	Encouraging companies to engage with local communities	Coordination
Türkiye's National Development Plans: emphasizing the private sector role in achieving SDGs	Encouraging companies to adopt social contracts that align with national objectives, promoting community development and social equity	Competition
Ministry of Agriculture and Forestry: policies requiring agricultural companies to collaborate with local farmers	Ensuring fair practices and community support	Coordination

According to the Table 2, two of three social contract clauses mantling the role of business contracts implement the coordination component. We can suggest that further development of social contract performance should keep focusing on the coordination component in order to reinforce successful functioning of newly emerged business contracts between companies and communities in Türkiye and therefore support social development and economic growth of the Republic.

#### 5. CONCLUSION

The regulatory framework in Türkiye supports the development of social contracts through various laws and policies. The Turkish Commercial Code encourages businesses to operate with social responsibility, while labor laws promote fair treatment of workers, aligning with the principles of social contracts.

Despite the positive framework, challenges remain in the implementation of social contracts. These include lack of awareness among businesses regarding social contract principles, resistance to change, and the need for regulatory support to facilitate community engagement.

The analysis of existing social contracts and related policies in Türkiye indicates a significant shift towards fostering sustainable community-company interactions. The growing emphasis on social responsibility and community engagement reflects a broader understanding of the role businesses play in societal development. However, continued efforts are needed to address implementation challenges and promote effective collaboration between companies and local communities.

Theoretical significance of this paper lies in the interpreting of social contracts implemented by Republic of Türkiye (or any other state, by extent) as a new form of business contracts effectively existing between business companies and local communities. Practical significance is expected to provide new activity directions for the stakeholders who have access to influence social contract's implementation in Türkiye.

This study indicates severe limitation of qualitative approach without quantitative-based research modeling. On the other hand, there is perspective for the future researches in the same area which could apply statistical data analysis and other quantitative methods.

**Ethics Statement:** The authors declare that ethical rules were followed in all preparation processes of this study. In case of detection of a contrary situation, all responsibility belongs to the authors.

**Author Contributions:** Urfat Alasgarov contributed to the study in all its sections. Urfat Alasgarov contribution rate: 100 %.

**Conflict of Interest:** There is no conflict of interest between the authors or any third party.

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