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# **THE EFFECT OF CORPORATE SOCIAL RESPONSIBILITY ON MARKET SHARE: A CASE OF BREWERY INDUSTRY IN ADDIS ABABA**

**By: Ephrem Lemma**

**Addis Ababa University  
School of Commerce  
Marketing Management Graduate Program**

**May, 2018  
Addis Ababa, Ethiopia**

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# **THE EFFECT OF CORPORATE SOCIAL RESPONSIBILITY ON MARKET SHARE: A CASE OF BREWERY INDUSTRY IN ADDIS ABABA**

*(A Thesis submitted to Department of Marketing Management for the Partial Fulfillment of the Required for the Award of Masters of Arts Degree in Marketing Management)*

**By: Ephrem Lemma**

**GSE/0211/08**

**Research advisor:**

**Temesgen Belayneh (PhD)**

**May, 2018**

**Addis Ababa, Ethiopia**

## DECLARATION

I hereby declare that this study entitled “THE EFFECT OF CORPORATE SOCIAL RESPONSIBILITY ON MARKET SHARE: A CASE OF BREWERY INDUSTRY IN ADDIS ABABA” is my original work prepared under the guidance of my advisor **Dr. Temesgen Belayneh** (Ph.D). This paper is submitted in partial fulfillment of the requirement for the award of Master of Arts Degree in Marketing Management and it has not been previously submitted to any diploma or degree in any college or university. I would like also to confirm that all the sources of materials used in this study are duly acknowledged.

By: Ephrem Lemma

Signature \_\_\_\_\_

Date \_\_\_\_\_

## LETTER OF CERTIFICATION

This is to certify that Ephrem Lemma carried out his study on the topic entitled “THE EFFECT OF CORPORATE SOCIAL RESPONSIBILITY ON MARKET SHARE: A CASE OF BREWERY INDUSTRY IN ADDIS ABABA”. This work is original in nature and suitable for submission for the award of the Masters Degree in Marketing Management.

**Dr. Temesgen Belayneh**

(The research advisor)

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

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## **ACRONYMS AND ABBREVIATIONS**

CSR	– CORPORATE SOCIAL RESPONSIBILITY
ANOVA	Analysis of Variance
SPSS	Statistical Package for Social Science

## **ABSTRACT**

In recent years, Corporate Social Responsibility has been attracting heightened attention throughout the world. Stakeholder expectations of the business have increasingly ranged from maximum profits to strong levels of Corporate Social Responsibility (CSR). Previous research into effects of CSR on Business Operations and Performance has yielded mixed results. Research on CSR in the Ethiopia context has however been minimal. Business managers in Ethiopia have actively embraced CSR in recent years, but there are still questions on how CSR affects the business operations and Market Share.

The study has been conducted on the basis of the quantitative and qualitative research techniques to assess the nature or practice of CSR and effect of CSR on Market share in the selected brewery industries located in Addis Ababa. Data were collected through questionnaire. Elicit their perception about the nature of CSR in their respected companies.

Finally, the data collected through the questionnaires were coded, entered into computer and analyzed and presented in the form of tables using SPSS version 20 Software. Hence, it is through analysis of the direct relationships that insight is developed between the dependent and independent variables. Market Share (dependent variable) was found to have a strong positive relationship with CSR (independent Variable) Environmental oriented responsibility, consumer oriented responsibility, and community oriented responsibility, Legal responsibility and Market Share. This dissertation concludes with a discussion of the implications of these findings as well as recommendations for further research in the area.

**KEY WORDS:** CORPORATE SOCIAL RESPONSIBILITY (CSR); MARKET SHARE; STAKEHOLDERS; BREWERY INDUSTRY IN ADDIS ABABA.

# **CHAPTER ONE**

## **1.1 Background of the study**

In recent years the concept of Corporate Social Responsibility has grown exponentially. In the 21<sup>st</sup> century larger firms face vast number of changes and challenges including the corporate social responsibility as being one of the key problems. It suggests the importance of understanding of the Corporate Social Responsibility (CSR) by the organization towards the society which also has impacts on the financial performance of the firm.

As per Kotler and Lee (2005), CSR from the marketing context, while adding that decision makers in corporate reflect an increased desire for “doing well & doing good.” Companies utilize the CSR concept strategically by selecting areas of focus that fit with their values, choosing issues related to core products & core markets, and supporting social issues that provide opportunities to meet their need of being acceptable by its major stakeholders. The quality and level of favorable acceptance and relationship of a company with its stakeholders is critical to its own success.

The CSR activities are treated as an investment not as a cost or expense where it shows the relationship between corporation and the stakeholders such as the customers, investors, employees and society as a whole. The business’s purpose is not only to earn profit but also the welfare of the society as well. Some studies have shown the positive correlation between the CSR and financial performance while other studies show the negative relationship between them. Each company performs differently for the implementation of CSR depending on different factors like the culture of the organization, size or the stakeholder demand.(Spicer, 1978)

Corporate social responsibility is generally defined as while company is performing its core business operations, it considers and handles the influence of these operations on society, economy and atmosphere (PJC, (2006),).

CSR can be defined when a firm apply its rules and regulations, the welfare of its investors and society should be considered as its duty (Khanifar, H., Nazari, K., Emami, M., &Soltani, H. A. (2012).).

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In a given consumer product manufacturing company Beer industries in Addis Ababa, the major partaker of stakeholders measurement are consumers mostly and its employees and the surrounding communities in its area of activity partly. Assessing to know the degree of affirmative acceptability level amongst its major stakeholders will let the company recognize its prestige and help take needful steps for the next level of success.

Beer has been widely consumed alcoholic beverage in Ethiopia. There are around 6 brewery companies in Ethiopia brewing millions of hecto liters of beer under different brand names including BGI Ethiopia, Heineken, Diago, Dashen, Habesha and Raya Beer and there are more than 12 beer Brands. Such large volume of production and availability of such different brands in the market have led to the cut-throat completion for increased market share.

The paper tries to analyze the impact of CSR on Market Share in some brewery industries in Ethiopia. Ethiopia has a background of typical developing country with issues such as low literacy rate, energy crises, lack of infrastructure, etc. The welfare role of the government is unrevealing under these conditions. Therefore, organizations have an opportunity to increase their welfare role for the society in exchange of better reputation and growth in business which ultimately leads to strong financial performance and high profitability. The society in general faces many problems in developing countries. So CSR should contribute to solve these problems and challenges.

## **1.2 Statement of the problem**

A socially responsible company should supersede its main objective of maximizing its shareholders' wealth. It extends its mandate by undertaking social and environmental activities in society within which it carries out its operations through initiatives such as environment conservation, improving the quality of life of its employees and society in general and also being transparent in its business operations. More and more stakeholders are being drawn towards socially responsible companies because of these initiatives. This in turn has led to improved business performance for some and not for others. Companies practicing CSR continue to post

impressive financial results and noticeably enjoy huge and increasing market share while others are loss making and losing market share.

The Brewery industry is a multi- national business complex that consists of the producers with a large system of suppliers, distributors, wholesalers, and related businesses, such as hotels, restaurants, bars and advertisers. The Ethiopian beer production and market pretty much run by the private sector has shown enormous change for the last couple of years. This explosion of the beer market and boost in production could lead a hand to other sectors' development through backward and forward economic integration. Hence, this in turn would have an impact on social and environmental aspect of the country.

The subject of corporate social responsibility is a Perplexing one for any industry, not the least so for the brewery industry. Alcohol industry actors (producers, distributors, etc.) believe that a systematic integration of CSR into their business practices can make a positive influence on their economic, social, and environmental performance (Code of Responsible Practices..., 2009; Baggot, 2006; Juscius&Kondratuuk, 2012). Therefore, brewery firms ought to give high attention to the demand of various stakeholders who affected by their operations. It is imperative to note that, Brewery firms should integrate CSR into their core business strategy with the aim that they can get advantage out of it.

Whereas this performance can be attributed to a host of factors, including CSR activities that have been reported overtime, the effect of CSR on this performance is not clear. Moreover, there is no Ethiopian study linking CSR's effect on a business' operations and performance leaving this area plausible for research. Scholars like Ezana Messele St. merry student and AAU student Abdulhamid Yesud work on stakeholders perception of CSR and assessment on corporate social responsibility and others international journals like International Journal of Science and Research (IJSR) ISSN (Online): 2319-7064 Index Copernicus Value (2013): 6.14 | Impact Factor (2014): 5.611 they only saw the perception of CSR on local community on beer industry in Ethiopia. But none of them saw the effect of CSR on the effect on Market Share.

## **1.3 Research questions**

### **1.3.1 Main Research Question**

How does CSR influence on the Market share of Brewery factory in Addis Ababa?

### **1.3.2 Sub Research question**

1. How does environment oriented responsibilities effect on market share of Brewery Industry in Addis Ababa?
2. To what extent customer oriented responsibilities effect on market share of Brewery Industry in Addis Ababa?
3. How does community oriented responsibilities affect market share of Brewery Industry in Addis Ababa?
4. To what extent the legal responsibility associated market share of Brewery Industry in Addis Ababa?

## **1.4 Objectives of the study**

### **1.4.1 General objective of the study**

The purpose of this study is to examine the effect of Corporate Social Responsibility on Market Share on Brewery industry in Addis Ababa.

### **1.4.2 Specific objectives of the study**

- To examine the effect of environmental oriented responsibility on the Market Share in Brewery Industry in Addis Ababa.
- To investigate the effect of Customer oriented responsibility on the Market Share in Brewery Industry in Addis Ababa.
- To analyze the influence of community oriented responsibility on the Market Share in Brewery Industry in Addis Ababa.
- To examine the role of Legal responsibility on the Market Share in Brewery Industry in Addis Ababa..

## **1.5 Scope of the study**

### **Geographic scope**

- The study is delimited on Beer industries which are concerned on the sustainable environmental management in Addis Ababa.

### **Conceptual Scope**

- Although there may be several factors which affect Market share, No specific CSR efforts were discussed in the research and only its general term were used in assessing its effect
- The CSR measured in this research are the environment oriented responsibilities, community oriented responsibilities, customer oriented responsibilities, community oriented responsibilities and legal oriented responsibilities

## **1.6 Significance of the study**

Given the infancy of Corporate Social Responsibility in Ethiopia, the study will avail the following benefits to the various stakeholders

### **1.6.1 Shareholders**

The investors will know how senior management takes into consideration the interests of consumers, regulators, employees and other important groups that are affected by the company's activities. e

### **1.6.2 Company's management**

The study will help management learn how to forge stronger relationships with key suppliers, customers and the community.

### **1.6.3 General public**

The general public will be informed of the various approaches in which an entity can undertake social and environmental activities aimed at improving on the quality of life in



the community, workplace, market place and generally giving back to society. This will lead to increased human benefit and satisfaction through quality services and goods.

#### **1.6.4 Expected contribution to knowledge**

The study will add knowledge to the existing body of research literature relating to Corporate Social Responsibility and Business Performance in Ethiopia and other similar developing economies in Africa. It's also anticipated that a number of stakeholders will use results from this study to further their knowledge and understanding of Corporate Social Responsibility and how it affects the business performance of a socially responsible entity.

#### **1.7 Limitations of the study**

Since the researcher is a student, some respondents might feel uncomfortable to express their true opinion on the subject matter. It is believed that the data that were collected through personal observation from the existing customers might not reflect the realistic information as these customers might resort to giving only a positive replay to avoid any conflict of interest.

The researcher's limited experience in conducting such research may prove to be a limitation. More over regarding to the nature of the research, as it is basic research, it shall not be taken as the final generalized result on the subject matter. It is believe that this research is useful as the spring board to further study on the subject matter not as the final output.

## **1.8 Organization of the paper**

The study has five main chapters. The first chapter dealt with the introductory part which is deliberate on back ground of the study then statement of the problem, objective of the study (general and specific objectives), significance of the study, scope of the study, limitation of the study. The second chapter of the research includes important points as review of related literature such as definition and meaning of CSR, its importance, guidelines of CSR. The third chapter of this paper includes mainly the methodology part which includes data sources, data gathering methods, sampling and sampling procedures, data analysis techniques. Chapter four deals with analysis and discussion of the results based on the data collected using the questionnaire. The last chapter (fifth) concentrates on the conclusions and recommendations that have been given based on the findings of the study. Finally, references and appendixes are included in the paper.

# **CHAPTER TWO**

## **LITERATURE REVIEW**

### **2.1 Introduction**

Business has long been guided by and pursued the profit motive. From the days of European and Colonial America shopkeepers to the modern world of global multi-national corporations, the interests of the owners and shareholders had traditionally guided business decision making and strategy. Appeals for business to assume responsibility for the diseases and suffering of the world has always fueled the debate into the proper role of business and the purpose of the firm (Margolis & Walsh, 2003). Shareholders, investors and stakeholders at large make most of their investment decisions basing greatly on the business performance of an entity (Boron, 2000). For decades since the early 70's, there is a protracted debate about the legitimacy and value of corporate responses to CSR concerns. For example, Murphy (2005) described CSR as being 'little more than a cosmetic treatment,' and Santiago (2004) reports advantages of practicing CSR. On the other hand, Waddock and Graves (1997), Hillman and Keim (2001), Verschoor and Murphy (2002), find that increased CSR leads to enhanced business performance.

There is an immense pressure on managers and their respective organization to deliver wider societal values, in the face of poverty and insecurity, the backlash against globalization, depletion of ozone and mistrust of large businesses (Jenkins, 2006). Advances in information technology especially the internet and wider media accessibility have allowed speedy and far-flung exposure of alleged corporate abuses to the general public even in the under-developed countries of the world. For instance Shell's negative impact on environment and human right violation in Nigeria in 1980's and 1990's brought a shift in thinking on CSR.

There is immense demand for responsible business behavior into the 21<sup>st</sup> century as European Commission designated 2005 A.D. as the year of Corporate Social Responsibility in European Union countries. To achieve this target every member of EU has taken important steps e.g. UK has appointed a minister for corporate social responsibility within the Department for

Trade and Industry, France regulating mandatory standards for social reporting for businesses having more than 300 employees and Denmark establishing a CSR-focused research institute namely Copenhagen Centre (Luetkenhorst, 2004). In recent years there is substantial increase in interest in corporate social responsibility (Park & Lee, 2009). CSR not only has received academic attention but also many business organizations are looking at it as a mainstream practice in its strategic management (Renneboog, Horst & Zhang, 2008).

CSR is a set of activities that should be practiced by organizations in order to cope with social and environmental problems. (Chapardar&Khanlari, 2011). Corporate social responsibility is a practice that should be included as a part of the strategic preferences at the base of business organization and should be aligned with all aspects of organization's management including human resource, marketing, production, financial and more specifically with strategies of the business (Waheed, 2005). Historically the ultimate objective of business organization was to maximize wealth of its owners (Friedman, 1970), and thus business organizations were seen as means of creating economic value for those who invest their capital in the business (Greenwood, 2001). However, now a days, apart from economic value, social issues such as quality of life, conservation of environment etc. are becoming increasingly important (Shaw & Barry, 2001; Unerman, Bebbington& Dwyer, 2007). Various factors that play a critical role in determining the centrality of CSR in any organization are government initiatives, globalization, and stakeholder's involvement and extremely volatile business environment.

Some scholars believe that Business organizations meet their social responsibilities because they use human and natural resources from environment in which they operate to generate profit and these businesses are responsible for any negative impact caused by their operations to the society (Zadek, 2001). Whereas, others believe that businesses are looking at CSR as a means to dilute negative environmental and social impacts of their business but also to maximize return on their investment specifically in developing countries (Blowfield, 2005; Utting, 2005).

In organizational studies corporate social responsibility is not a new phenomenon, however the evidence of contributing to society is available from Adam Smith when he wrote the

landmark book, *An enquiry into the nature and causes of Wealth of Nations*(1776) , which provided a model for the connection between business organizations and society. The notion of corporate philanthropy during 1950s to 1980s could also be considered as the initial form of CSR (Gutierrez & Jones, 2005). The concept of corporate social responsibility has been defined differently by various researchers and practitioners. The initial well known definition of corporate social responsibility was provided by Bowen in 1953 in his book *Social Responsibilities of the Businessmen*. Bowen suggested that business executives must consider impact of their decisions on society, and those organizations which do not consider the broad social contract should not be called as legitimized. He also suggested that it is in the best interest of the business to be socially responsible and this will result in improved public image and avoid unwanted regulations (Steiner & Steiner, 2006). Since then the conception of corporate social responsibility has received substantial acceptance and attention in organizational literature. According to Bowen (1953) as quoted by Wartick& Cochran (1985), businessmen have a responsibility to engage in those policies, decisions and actions which are beneficial for society. But there was disagreement among scholars about basic definition of social responsibility. In 1973 parallels of latitude were depicted between being a good neighbor and CSR by Eilbert and Parket. A good neighbor is not only expected to contribute to quality of life in the neighborhood but also volunteers to solve issues of the locality (Eilbert&Parket, 1973). Another major contributor to the evolving field of CSR was Keith Davis(Years of contributions). Contributions of Davis were so important that Carroll declares him as runner-up to Bowen who introduces the concept of CSR for the first time (Carroll, 1999). Devis introduces the concept that responsibilities of business organization needed to proportionate with their social power (1973). Another contribution of Davis was to use CSR as corporate strategy that can be use for financial success of the business (Carroll, 1999). He argued that in the long run any socially responsible action by the business organization is not in contradiction to the mainstream goal of making profit.

## **2.2 Theoretical Literature review**

The concept of CSR means that organizations have moral, ethical, and philanthropic responsibilities in addition to their responsibilities to earn a fair return for investors and comply with the law. However, corporate executives have struggled with the issue of the firm's responsibility to its society. It has been argued by Friedman (1970) that the Corporation's sole responsibility is to provide maximum financial return to share holders while others are of the belief that business owes responsibility to a wide range of groups in the society. This has led to a number of theories attempting to explain CSR namely; shareholders' theory, stakeholders' theory and social contracts theory.

### **2.2.1 Shareholders versus Stakeholders Theory**

There is a significant debate regarding the purpose and role of businesses from the time of Adam Smith (Post, Preston & Sachs, 2002). Much of the debate was concerned with two overlapping theories: Stakeholders Theory and Shareholders Theory (Quazi& Keating, 2008). According to Shankman, (1999) stakeholders and shareholders theories are described as polar opposite views of the organization. Both the theories are explained in detail in the following subsections;

#### ***A. Shareholders Theory***

Shareholders theory is also known as classical or fundamentalist theory (Sweeney, 2005). According to shareholders theory business organizations should be managed for the benefit of shareholders (Cochran, 1994). It is believed that only involved party in the management of the business is the shareholders and their exclusive concern is maximization of wealth. Any activity undertaken for the benefit of the society is considered as violation of management responsibility to shareholders to the extent that activity does not lead to maximize the wealth of shareholders (Muralidhar& Paul, 1998). Shareholders approach will enhance the long term success and survival of the organization (Levitt, 1958).

Furthermore, shareholders theory is most of the times misrepresented and quite frequently cited at its highest degrees; for instance shareholder theory is misstated as advocating managers to ‘do anything they can do to maximize profit (Smith, 2003). Nobel Prize winning economist Milton Friedman (1970) states that business should take on the only responsibility, that is, to increase its profit, and should avoid any additional responsibilities.

Hence, according to shareholder theory, corporate social responsibility could be considered as an unnecessary practice. Most of the researchers in the field of shareholder theory follow only the initial part of the famous quote of Friedman (1970) that “responsibility of organizations is to maximize wealth of shareholders “and forget to follow the remaining part of the quote which indicates that businesses must comply with law and expectation of society.

Moreover, it is often thought that social responsibility is a taboo of shareholder theory. According to Friedman (1970) the sole reason for business organization to indulge in CSR activities was only if it is prompted by shareholders interest and for the purpose of promoting business interest. CSR is fully accepted only when it leads to maximization of profit.

Over the last decade shareholders theory and the notion that businesses must run in the best interest of shareholders has been challenged (Low & Cowton, 2004). According to Agatiello (2008) the paradigm of profit maximization is a false belief because nature of modern organizations is too complex that it cannot be understood by such a reductionist approach. Stakeholder theory emerged as reaction to the shareholders theory.

### ***B. Stakeholders Theory***

The emergence of stakeholder theory is an alternative to the shareholder theory (Spence, Coles, & Harris, 2001). According to stakeholder’s theory, most of the business organizations, if not all, have an incorporated set of stakeholders to which these organizations have responsibility and obligation (Cochran, 1994). Stakeholder theory is a forceful response to the financial theories that focus on maximizing the economic interests of the residual owners of the business.

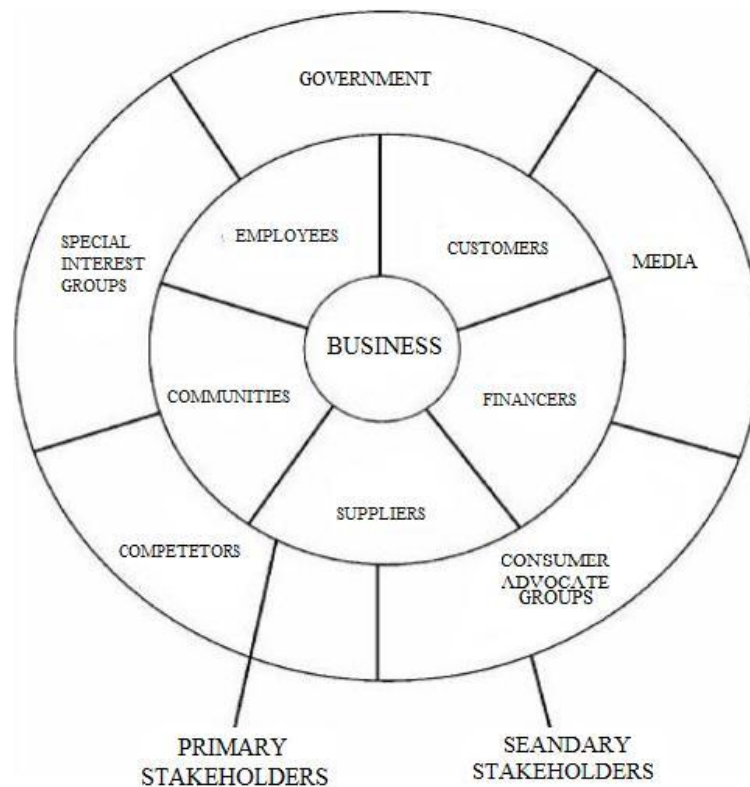
The concept of stakeholder is not a new concept. However, according to Freeman (1984) the term Stakeholder was for the first time introduced in 1963 when the concept appeared in an internal memorandum at the Stanford Research Institute and was defined as those individuals or groups without whom organization would quit to survive (Freeman, 1984). According to Freeman (1984) stakeholder theory does not only consider the sole objective of maximizing the wealth of shareholders but also focuses on the interests of all others who are directly or indirectly related with the organization.

Freeman (1984) in his landmark book, 'Stakeholder Management' asks a very basic question regarding stakeholder theory for whose welfare and at whose expense should the business organization be managed? Stakeholders are mainly divided into two fundamental groups, i.e. internal stakeholders and external stakeholders. Internal stakeholders refer to the people who are part of the organization, whereas, external stakeholders refer to the people who are outside the organization. In figure-1 various stakeholders (internal and external) of the business organization are identified. Internal stakeholders include: financiers, suppliers, customers, communities and employees, While, external stakeholders include: government, media, competitors, special interest groups, and customer advocate group. It is important for a business organization to deal effectively with its stakeholders for long term profitability and sustainability.

### **2.2.2 Driving forces behind CSR**

Three factors that cause business organization to conduct CSR are government stakeholders who make regulations for businesses to follow, non-government stakeholders that can influence businesses through protests, petition and demonstrations, and lastly business organizations and their policy makers who initiate CSR activities.





**Figure 1: Stakeholders Map**

*Source: Freeman, Harrison, & Wicks, (2008).*

#### ***i. Government stakeholders***

Government legislation can trace back to the period of ancient government where the governing bodies made rules for businessmen and merchants to follow (Wilson 2003). From there on the role of business organization in society has been debated quite significantly. Businesses which do not comply with government legislation can result in fines or imprisonment. Law is codification of acceptable and unacceptable behavior in a society and business organizations are expected to comply with the law incorporated by the government. Different countries have a broad ambit of laws whether at national or local levels of government, regarding health and safety, human rights, workers, consumers, environment protection, taxation, corruption, bribery and corporate governance. Business organization must initiate its CSR activities by insuring full compliance with the existing laws. If CSR policy of a business is strong but it does not align with the contextual laws, it will subvert the good efforts. Legislation

is one of the most important factors that have strong impacts on environmental policy of business organization (Banerjee, Iyer&Kashyap, 2003). Many researchers have argued that CSR has a negative effect particularly on the cost of execution and imposition of dictated requirement and also can choke creativity (Buhr, 2007). Whereas according to Banerjee (2007) creativity can result from government legislation by making changes in their products and processes to become socially and environmentally responsive.

## ***ii. Non-governmental stakeholders***

Non-government organizations and civil society have a strong impact on the actions of business organization. According to Joyner and Payne (2002) business organization have tremendous success and that success results in power especially by large organizations which have led to enormous expectations by the society. This expectation of social behavior of business organization by the society was once considered the responsibility of the government e.g. poverty and hunger relief, providing utilities to the people, donations etc. (Colbert & Wheeler, 2008; Joyner & Payne, 2002,).

Various business organizations have made alliances with different NGOs for sustainable long term planning and these alliances are called as “Green Alliances” (Gunningham, 2001). NGOs are keeping a close eye on businesses to be socially responsible in the fields such as minimizing or eliminating harmful impacts on environment, fair trade, human rights, corporate governance and financial soundness (Knox, Maklan& French, 2005). For instance according to Patten (1992) and Deegan& Rankin (1996) as a result of pressures from NGOs and other stakeholders group business organization increases CSR reporting activities.

## ***iii. Internal stakeholders***

Internal stakeholders have a direct stake and are internally located to the organization such as employees, shareholders, customers, suppliers, creditors etc.

## **2.3 Empirical literature Review**

### **2.3.1 Corporate social responsibility and profitability**

Business organizations that fail to conduct corporate social responsibility will experience substantial declines in profitability (Thorne, Ferrell & Ferrell 1993). There are sufficient numbers of research studies available in the relevant literature on the relationship between corporate social responsibility and profitability. According to Chand (2006) 51 studies were carried out between 1970 and 1995, in which 33 studies showed positive relationship between CSR and profitability. This section will highlight some of the most relevant and important empirical studies carried out in the past showing positive relationship between CSR and profitability.

Various researchers found positive relationship between CSR and profitability. There is a positive relationship between pollution reduction and a business financial performance in paper and pulp industry (Spicer, 1978). This study concluded that pollution control is directly related to higher profitability and size of the business and there will be lower general and systematic risk. Spicer also found that such benefits have short life. According to Anderson and Frankle (1980) there is a positive relationship between CSR and market value of the business organization. They aimed at market value as indicator profitability and its relationship with corporate social responsibility. These results show that investors were more reluctant to invest in organizations which are socially responsible rather than in organizations which do not embark on CSR. This establishes grounds for the existence of ethical investors. Cochran and Wood (1984) found a positive relationship between corporate social responsibility and corporate financial performance by controlling age of the assets. They looked at the relationship between CSR and profitability by using new statistical research tools and considered age of assets as moderating variable. Cochran and Wood's empirical research added this extra variable and it provide a possible insight into a variable that was giving controversial results to different researchers. Thereafter, Griffin and Mahon (1997) found that CSR reporting is positively related to profitability at the chemical industry. They took industry as a moderating variable as there study was industry specific. Still the internal validity of the research study was low because they took only six organizations in the industry. Joyner & Payne (2002) also found positive relationship between corporate social responsibility and profitability. There were some limitations of their study

because they took only two business organizations and results cannot be generalized appropriately. These results contradict with the results of Spicer (1978) who showed that benefits of CSR were short lived.

More recently Parket&Eilbirt (2006) considered that managers perform cost-benefits analysis of reporting CSR. They were of the view that it is very difficult to quantify the benefits of CSR. A business organization will only invest in CSR when it has extra money to do so (Parket&Eilbirt 1975). This provides more strength to the statement that business organizations being motivated by the profitability are more reluctant to invest in other revenue generating opportunities rather than CSR. However Parket&Eilbirt found that there is a positive relationship between profitability and CSR.

There is a dramatic increase in investments in social and environmental funds which reflects the increasing awareness of investors in social and environmental issues (Renneboog, Horst & Zhang 2008). According to Sauer, (1997) socially conscious investors conceive the social and financial performance of potential investment in order to ensure that securities selected are consistent with personal values and beliefs. Most of the investors today consider ethics and social responsibility on par with personal gains in choosing where to invest their money because they are appalled at being implicated in antisocial practices (Hopkins, 2003).

### **2.3.2 Corporate social responsibility and market share**

As a matter of fact corporate social responsibility has gained a significant role in the practice of corporate decision making and corporate management (Quinn, Mintzberg & James 1987; McGuire, Sundgren & Schneeweis, 1988). Convincing responses from customers to an organization's CSR efforts can result in increased sales of premium priced products and services (Heslin & Ochoa, 2008). One of the most important groups of stakeholders for any business is consumer (Rugimbana, Quazi & Keating, 2008). According to Webster, (1975) a socially aware consumer takes into account the public effects of his/her private consumption. Customers are fundamental stakeholders for any business organization. Consumers show a high level of trust to an organization that is socially responsible and prefer its products (Pivato, Misani & Tencati, 2008). This ultimately will lead to increase market share. According to enlightened self-interest

strategy business organizations conduct CSR activities in order to take some benefits from these activities. Carroll & Shabana, (2010) studied the business case for CSR by investigating the relationship between CSR and market share taken as a measure of financial performance.

Prompted from this climbing significance of CSR numerous marketing studies have discovered that there is a positive relationship between CSR and customer-oriented outcomes (Bhattacharya & Sen, 2004). Such studies show that a business's CSR activities can actually attract customers. According to a survey conducted by Smith and Alcorn (1991) observed that 45.6% of the respondents were of the view that they are likely to switch brands to manufacturer who is socially and environmentally responsible. This entails that corporate social responsibility practices of an organization can influence market share (Fredrick & Thomas, 2012). They further argued that consumers and shareholders concerns about an organization's best interests in terms of corporate social responsibility impact on market share. It is argued that business organizations will continue conducting CSR initiatives when they are confident that such initiatives will influence market share and therefore financial performance. According to Lydenberg, Marlin & Strub (1986) businesses fight for even a small percentage of increase in their market share. Owen and Scherer, (1993) argued that organizations will take social initiatives very seriously if they are convinced that CSR practices will lead to improved market share.

It is quite obvious that consumers are converting attitudes into behavior. According to Baron, (2008) this is because consumers through their purchasing power are rewarding socially responsible business by purchasing more from the business and sometimes they are willing to accept a higher price for such products. Business organizations which are socially irresponsible are being punished by consumers via product boycotts or demanding the product to be sold at a low price (Creyer & Ross, 1997). According to a report of Environics International Poll (2002) CSR is the basis for punishing or rewarding any organization by one-third of the consumers. According to Ruf, Muralidhar and Paul, (1998) there is a positive relationship between CSR and market share. According to Pharoah (2003) who conducted a study of over eight hundred CEOs and senior businessmen from seven countries in Europe and North America found that the most important objective that CSR help to fulfill is 'increasing sales' and the second most important objective was 'recruitment and retention' of employees.

### **2.3.3 Corporate social responsibility and business operation**

In a typical organization, it makes good business sense to fully integrate the interests of all the stakeholders into corporate strategies as, over the long term, this approach can generate more growth and profits. CSR may not be about financial value, but the value derived from sound governance, transparent reporting, satisfied employees and customers and the overall integration of stakeholders into a productive whole corporate community. CSR has brought forth a number of initiatives, which find ways to make a better link between social and financial performance (Wood, 1995). In essence, there is a need to align social priorities while focusing on bottom-line imperatives.

Historically, business success was measured against the barometers of the Income Statement and the Balance Sheet, indicating effective measurement of revenue and expense streams as well as use of assets and equity. Firms continue to use such measures but are beginning to realize profit does not indicate value. Many profitable firms have seen their stock price and market value shrink or remain mired in mediocrity (Bishop & Beckett, 2000). Shareholder value is a poor measure of firm performance in key areas of the business including employee retention, ethnic diversity, competitive practices and the environment. These firm performance indicators have long been associated less with firm financial performance and more with the concept of firm sustainability or stewardship (Porter & Kramer, 2006). Marquez and Fombrun (2005) concluded that “Early efforts to assess the extent to which some companies are ‘socially responsible’ and others are not, have given way to more focused analysis of the business risks associated with specific production activities, service sectors and management practices”.

Business Operations and Performance of an organization, important as they may be, need to be planned for with social responsibility in mind. Triple Bottom Line - Reporting not only traditional financial performance measures, but also environmental and social indicators in order to assess the full effect of a company's activities provides a broad range of information about financial and non-financial aspects of an organization's social performance (Davis, 2004). Integrated reporting, a holistic and integrated representation of the company's performance in

terms of both its finances and its sustainability is now a recommended principle which can take the form of a single report or dual reports (King III, 2009). King III was of the view that integrated sustainability performance and integrated reporting enables stakeholders to make a more informed assessment of the economic value of a company. Reporting should be integrated across all areas of performance, reflecting the choices made in the strategic decisions adopted by the Company, and should include reporting in the triple context of economic, social and environmental issues. The integrated report should describe how the company has made its money; hence the need to contextualize financial results by reporting on the positive and negative impact the company's operations had on its stakeholders. It is important for sustainability reporting and disclosure to highlight the company's plans to improve the positives and eradicate or mitigate the negatives in the financial year ahead (King III, 2009). The discipline of measuring these risks can yield valuable management information (Davis, 2004).

Extensive research over the last 30 years on the effect of firm social actions on business performance have shown both a positive and negative correlation between CSR and firm financial performance, and in some cases mixed results (Margolis and Walsh, 2003). Pava and Krausz (1996) examined 21 studies of corporate social performance and business performance between 1972 and 1992, finding that 12 demonstrated a positive association, eight showed no association, and only one study indicated a negative correlation. The results of these examinations indicate uncertainty in predicting purely positive CSR and business performance correlations. Pava and Krausz (1996) summed the findings well by stating that while not all studies prove high-CSR firms perform better, there is evidence that such firms perform at least as well as lower-CSR firms. In the earlier studies of the 1980s, Ullman (1985) researched on the aspect of CSR and Business Performance focusing on firm disclosure of CSR practices and effect to business performance. In an empirical review of five studies (mostly associated with disclosing pollution and emission levels), Ullman received mixed results, with two firms showing positive financial performance as a result of the disclosures, two showing no correlations, and the fifth demonstrating a negative correlation. Ullmann (1985) noted that despite these results, the broader view is one of disclosure being necessary if firms are to achieve strategic goals related to additional financing or access to financial markets. A final

focus of Ullman's research related to whether a firm could practice too high of a level of CSR and the effect such a strategy might have. Ullmann (1985) argued that the amount of resources needed to obtain a high CSR level will ultimately have a negative effect on business performance.

Scholars as above have argued that a positive and negative effect of social responsibility on financial performance exists. McGuire *et al* (1988) cite the argument that a firm perceived as high in social responsibility may face relatively fewer labour problems or perhaps customers may be more favorably disposed to its products and this builds up a bigger market for the products and customers hence sales.

It would be unrealistic not to acknowledge that tensions will exist between business performance and social responsibility goals as companies most of the time exist to deliver increasing value to their shareholders. Friedman (1970) claims that, business has only one social responsibility and that is to maximize the profits of its owners.

However, shareholders are showing an increasing interest in the CSR effects of business performance. This raises the prospect that into the future companies with relatively poor CSR performance will find themselves starved of investor's funds in just the same way as they would if they turned in poor financial performance results. As has been written, what can be conceived as "social responsibility" can range from simply maximization of profits, to satisfaction of stakeholders' social needs, or fulfillment of social contractual obligations, fulfillment of a firm's needs, achievement of a social equilibrium - depending on the stance taken (Balabanis, 2003).

According to Ullman (1985), financial Profitability and Social responsibility are positively related - profitable firms are better social performers. Cyert and March, (1963) agrees to Ullman's view on this positive relationship stating that well-to-do companies can afford positive social performance. According to this view, a firm's economic performance affects its capability to undertake programs to meet social demands. Thus firms need excess resources to be good social performers because social performance involves substantial costs, and only firms with these resources are capable of absorbing these costs. Marcus, (1993) illustrates the positive effect of CSR on Corporate performance citing that firms that have a good effect on



society are also highly profitable. According to this perspective, good social responsibility contributes to profitability i.e. it pays to be good. Alexander and Buchholz, (1978) state that socially aware and concerned management may possess the skills needed to run a superior company in the traditional finance sense. These skills may be sensitivity to outside forces and creative adjustments to external pressures. Similarly, social responsibility may benefit the corporation by creating good will, (Cornell & Shapiro, 1984) and may raise employee morale and result in increased productivity; fewer strikes and work stoppages may more than offset the other costs associated with being socially responsible (Marcus, 1993). Alternatively, CSR activities might improve a firm's reputation and relationship with bankers, investors and government officials which may well be translated to economic benefits. A firm's CSR behavior seems to be a factor that influences banks and other institutional investors' investment decisions. Thus, a high CSR profile may improve a firm's access to sources of capital, which in the end is transformed into good financial performance.

The core idea is that corporations and society depend on one another for their well-being, so the cooperation between corporations and society is mutually beneficial in the long run. Although CSR may not produce immediate benefit in terms of financial outcome and there are no unambiguously proved causal linkage between CSR and Profit, the interaction between the two spheres is necessary and useful for corporations (Wallich and McGowan, 1970).

Those who have theorized that a negative effect of social responsibility on business performance exists have argued that a high investment in social responsibility results in additional costs. According to McGuire *et al* (1988), the added costs may result from actions such as "making extensive charitable contributions, promoting community development plans, maintaining plants in economically depressed locations and establishing environmental protection procedures". These costs might put a firm at a financial performance disadvantage compared to other, less socially responsible, firms (Lyal, 2003).

Taking care of the different stakeholders in regard to business operations can provide a broad range of information about financial and non-financial aspects of an organization's

environmental and social performance . Managed social responsibility can generate information about how the use of resources with environmentally and socially related effects affects the financial position and performance of organizations and how organizational operations affect environmental and social systems (Burritt and Schaltegger, 2002).

Conclusions from the research into the effect of CSR practices on business performance are numerous. The need for additional research is evident as the results remain mixed. Higher profits have simply not emerged for all firms practicing CSR. There remains a need for large-scale and secondary data analysis of the effect of CSR on firm value (Lou & Bhattacharya, 2006). Measures of business performance must be constructed using multiple accounting and market measures, examined over time, to add to the wealth of single-variable measurement studies of the last 30 years (Margolis & Walsh, 2003). It's on this premise that the researcher sought to establish what effect Corporate Social Responsibility has on Business Operations and Performance using the Vision Group and Uganda Clays Limited (UCL) as case studies.

## **2.4 The Corporate Social Responsibility Pyramid**

A four-part conceptualization of CSR included the idea that the corporation has not only economic and legal obligations, but ethical and discretionary (philanthropic) responsibility well (Carroll, 1979). CSR can be described by identifying four different kinds of responsibilities that companies have toward their stakeholders: economic, legal, ethical and philanthropic. These four responsibilities create the CSR pyramid which describes how companies t responsibility and contribute to society by taking different actions (Carroll, 1991). A to Carroll and Shabana (2010), the components of CSR can be described as required economic and legal responsibilities, expected ethical responsibilities and desired philanthropic responsibilities.

### **2.4.1 Economic Responsibility**

In the beginning, businesses were created as economic objects intended to provide goods services to social customers. Before it was anything else, business organization was the economic unit in our society (Carroll 1991). The primary motive was to establish as the primary motivation for entrepreneurship. Businesses were created to produce goods and s vices that consumers wanted and needed (Carroll, 1991). Carroll (1991) explains that important for corporations to perform in a reliable way in order to maximize earning share and to earn as much profits as possible. Furthermore, the author stated its imp that CSR lies in keeping a durable and competitive position on the market, to reach level of operation efficiency and to have a successful organization by being defined corporation that is consistently profitable (Carroll, 1991).

### **2.4.2. Legal Responsibilities**

Carroll (1991) explains that it is essential for a corporation to perform in a consistent with expectations of government and law and also comply with different states, federal local principles. He further list that it is essential to be an honest corporation an organization that is being defined as one and that also achieves its legal responsibility

Carroll (1991) also explains that it is essential for a corporation to provide goods and that at least reaches up to the minimal law regulations (Carroll, 1991)

### **2.4.3 Ethical Responsibilities**

Carroll (1991) defined five different components regarding the ethical responsibility the first one treats the importance, like the other responsibilities, in a manner cons expectations of social morals and ethical norms. He explained that it is essential to recognize and respect new ethical or moral norms generally assumed by society. Further on explains that it is essential for a corporation to prevent ethical norms from being compromised in order to achieve corporate goals. Good Corporation is being defined as doing is expected morally or ethically, and that is very essential according to Carroll (19 cording to Carroll (1991), the last component in the ethical responsibility is the important that corporate integrity and ethical behavior go beyond simple agreement with laws and regulations (Carroll, 1991).

#### **2.4.4 Philanthropic Responsibilities**

According to Carroll (1991), importance lies in the fact that corporation performs in consistent way with the philanthropic expectations of society. It is also essential to a performing arts and that managers and employees take part in voluntary activities w their local communities. It is also essential to support private and public educational institutions and to help voluntarily those projects that improve a community's 'quality of life

According to Fombrun et al; (2000), strategic philanthropists argue that, although philanthropy may not generate direct economic returns, it will enhance the firm's long-term competitive position through intangible gains in reputation and employee loyalty.

In summary, Carroll (1991) considers economic, legal, ethical and philanthropic responsibilities should be fulfilled simultaneously in order to form the total corporate social responsibility of business organization. In other words, socially responsible firm should strive to be profitable, obey the law, ethical and good corporate citizen.

**PHILANTHROPIC  
RESPONSIBILITIES**

**ETHICAL  
RESPONSIBILITIES**

**LEGAL RESPONSIBILITIES**

**ECONOMIC RESPONSIBILITY**

***Figure: 2 The Corporate Social Responsibility pyramid, based on Carroll (1991)***

Carroll and Matten (2007), who have analyzed Carroll's pyramid, say that this may be most accepted model of CSR. Breaking down the pyramid, one can see four components, which are

economic, legal, ethical and philanthropic. “Economic” is the 1st level. The remaining components increase in levels according to its order in the pyramid; meaning “Philanthropy” is the 4th level. Level 1 is seen as the foundation for being socially responsible, and as one evolves, one can think about going up the pyramid. To be truly social responsible, one has to be active in all four levels. While the two first levels are for society, the third level is expected and lastly philanthropy is desired.

**Economic** - This revolves around the responsibilities the company have towards shareholders, customers, employees and society as a general to be a functioning economic unit a stay in business.

**Legal**.- Simply means abiding the law and playing by the “rules of the game”.

**Ethical**. - To carry oneself in a fair and right way, even if it may be up and above what is acquired by law.

**Philanthropy** - The range of activities a company can do to be philanthropic is quite what the company chooses to do is at its discretion. Common activities are benefits for employees, charity donations etc. Ultimately the aim is to improve society as a whole. It also requires the firm to be a corporate citizen.

The upside of this model is that it is “fairly” pragmatic. The demands of firm are according to importance with “economic” being the most important. It shows that CSR is purely limited to being philanthropic, but is merely a part (Carroll 1991). Some problems are that it does not say what to do if two levels conflict. Lastly, the model is understood in a U.S context (Crane and Matten 2007).

“The traditionalist might see this as a conflict between a firm’s “concern for profits “concerns for society,” but it is suggested here that this is an oversimplification. Stakeholder perspective would recognize these tensions as organizational realities, but on the total pyramid as a unified whole and how the firm might engage in decisions, actions and programs that substantially fulfill all its component parts.” (Carroll 1991, page 8)



***Figure 3 - The Three Domain Model of CSR, Source: (Carroll & Schwartz, 2003)***

“The discretionary element is omitted as the authors (Schwartz and Carroll cited in Wan 2006, page 5) believe that if an act that is supererogatory, then it cannot be called a responsibility.” What this means is that one cannot call something that is expected from a business philanthropic. Also, the above model represents the updated model of CSR by Carroll Schwartz (1991) where they say that economic, legal and ethical are essential for business and should be where the focus lies. Moreover, according to the authors, most philanthropic actions are done with economic and ethical motives, which further support the omission of “philanthropy” in the updated model. Intuitively, one could say that the best position firm would be where the three circles overlap. In the picture that would be point A. Alliteratively, Schwartz and Carroll suggested that a firm could focus on the economic and ethical domains while passively complying with law (Wan-Jan 2006, page 5). Consequently, that reflects point E.

## **2.5 Corporate Social Responsibility in Developing Countries**

In developing countries, more of the focus of CSR is put on social issues than on environmental or ethical issues (Visser, 2008). A similarity between large companies in developing and developed countries is the approach on reporting their CSR activities. But still, lack of CSR initiatives in the business strategies (Baskins, 2007). In developing countries there are mainly larger companies performing CSR activities since their global competitors are doing it and thereby compelling them to do it as well (Baskins, 2007).

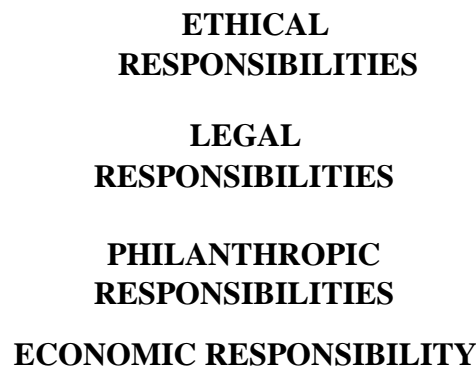
Main drivers for CSR in developing countries are, for example, cultural traditions of philanthropy, regulations, socio-economic issues, response to natural and political disaster, national standardization and larger pressure on the entire supply chain to be socially responsible (Visser, 2008).

As Visser (2008) describes some of the main efforts of CSR in developing countries emerged from implementation of Millennium Development Goals vision which including reducing poverty, hunger and disease, reducing mothers and infants mortality rate, better educated children, equal opportunities for women, and a healthier environment and how to tribute to their success (UN, 2006). The goals range from reducing poverty and the spreading of HIV/AIDS to increasing the access to education in developing countries (UN, 2012). Unfortunately, these global aspirations remain far from being met in many developing countries today (Visser, 2008).

## **2.6 Corporate Social Responsibility Pyramid Developing Countries**

In considering the most popular model Carroll's (1991) CSR Pyramid, comprising economic, legal, ethical, and philanthropic responsibilities this is almost entirely based on the American context (Visser, 2008). A modified CSR pyramid, originally explained by Carroll can be used when describing CSR in developing countries in which, economic responsibilities still get the most emphasis. However, philanthropy given the second highest priority then legal and ethical responsibilities these give a fair view for the CSR (Visser, 2008).

Developing countries, suffer from a shortage of foreign direct investment, as well as h employment and widespread poverty, in this case economic responsibilities concern job creation and establishment of local businesses besides just being profitable. The philanthropic responsibilities are expected to a larger extent in these areas due to severe social environmental problems. In developing countries it is strong indigenous tradition philanthropic help people in need. Other important reasons include the socio-economic needs; improve prospects of the communities, reliant on foreign aid or donor assistance and also earl of maturity in CSR and; they are sometimes equating CSR and philanthropy. However, many developing countries are depending on foreign aid in these matters. Concerning legal responsibilities, there is usually a smaller focus on legal issues in developing countries mainly due to the poor legal infrastructure development, and often lacks independence sources, and administrative efficiency for full functioning of legal framework. Finally ethical responsibilities are given little attention in many developing countries (Visser, 2008)



*Figure 4: The CSR pyramid in developing countries (Visser, 2008)*

As cited in the work of Larzon and Soderlind (2012), CSR activities in developing countries differ among regions. In Asia, the activities vary quite a lot between the countries regarding education, environment and employee relations. Previous research has shown that CSR Asia consists mainly of three different activities. The most common activity is (1) community involvement, followed by (2) socially and environmentally responsible production and finally (3) the improved employee relations. In Africa, the great majority of the CSR work performed



by local companies is concentrated to South Africa (Baskins, 2007). CSR in this region is strongly shaped by the history of colonialism as well as widespread corruption health issues. In other parts of Africa, the majority of activities are conducted by companies. CSR in Latin America have been strongly affected by social and environment issues, such as deforestation, inequality, crime and high unemployment. As Schmidheiny (2006), many Latin Americans are concerned about these issues and believe CSR in the areas can contribute to a solution.

## **2.7. Responsibility to Stakeholders**

The managers of companies can best promote the long-term viability of an enterprise by balancing the needs of its stakeholders with the financial requirements of sustaining and growing a business (UNCTAD, 2008). Shareholders are the investors of one company and are the core factors for its development. Carroll (1991) also suggested a company should perform in a manner consistent with maximizing earnings per share.

- **Responsibility to Employees:** An enterprise's present and future employees are important to the companies interested in remuneration, plans and intentions of the business working conditions, job prospects, health and safety, management of risks, industrial relations, and personnel development opportunities (UNCTAD, 2008). Sybille (2006) suggested that firms should provide employees with a fair and safe working environment well as protection against employees in labor law.
- **Responsibility to Local Communities (Surrounding community):** Issues related to economic developments are often the primary area of interest for companies' surround community. Equally among a community's primary interests are issues related to the control of local health, safety and education projects and security risks and information on community complaints about corporate activities and handling. In some contexts, the local community may also have concerns about the impact of companies' operations on culture. Such impacts can result from the development of new products or services from generation of domestic migration (UNCTAD, 2008). Good companies are expected to build good relationships with local communities. When making plans and activities the organizations should take into account its impacts on communities. There is a program of support for community projects and activities that is appropriate to the organization and the needs of the community. There is a

procedure to ensure that risks to safety resulting from the organization's products and operations are minimized.

- **Responsibility to the Government and their institutions:** Governments are interested in the way in which enterprises assume responsibilities toward society, in the voluntary initiatives of enterprises in this field and in the impact of enterprise's social engagement. Governments need such information to help them formulate social and economic policies, as well as to help identify gaps in regulation and enforcement (UNCTAD, 2008). Responsibility to the government is also mainly in the dimension of social responsibilities. The company should abide by laws and administrative rules and regulations and subject itself to the supervision of the government and must submit fiscal reports and statements as required and accept supervision by finance and tax authority.
- **Responsibility to Creditors:** The financial markets consist of different stakeholders, including owners/shareholders, lenders, banks, rating agencies and analysts. Corporate responsibility information required by the financial sector includes the financial consequences of overall strategy of companies, risk and reputation; obey laws and regulation impact of plant additions or closures and similar decisions (UNCTAD, 2008). Include protect the interests and benefit of creditors, such as timely information during a company merger, decrease of registered capital and liquidation.
- **Responsibility to the Environment:** Many organizations are currently becoming more environmentally friendly in their operations. Many companies prepare limited, qualitative, nonfinancial information mostly through an annual report, but some large companies, particularly those operating in environmentally sensitive industrial sector started disclosing significant quantitative and qualitative information on the issue
- **Responsibility to the Environment:** Many organizations are currently becoming more environmentally friendly in their operations. Many companies prepare limited, qualitative, nonfinancial information mostly through an annual report, but some large companies, particularly those operating in environmentally sensitive industrial sectors have started disclosing significant quantitative and qualitative information on the issue.

- **Responsibility to Customers:** CSR initiatives can also contribute much to strengthening a firms' competitive advantage through enhancing its relationships with its customers (Okpara & Wynn, 2012). According to Peloza and Shang (2011) customer value can increase by CSR activities, or it may develop new sources of customer value, organizations can gain a competitive advantage.
- **Responsibility to Suppliers:** By working closely with business partners or suppliers, organizations can reduce complication and costs and increase quality. Relationships with alliance and joint venture partners and with franchisees are equally important with competitive bidding in selection of suppliers. In the long run building relationships may result in reasonable prices, terms and expectations together with quality and reliable delivery by adopting socially and environmentally responsible practices (EU, 2001).

## 2.8 Conceptual Framework

Conceptual framework present either graphically or in a narrative forms, the main things to be studied, it will serve as a base for the interview guide, who will use to collect (Miles data”andHuberman 1994, P.18). main aim of the study was to determine the effect of Corporate Social Responsibility on Market share on Brewery industry in Addis Ababa. Based on the related literature review the conceptual framework is developed. This study used the model of Carroll, A. &Buchholtz, A. (1999).*Business and society: ethics and stakeholder management (4th Ed.)*.

Economic, legal, ethical and philanthropic responsibilities can be transformed into responsibility towards customers, employees, investors, suppliers, community and the environment.

### **A. Responsibility towards customers**

A company has a duty to act responsibly towards its customers or else it might ultimately lose business. This could be through providing goods and services hallmarked by integrity, quality and care. Customer rights like rights to safe products, rights to all relevant information about the product should be left to prevail. Ethical advertising should also be put into consideration (Carly, 2002).

## **B. Responsibility towards employees**

Equal opportunities for rewards and advancement should be provided to all employees for a company to be socially responsible. Responsible employment practices with well-trained, well-managed and motivated employees, who are fairly rewarded – sharing in the Company's successes should be instituted. A company that ignores this responsibility may likely face a risk of losing productive, highly motivated employees as well as lawsuits, a case in point being Del Monte (Litan, 2004). A company should ensure that the workplace is safe, both physically and socially and should aim to be the employer of choice in all areas of operation (Carly, 2002).

## **C. Responsibility towards investors**

Managers have a responsibility to ensure that they do not act irresponsibly towards shareholders by denying them their due earnings or misrepresenting company resources. Financial management should be proper and finances should be correctly reported. Conformation to IFRS's and IAS's is a unilateral requirement (International Federation of Accountants, 1998). Wanyama (2006) cites previous studies on the importance accounting information plays in enabling relevant parties to monitor the performance of an organization as well as holding management accountable for the stewardship of resources. Sound accounting principles should enable investors to make a fair assessment of the performance of companies and guide the decisions of those investors in making investment decisions, holding management accountable and in CSR considerations (Wanyama, 2006).

## **D. Responsibility towards suppliers**

Socially responsible companies should regard suppliers as partners and work with them in order to achieve their policy aspirations in the delivery of products and services.

## **E. Responsibility towards community**

Companies should strive to be good corporate citizens by contributing to community well

being, and be able to recognize their responsibility to work in partnership with the communities in which they operate.

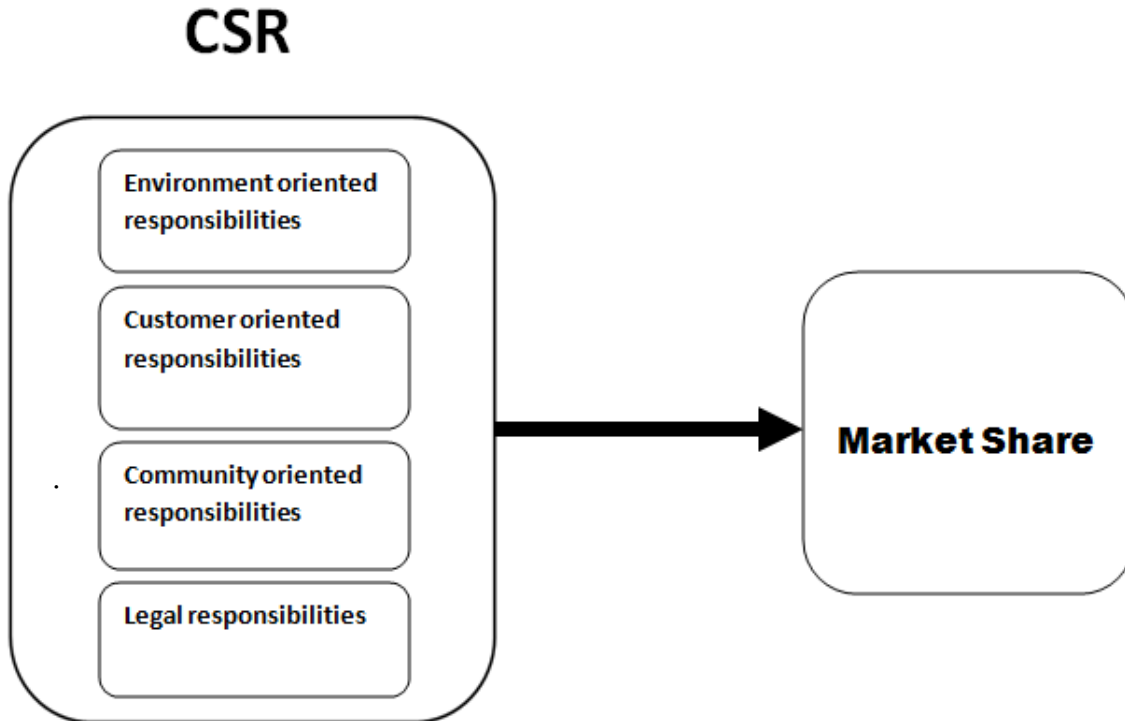
## **F. Responsibility to environment**

Socially responsible companies should have a committed program of management, continuous improvement and reporting of their direct and indirect effects on the environment which marks their contribution to improving the world in which they live (Caspin, 2002). In Ethiopia, it is a requirement for organizations of a manufacturing nature to follow guidelines set out in the National Environmental Statute (1995) in their pursuit of environmental management. Organizational managers and employees are expected to support implementation of an environmental management system in accordance with their roles and responsibilities. Among other things, the Environmental Management System (EMS) as guided by the National Environmental Statute (1995) concerns:

- Product stewardship by designing products and services that are safe to use, minimize use of hazardous materials, energy and other resources, and enable recycling or reuse.
- Pollution prevention through conducting operations in a manner that prevents pollution, conserves resources, and proactively addresses past environmental contamination.
- Continual improvement by integrating environmental management into business and decision making processes, regularly measuring performance, and practicing continual improvement.
- Legal compliance through ensuring that products and operations comply with applicable environmental regulations and requirements.
- Stakeholder involvement which concerns the provision of clear and candid environmental information about products, services, and operations to all stakeholders, informing suppliers about the organization's environmental

requirements, fostering environmental responsibility among employees and contributing constructively to environmental public policy.

**Figure 5: Conceptual Framework**



**Source: Adopted from** Carroll, 1999

There were four primary hypothesis of the study. This shows if there is a positive relationship between CSR and market share in Brewery factory in Addis Ababa.

As CSR dimensions of CSR for the current stated above figure the environment oriented responsibilities, community oriented responsibilities, customer oriented responsibilities, community oriented responsibilities and legal oriented responsibilities.

**H1: There is a positive relationship between environment oriented responsibilities and market share in Brewery factory in Addis Ababa.**

**H2: There is a positive relationship between Customer oriented responsibilities and market**

**share in Brewery factory in Addis Ababa.**

**H3: There is a positive relationship between community oriented responsibilities and market share in Brewery factory in Addis Ababa**

**H4: There is a positive relationship between legal responsibilities and market share in Brewery factory in Addis Ababa.**

## CHAPTER THREE

### RESEARCH DESIGN AND METHODS

#### 3.1 Research Approach and Design

The study will adopt and executed correlation regression studies. The studies weather there is relationships exists and to what extent have a relationship between environment oriented responsibilities, customer oriented responsibilities, community oriented responsibilities and legal responsibilities with profitability and Market share in Brewery industry in Addis Ababa.

The approach used for this research was a **quantitative research approach**. A quantitative research approach was used for this study since the research is a **deductive research**, testing hypothesis and measuring relationships among variables

Among the various types of quantitative research, a survey research was employed using **questionnaires** to determine the influence of consultative selling on customer satisfaction among customers of chain pharmacies in Addis Ababa

A combination of both **descriptive and explanatory study designs** was used for this research

#### 3.2 Data sources

To conduct the research primary and secondary data will be used. Primary data will be collected through interviews and questionnaires with the respective organization (representatives and mangers) found in Addis Ababa that will be reached out to get the exact data suitable for the research paper on order to avoid false information and to conduct unbiased research.

The research will obtain secondary data from different sources such as guide books related to the international financial reporting standard, and other dates' that may be provided from the respective company, data's like manuals, brochures.



### 3.3 Validity and Reliability

**Validity**, often called construct validity, refers to the extent to which a measure adequately represents the underlying construct that it is supposed to measure. **Reliability** is the degree to which the measure of a construct is consistent or dependable (Bhattacharjee et al, 2012). It can be also defined as the extent to which a questionnaire, test, observation or any measurement procedure produces the same results on repeated trials.

The **validity** of this study have been ascertained via different methods or techniques corresponding to whether the validity is internal, external, construct or statistical. **Interval validity** of the study tied to achieve by demonstrating that the independent variables are directly responsible for the effect of the dependent variable (CSR practices). These cause and effect relationship between the independent and dependent variables are discussed in the model specification part of this chapter. Implementation of random sampling is the other method used to achieve the required quality of the study. As it is expressed in sampling design, simple random sampling is the sampling technique of the study. By avoiding the effects of extraneous variables, simple random sampling protected the internal validity of the study.

The quality of the study also depends on its **external validity** in some extent. Through the accurate representation of the population by the sample, external validity of the study achieved. As the sampling design of the study pointed out the sample is selected using the well known sampling technique. Additionally, qualities of the study have been realized using data collection instruments such as questionnaires, interview and observation concurrently. Recognizing that all methods have limitations, it is obvious that biases inherent in any single method could reduce the biases of other methods. Extract of primary data was another method to attain the validity of the study. Using primary data in the study could improve the validity (external) of the research paper. First hand information obtained from a sample that is representative of the target population would yield data that will be valid for the entire target population.

The quality of the findings of the study accomplished when the **reliability** of the study achieved corresponding to its validity. The reliability of the study has been realized through brief, clear and concise preparation of questions in the questionnaire.

### **3.4 Target Population**

Related to the study the target population is the current management and non management staff members of Various Brewery industry in Addis Ababa. The preliminary survey undertaken by the researcher before the questionnaire were distributed indicated that there are 1929 grand total population (total management and staff members) of Brewery Industry in Addis Ababa as described table 3.1 Below.

### **3.5 Sampling techniques**

There are six Brewery factories in Addis Ababa. From the source population of all companies appropriate samples for questionnaire administration have been determined by using Stratified sampling technique and the respondents are randomly selected, by classifying all each brewery factory in different strata groups to give equal weights for each company according to their number permanent employee. The number of sample in each strata is classified according to the number of employee in each company as stated below table 3.1.

Table 3.1 Number of employees and sample size selected in each company

No	Companies	Breweries	No. of Regular Employee in Addis Ababa	Sample size
1	BGI	St.George ,Castel	270	34
2	Dashen	Dashen,Jano,Balageru	171	22
3	Heineken	Waliya, Bedele and Harar,Heineken,sofi malt	670	83
4	<i>Diageo</i>	Meta,Harer,Bedele,Malta,	450	54
5	Habesha	Habesha	121	14
6	Zebidar	Zebidar	119	14
7	Raya	Raya	128	17
			1929	238

Source database of each factory, 2018

### 3.6 The Sample size

The quality of good sample size, it should be “optimum” a mere, size alone does not ensure representation, thus a small sample, but well selected sample, may be superior to a larger but badly selected sample . As shows below calculated number, a sample size of 238 is appropriate for a given population size 1929 at the confidence level of 95% and a margin of error of 5%. Currently, the number of employees in brewery Addis Ababa area is 1929, therefore, in this study 238 questionnaires were distributed to meet up to the required level of number of responses from employees at Brewery Factory in Addis Ababa branches.

$$S = \frac{x^2 N p (1-p)}{d^2 N (N-1) + x^2 p (1-p)}$$

Where; S = required sample size.

$x^2$  = table value of chi - square for one degree of freedom at the desired confidence level (3.841

for 0.95 confidence interval).

N = the given population

$p$  = population proportion (assumed to be 0.5 since this would provide the maximum sample size)

d = the degree of accuracy set at 0.05.

Therefore, 
$$S = \frac{3.841 * 1929 * 0.5 (1-0.5)}{(0.05)^2 * 1929 (1929-1) + 3.841 * 0.5 (1-0.5)}$$
$$S \approx \underline{238}$$

### 3.6 Data collection Methods

#### 1. Survey

##### Structured Questionnaire

In this study, self-administered and structured questionnaire was used to collect data respondents. A questionnaire was administered to three stakeholder's namely ordinary employee, low and medium management teams companies CSR activities. The questionnaires were distributed to all offices of the seven brewery factories in Addis Ababa. It took a total of two weeks to collect the questionnaires

To obtain relevant information the student researcher used self-administered questionnaires to managers and permanent employee of different organizations and personal interview for top management of the company.

Closed/ structured questioner of data collection is quite popular, particularly in case of big enquiries (Kothari, 2004). Therefore, a structured questionnaire was utilized to collect the data from Respondents. The respondents were asked to rate their level of perception of the five variables on five point Likert scale. In addition, demographic data from each respondent were collected.

*Table 3.2: Research variables and their corresponding measures*

<b>Constructs</b>	<b>Source</b>	<b>Number of Items</b>
<b>Community oriented Responsibility</b>	Carly, 2002	4 items were used to measure this variable
<b>Environment oriented Responsibility</b>	Carly, 2002	5 items were used to measure this variable
<b>Customer oriented Responsibility</b>	Carly, 2002.	5 items were used to measure this variable
<b>Legal responsibilities</b>	Carly, 2002.	4 items were used to measure this variable
Market share	Carly, 2002	7 items were used to measure this variable

Corporate social responsibilities were examined using 17 items, which contains four underlying dimensions (i.e. Community, Environment, Customer and Legal responsibilities). Market Share was examined using 7 items. The questionnaire was developed and distributed in English language, no translation was carried out. This is because one of their job requirements is the skill of English language for each employee. So, no translation was needed

In light of the research methodology this research used, quantitative and qualitative data collection methodology that were implemented to collect variety of data.

Among the various ways of data collection methodologies, the following were found to useful.

### **Interview Surveys**

This survey used face to face and telephone interview, whichever is appropriate for the son to be interviewed. The interview was made with higher officials of the company have in depth knowledge about the company's CSR activity. In these semi-structured interviews, interviewees

were not subject to highly standardized questioning but allowed explain their opinions and feelings about CSR activities in the organization based on the point of view. From the researcher point of view this approach was useful because these respondents were able to elaborate on the status of CSR in the company.

## **2. Observation**

The researcher tried to observe some activities related to CSR at both the company a out lets. This was fully dependable on the willingness of the management of the organization on the degree of freedom I get to access each functional unit of the company.

## **3.7 Method of data analysis**

Data processing is an important part of the entire survey operation. It includes editing, coding, data entry, data cleaning and reliability examination. The researcher made all the data processing. After it has been collected, the data were analyzed and then interpreted discussed using statically techniques.

Descriptive statics (Mean, Mode, median, standard deviation & variation) is used on general objective of this paper in order to measure the accuracy of data collected and to infer statistical interpretations.

### 3.8 Ethical Considerations

We should give a top priority for participant's well-being whenever we make research on people. The research question should be second on our priority. This means that if we choose to harm participants on the interest of our research, the harm will further affect our research (Mack N. , Woodsong, MacQueen, Guest, & Namey, (2005).

***Confidentiality*** - the respondents have been assured that they will not be confused and that their response will remain confidential. The information they provided is confidential and used for academic purpose only.

***Organizational approval*** - the researcher gets approval and obtains a written recommendation letters from Addis Ababa University College of Commerce to all brewery factory located in Addis Ababa. The letters explain the idea and purpose of the research and used in order to contact the employee of each organization.

***Informed consent*** - Cover page of the questionnaire explains the purpose of the study and informed that the respondents have the right to accept or refuse to participate in the research activities.

# **CHAPTER FOUR**

## **RESULTS AND DISCUSSION**

### **4.1 Introduction**

Generally, this chapter is organized in the following manner: It consists of reliability and validity test for the measures used, the demographic profile of the respondents were presented and analyzed. To facilitate ease in conducting the empirical analysis, the results of descriptive analyses were presented first, followed by the results of Pearson's correlation coefficient and multiple regression were analyzed. Moreover, One-Way ANOVA analysis and independent t-test was carried out to compare mean difference between and among demographic profiles.

### **4.2 Samples and response rate**

The questionnaires were distributed in person and by mail to the selected Brewery industry employees. These selected employees were informed by phone and in person to send the questionnaires back for collection. A total of 238 questioners were distributed, and 226 were received back. After excluding 2 invalid questionnaires, a total of 224 valid questionnaires were accepted for a response rate of 94.95%. Out of the 238 questionnaires distributed, 94.11% of the subjects returned valid questionnaires

### **4.3 Demographic profile of respondents**

The samples of this study have been classified according to three demographic background information collected during the questionnaire survey. The purpose of the demographic analysis in this research is to describe the characteristics of the sample such as the number of respondents' proportion of males and females in the sample, range of service years experience and Function of Work those respondents of Brewery industry employees. The demographic composition of the respondents is summarized in Table 4.1 below.



The study population in the Brewery factories totaled 1929 of which 224 were randomly selected to mirror the general population. It is evident from the table that the major participants were males (57.00%), whilst 43.00 % of the participants were females. Approximately 56% of the respondents were of age 30-39 years, 25% were of 18-29 years and 18% were of 40-49 years. 1 respondent didn't indicate his/her years.

*Table 4.1: Demographic information for Respondents*

Items	Description	Frequency	Percentage	Cumulative Percent
<b>Gender</b>	Male	128	57.00	57.00
	Female	96	43.00	100.00
	Total	224	100.00	
<b>Age Group</b>	18-29	56	25.00	25.00
	30-39	127	56.45	81.45
	40-49	40	18	99.45
	60 or over	-		
	Total	223	99.45	
<b>Years of experience</b>	Less than 5	56	25.00	25.00
	5 or More	168	75.00	100.00
	Total	224	100.00	
<b>Function of Work</b>	Finance	83	37.00	37.00
	Production	34	15.00	52.00
	Quality control	25	11.00	63.00
	Sales and marketing	22	10.00	73.00
	Management	45	20.00	93.00
	Others*	15	7.00	100.00
	Total	224	100.00	

**Source: Own survey, 2018**

The interviewees were also analyzed and grouped into different departments as shown in table 4.2 below.

**Table 4.2: Basic respondent data (interview guide)**

<b>Gender</b>	<b>Frequency</b>	<b>Percent</b>
Male	4	57.1
Female	3	42.9
<b>Total</b>	<b>7</b>	<b>100.0</b>
<b>Age range</b>		
18-29 years	1	14.3
30-39 years	3	42.9
40-49 years	3	42.9
<b>Total</b>	<b>7</b>	<b>100.0</b>
<b>Function</b>		
Finance	4	57.1
Human Resource and Administration	1	14.3
Legal/CSR Committee	1	14.3
Sales and marketing/CSR Committee	1	14.3
<b>Total</b>	<b>7</b>	<b>100.0</b>

*Source:* Own survey, 2018

The interviewed top management population of Brewery industries is seven in number .It is evident from the table that the major participants were males (57.00%), and 57% of respondents are from Finance.

#### **4.4 Reliability test**

The pilot survey has proved the questioners designed to collect the desired data was reliable. Moreover, for the reliability test of the all data Cronbach's alpha was calculated using SPSS and the result is presented in Table 4.2 below. The alpha values for all constructs in the study are greater than the guideline of 0.808, so it can be concluded that the measurements can be applied for analyses with acceptable reliability.

Table 4.3: Measurement Reliability

Constructs	Cronbach's Alpha	Number of Items
Community oriented Responsibility	.896	3
Environment oriented Responsibility	.934	3
Customer oriented Responsibility	.851	3
Legal responsibilities	.809	2
Market share	.793	7
Reliability of total scale	<b>.808</b>	<b>18</b>

Source: Own survey, 2018

According to the Table 4.2, each dimension scale had a coefficient alpha more than 0.75 that indicated a strong reliability and considered adequate to determine reliability. Based on this base the researcher conducted a test to measure the internal consistency and make modification based on the test and the result showed Cronbach's alpha for 18 items is 0.808 that is excellent and the and the items are internally consistent.

#### 4.5 Descriptive Analysis

In this part of the study, it is tried to analysis primary data that was collected from 224 participants. As understood from the above, it is important to examine **Factors that influence the practice of CSR in Addis Ababa Brewery factories** against certain relevant criteria, so that it represents a rational choice. Question 7 highlighted a number of factors that influence CSR practice and respondents were asked whether they were in agreement with the identified factors. Statements in this question were rated on the 5 point Likert scale ranging from 1 = strongly disagree, 2 = disagree, 3 = neither agree nor disagree, 4 = agree and 5 = strongly agree. Item means and standard deviations measuring a level of agreement were computed from the respondents' responses. Table 4.3 below shows respondents' views on factors that influence the practice of CSR in Addis Ababa Brewery factories.

**Table 4.4: Views on factors that influence the practice of CSR**

Factors that influence our CSR practice	Market share of the company		Caring for customers and community		Profit through caring		Other factors	
	Mean	Standard Deviation	Mean	Standard Deviation	Mean	Standard Deviation	Mean	Standard Deviation
Profit maximization	3.16	1.419						
Long-term survival	3.78	1.112						
Customer approval	3.74	1.121						
Customer loyalty maintenance	3.84	1.131						
Enhancement of corporate image	4.32	1.019						
Addressing community needs			3.88	1.136				
Community acceptance			3.90	1.074				
Better contribution to community welfare			4.08	1.027				
Environmental conservation			3.68	1.168				
Enhanced staff morale					3.60	1.069		
Improved staff welfare					3.52	1.111		
The organization's interest in CSR							3.76	1.098
Competitor practices							3.24	1.349
Industry standards							3.64	1.102
Reducing business risk							3.34	1.189
Increasing rivals' costs							2.90	1.374
<b>Overall Mean/Std. Deviation</b>	<b>3.7680</b>	<b>.84017</b>	<b>3.8850</b>	<b>.82408</b>	<b>3.5600</b>	<b>1.04315</b>	<b>3.3760</b>	<b>.88860</b>

Source: Own survey, 2018

From table 4.3 above, the overall means of the four different categories of factors posed to respondents are all above 3, and almost 4 for category ‘caring for community and customers’, significantly showing that there is agreement of respondents to the factors that influence CSR practice. An overall standard deviation of <1 for categories ‘Market share of the company’, ‘caring for community and customers’, and ‘other factors’ further confirmed that indeed means of 3.7680, 3.8850, and 3.3760 represented the general level or true measure of agreement. Exception was noted in the response mean of ‘profit through caring’ with a mean of 3.5600 and standard deviation of 1.04315.

‘Market share of the company’ category was aimed at stressing the importance of businesses making sufficient profits for their survival and growth to be able to serve societal needs. Respondents were asked whether they believed profit maximization to be an influencer to the Brewery factory’s practice of CSR and this was accompanied with a mean of 3.16 and a standard deviation 1.419. Questions in this category were aimed at replicating propositions of Friedman (1970) who stressed that CSR is not the primary concern of businesses which should be concerned about making profits for the shareholders and the needs of the community to be served by the products and services provided by the companies. Interestingly, results from this survey indicate that respondents felt enhancement of corporate image and customer loyalty maintenance are factors that influence most their respective Brewery factory’s CSR practices with means of 4.32 and 3.84 respectively. These were followed by long-term survival and customer approval with means of 3.78 and 3.74. Much as profit maximization received a low mean result, the researcher observed responses in this category as a clear representation of the need to keep customers happy which is central to sales growth which may in the end enhance profits.

Respondents were also found to be in agreement with the statements under ‘Caring for customers and the community’. The overall response to this category of factors resulted into an overall mean of 3.8850 and a standard deviation of .82408. The statement with the highest mean in this category was “Better contribution to the community influences our CSR practice” with a mean of 4.08 and a standard deviation of 1.027. This was followed by “community acceptance”, “addressing community needs” and “environmental conservation with means of 3.90, 3.88, 3.68

and standard deviations of 1.074, 1.136 and 1.168 respectively. Statements in this category of factors were designed to represent a Brewery factories' willingness to ensure a reasonable financial return for its investments and, at the same time, address the issues of environmental conservation and the expectations of the community. The issues of responsibility to the community and the environment were examined in line with the discussion in Chapter two of this study.

#### **4.5.1 Employees' Response on Customer oriented responsibility**

The CSR objective was assessed on five main indicators and The interpretation was made based on the following measurement scale intervals or range. Mean scores 4.51-5.00 excellent or very good, 3.51-4.50 good, 2.51-3.50 average or moderate, 1.51-2.50 fair and 1.00-1.50 is poor (Hailu, 2013).

This section of the questionnaire tested the attitude and views about Customer oriented responsibility levels of the selected beer factory employees. A series of four statements were presented to respondents and respondents were asked to rate their level of agreement with each statement. Table 4.4 indicates the mean and standard deviation for each item.

The means for the Customer oriented Responsibility items construct ranged between 3.82 and 4.32 ( 1= strongly disagree and 5= strongly agree) and the standard deviation for the empowerment perception construct ranged between 1.099 and 1.133 which show some level of variance. The statement which respondents agree with most was "New products and services have been developed in the last 4 years to satisfy customers" (mean=4.26 and standard deviation= 1.124). The statement indicating the least level of agreement was "Is your company providing goods and services hall marked by integrity, quality and care." (Mean= 3.82 and standard deviation= 1.109). The Overall level of employees Response about Customer oriented Responsibility is 4.08, indicating that the majority of respondents are towards High level agreement with the statements specified in the study.

Table 4.5: Descriptive statistics for Response of employees about Customer oriented Responsibility

Customer oriented Responsibility	Mean	Std. Deviation
Customer oriented responsibilities have improved over the years	4.22	1.133
Is your company providing goods and services hall marked by integrity, quality and care.	3.82	1.109
Customer rights like rights to safe products, rights to all relevant information about the product should be left to prevail and Customer Relationship.	3.88	1.099
New products and services have been developed in the last 4 years to satisfy customers	4.26	1.124
The more customer satisfied more sales and profit will be gained	4.32	1.101
<b>Overall level of employees Response about Customer oriented Responsibility</b>	<b>4.08</b>	<b>1.113</b>

Source: Own survey, 2018

Indubitably, the result of this study is consistent with the findings Taranto (1998) states that Customer oriented Responsibility very important even though it is very difficult and very frustrating but ultimately most rewarding in order to succeed with Market Share. The main objective companies have with Customer oriented Responsibility is to create or strengthen the corporate or brand image (Behrer and Larsson 1998).

The data collected from interview also assured that all objectives with Customer oriented Responsibility should match the overall marketing objectives. However, the interviewees suggested that the company has a weakness on stating its event mark Customer oriented Responsibility objectives in clear way and lag on ensuring everyone involved fully understands them. The interviewees also suggested the company attempted to strengthen the Market Share by applying common Customer oriented Responsibility.

#### 4.5.2 Community oriented Responsibility

Participants or respondents were requested to suggest their level of agreement on Community oriented Responsibility. Meenaghan (1983) stated that the degree of compatibility between the Community oriented Responsibility and the company/product is an important criterion in the Business Performance, which also is supported by Kumlin and Petersson (1998). According to

Meenaghan, there should be some kind of linkage between the Community oriented Responsibility and the corporate/product image. If not, it may attract negative attention or may confuse the potential consumer. He inclined that the Market share should have a link at least Community oriented Responsibility. The respondents were requested to rate their response on event selection based measure costs, contributing to community well being, and work in partnership.

*Table 4.6: Descriptive statistics for Response of employees about Community oriented Responsibility*

<b>Community oriented Responsibility</b>	<b>Mean</b>	<b>Std. Deviation</b>
Your company attempts to identify and measure costs of social responsibility activities.	3.70	1.282
Is your company strive to be good corporate citizens by contributing to community well being	3.70	1.216
Does your company recognize their responsibility to work in partnership with the communities in which they operate	3.84	1.057
Community oriented Responsibility will help on sells and market share of the company	3.08	1.175
<b>Overall level of employees Response about Community oriented Responsibility</b>	<b>3.58</b>	<b>1.182</b>

**Source:** Own survey, 2018

The event selection was assessed on six main indicators and the result is presented in Table 4.5 and the mean ranges from 3.08 to 3.70 and it rated as very good (3.51-4.50). The grand mean also rated as very good as it has 3.58 mean score. The interpretation was made based on the following measurement scale intervals or range. Mean scores 4.51-5.00 excellent or very good, 3.51-4.50 good, 2.51-3.50 average or moderate, 1.51-2.50 fair and 1.00-1.50 is poor (Hailu, 2003).



One of the Community oriented Responsibility factor called the 3.08 is Community oriented Responsibility will help on sells and market share of the company as strongly agree and On the request of the Community oriented Responsibility was by company strive to be good corporate citizens and contributing to community well being the data indicated that mean of 3.70 as strongly agree. The other Main factor working in partnership holds the high level of agreement in holding Market share with Mean of 3.84 and Overall level of employees Response about Customer oriented Responsibility holds 3.58 mean which is high level agreement with Market share

### **1.5.3 Legal Responsibility**

In literature review, Legal responsibilities reflect a view of "codified ethics" in the sense that they embody basic notions of fair operations as established by the lawmakers. Legal responsibilities are appropriately seen as co-existing with economic responsibilities as fundamental precepts of the free enterprise system. A summary of some important statements characterizing legal responsibilities may be as follows.

- It is important to perform in a manner consistent with expectations of Government and the law.
- It is important to comply with various regulations.
- It is important to be a law-abiding corporate citizen.
- It is important that a successful firm be defined as one that fulfills its legal obligations.
- It is important to provide goods and services that at least meet minimal legal requirements.

Now a days in the local market place, these brewery companies competing for the same limited market share. So the promotion component became important Binding with Legal Requirement is particularly important in marketing.

Accordingly, respondents requested to rate their views as indicated in Table 4.6 below

Table 4.6 Respondents' response on Legal responsibilities'

Legal responsibilities		Mean	Std. Deviation
a.	In your company accepting legal responsibilities have improved over the years	4	1.355
b.	It is important to perform in a manner consistent with expectations of Government and the law.	3.82	1.173
c.	It is important to provide goods and services that at least meet minimal legal requirements	3.9	1.266
d.	Accepting legal responsibilities will increase Image and reputation of Your company	4.12	1.062
	<b>Overall level of employees Response about Legal Responsibility</b>	3.9	1.214

**Source:** Own survey, 2018

The means for the Legal Responsibility items construct ranged between 3.82 and 4.12 ( 1= strongly disagree and 5= strongly agree) and the standard deviation for the empowerment perception construct ranged between 1.062 and 1.355 which show some level of variance. The statement which respondents agree with most was "Accepting legal responsibilities will increase Image and reputation of your company" (mean=4.12 and standard deviation= 1.062). The statement indicating the least level of agreement was "It is important to perform in a manner consistent with expectations of Government and the law." (Mean= 3.82 and standard deviation= 1.173). The Overall level of employees Response about Customer oriented Responsibility is 3.9, indicating that the majority of respondents are towards High level agreement with the statements specified in the study.

From the interview responses, the researcher got to understand that BGI engages in community initiatives as a way of being a good corporate citizen and Diago management believes strongly in giving back to communities in which it operates as this is in line with the company's strategic objectives and vision.

From the interview, the researcher was informed that CSR is used as a marketing strategy where the market is meant to perceive the organization as a pro-people company, make customers feel connected to the business thereby improving customer satisfaction and financial returns. Indeed, some of the CSR expenditure from the corporations under study was found to have been incorporated in the marketing budget where there was ease of contact with the customers. Specifically, BGI regularly redesigned its newspapers to meet the ever changing reader needs and keep them up-to-date with global trends. Customers out of these initiatives have enjoyed balanced news and enhanced reader value due to the wide coverage of information/news through; education vision & jogs, women's vision, health & beauty, farming, business vision and weekend vision. The other factories as a way of being responsible to its customers instituted efficiency improvement measures in order to give better service to their customers. This was through staff training in areas of productivity improvement and work performance enhancement.

The foregoing initiatives in innovation and product quality were some of the examples to highlight the corporations' duty to act responsibly towards their customers. As highlighted in Chapter two of this study, a company has a duty to act responsibly towards customers through providing goods and services hallmarked by integrity, quality and care (Carly, 2002).

From the interview responses, the researcher was informed that businesses need to keep their customers happy and satisfied; that, if a business finds itself on the wrong end of consumer opinion, its business in the market place could be damaged. Some of the interviewees argued that CSR attributes like product quality and care to customers directly satisfy customers who end up doing repeat purchases. The sales and marketing manager at most of Brewery industries noted that: Customers are becoming increasingly demanding. As price and quality become more equal, they are looking towards brand values which match their own, and companies whose activities they can respect. Whilst you may want your customers to remember best the good things you do, you can be sure they'll remember most the times you mess up – one piece of negative publicity and you'll feel the pain.

Verily, negative publicity does affect company business in the market place. The revenue and circulations manager at BGI was of the view that a huge amount of a company's market

capitalization can be what are called "intangibles" - and such intangibles are hugely tied to corporate reputation, which can be easily derived from well thought out CSR programs.

The respondents that were interviewed were of the view that commitment of companies to employees was a way of avoiding risks associated with losing productive employees and of motivating employees. "A critical component of our responsibility to the employees is the health program, through which medical cover is extended to our employees, their spouses and dependants." (BGI Annual report, 2008EC). The researcher observed from the interviewees that their engagement in this area was more of compliance as the benefits outweighed the costs.

#### **4.6 Correlation Coefficient**

Correlations are perhaps the most basic and most useful measure of association between two or more variables (Marczyk, Dematteo and Festinger, 2005). This study employs the correlation analysis, which investigates the strength of relationships between the studied variables. One of the commonly used, Pearson's correlation test was used to examine the associations between advertisement components and brand preference.

Afterwards, the correlation coefficient ( $r$ ) was examined to see if there is a strong or weak relationship between the variables. Correlation coefficient ( $r$ ) closer to -1 or +1 means the two variables are closely related. In contrast, when  $r$  is close to 0, it means the two variables are weakly correlated (Coakes, 2005).

According to Cohen (1998), strength of correlations can be interpreted as follows: Strength of correlation

- $r = -.10$  to  $+.29$  small effect (weak)
- $r = .30$  to  $+.49$  medium effect (moderate)
- $r = .50$  to  $+1.0$  large effect (strong)

Depending on this assumption, all basic constructs were included into the correlation analysis and a bivariate two tailed correlation analysis was done. The results are presented in Table 4.7 below.

Table 4.7: Correlation analysis among the variables

		Correlations			
		Environment	Community	Customers	Law
Market Share	Pearson Correlation Sig. (2-tailed)	.731**	.788**	.791**	.764**

\*\* . Correlation is significant at the 0.01 level (2tailed).

The relationship of four dimensions of corporate social responsibility with market share was investigated using Pearson product-moment correlation coefficient. Table 4.4 highlights that there is a strong positive correlation between all the dimensions of CSR with profitability and market share.

It is clear from the table that there is a strong positive correlation between all the dimensions of CSR with market share. Environment oriented responsibilities have strong positive correlation with market share  $r=.731$ . Community oriented responsibilities have strong positive correlation with market share i.e.  $r=.788$ . It is also clear from the table that customer oriented responsibilities have strong positive correlation with market share i.e.  $r=.791$ . Lastly, legal responsibilities have strong positive correlation with market share i.e.  $r=.764$ .

## 4.7 Assumptions of regressions analysis

Multiple Regressions is a statistical technique that allows us to predict someone's score on one variable on the basis of their scores on several other variables. Then, the following assumptions test should be done (Field, 2009).

### 4.7.1 Sample size

Different authors tend to give different guidelines concerning the number of cases required for multiple regression. Tabachnick and Fidell (2001) give a formula for calculating sample size

requirements, taking into account the number of independent variables to use:  $N > 50 + 8m$  (where  $m$  = number of independent variables). In this study four independent variables had existed and cases were 238. Therefore, the study satisfied sample size assumption.

#### **4.7.2 Linear relationship**

Market Share is assumed to be linearly related with CSR elements; meaning the dependent variable Market Share is assumed to be impacted with changes in CSR elements (the independent variables). The relationship between the two variables should be linear. This means that at a scatter plot of scores should be a straight line (roughly), not a curve (Field, 2009). The scatter plots of this study show that there is almost linear relationship between the variables. The plots do not show any evidence of non-linearity; therefore, the assumption of linearity is satisfied.

*Please see appendix four the scatter plot diagram.*

#### **4.7.3 No or little Multicollinearity**

Multicollinearity is used to describe correlation among independent variables. If there is high correlation between two or more predictor variables, may cause problems when trying to draw inferences about the relative contribution of each predictor variable to the success of the model (Field, 2009).

Multicollinearity in this study was tested using Variance Inflation Factor (VIF) value and tolerance value. If tolerance value closed to 1 and VIF value is around 1 and not more than 10, it can be concluded that there is not multicollinearity between independent variable in the regression model (Field, 2009). Below Table 4.8 shows there is no multicollinearity exist.

Table 4.8: Multicollinearity of internal marketing elements

Model	Collinearity Statistics	
	Tolerance	VIF
Environment oriented responsibilities	.966	1.035
Customer oriented responsibilities	.972	1.029
Community oriented responsibilities	.972	1.029
Legal responsibilities	.986	1.014

Source: its own survey,2018

#### 4.7.4 Homoscedasticity

Homoscedasticity is the variability in scores for variables of independent should be similar at all values of variable dependent. In order to ensure the fulfillment of this relationship between independent variable and dependent variable, the variance of dependent variable values must be equal at each value of independent variables (Hair, 2010). For a basic analysis it is worth plotting ZRESID (Y-axis) against ZPRED (X-axis), because this plot is useful to determine whether the assumptions of random errors and homoscedasticity have been met.

Decision rule: If there were certain variant, such as organize shaping dot (waves, fuse and narrow), therefore no homoscedasticity happened. If there were not certain variant, and dots spreads above and below 0 numbers in axis Y, then homoscedasticity did happened (Field, 2009). The scatter plots show that there is homoscedasticity. Thus the assumption is reasonably supported in this study. *Please see appendix five the scatter plot diagram.*

#### 4.7.5 Normality test

The study used two methods of assessing normality; graphically (Normal Probability Plot) and numerically (Skewness and Kurtosis). In the Normal Probability Plot it will be hoped that

points will lie in a reasonably straight diagonal line from bottom left to top right. This would suggest no major deviations from normality. *Appendix three depicted that the scores are normally distributed.*

Numerically, the evaluation of normality in the data analysis began with exploring the skewness and kurtosis values of the elements of internal marketing mix and customer orientation. skewness and kurtosis values greater than 1 and less than -1 are considered being abnormally distributed (Gamst, 2008). Table 4.6 below summarises the skewness and kurtosis values of the constructs.

The skewness and kurtosis values for the CSR elements, namely Environment oriented responsibilities, Customer oriented responsibilities, Community oriented responsibilities and Legal responsibilities were all below 1 and greater than -1 indicating that the data is normally distributed for these elements. The customer orientation constructs also showed skewness and kurtosis value of less than 1, and is therefore normally distributed.

*Table 4.9: Summary of skewness and kurtosis statistic*

Constructs	Skewness-statistic	Kurtosis statistic
Environment oriented responsibilities	.014	-.596
Customer oriented responsibilities	.925	.106
Community oriented responsibilities	.336	-.969
Legal responsibilities	.375	-.024
Market Share	.131	.328

**Source:** Own survey, 2018



#### 4.7.6 No auto correlation

Regression analysis is based on uncorrelated error/residual terms for any two or more observation (Kothari, 2004). This assumption is tested for each regression procedure with the Durbin-Watson test, which test for correlation between variables residuals. The test statistic can vary between 0 and 4 with a value of 2 meaning that the residuals are uncorrelated (Field, 2009). A value greater than 2 indicates a negative correlation between adjacent residuals, whereas a value below 2 indicates a positive correlation. As a general rule, the residuals are independent (not correlated) if the Durbin-Watson statistic is approximately 2, and an acceptable range is 1.50 - 2.50 (Hailegebriel, 2018). In this study the Durbin-waston value was 1.741, which is very close to 2, therefore it can be confirmed that the assumption of independent error has almost certainly been met.

#### 4.8 Regression Analysis

The data which is collect from questionnaire first give code or recording variables on Statistical package social science (SPSS) program. Based on descriptive data analysis techniques frequency, percentage, mean, standard deviation and graphic representation were made. Furthermore by using correlation analysis the interdependence between the independent and dependent variables was tested. Finally hypothesis tests were performed using regression analysis.

##### *Model specification*

The statistical regression model of the study was based on the theoretical regression model as indicated follows

$$Y=a+b_1x_1+b_2x_2+b_3x_3+ b_4x_4 +e$$

Where:

- $Y$  = the Market share.
- $a$  = the y intercept/constant
- $x_1$  = Environment oriented Responsibility.
- $b_1$  = the regression coefficient of corporate and sales objectives of the events.
- $x_2$  = Community oriented Responsibility
- $b_2$  = the regression coefficient of selection criteria.
- $x_3$  = Customer oriented Responsibility.
- $b_3$  = the regression coefficient threats and opportunities in organization events.
- $X_4$  = Legal responsibilities
- $b_4$  = the regression coefficient threats and opportunities in organization events.
- $e$  = error term.

(John , 2007)

The mean value for all variables ranges from around 4.25 and it indicates that response or preferred the category of strongly agree. The standard deviation, on the other hand, is the measure of variability in data set where it ranges from 1.32247 and .81797 1.18649 and it indicates the data has less variability.

Multiple regression analysis was also used to check the relationship among the variables. This section will look at multiple regression analysis of all the dimensions of CSR on market share. Multiple regression analysis is based on correlation but it allows a more detailed exploration of interrelationship among a set of variables. This method is use for the explanation of the dependent variable and those variables which are linked with the dependent variable in the theoretical framework.

Results of regression analysis for dependent variable market share with four dimensions of CSR are given by the following table.

Table 4.10 regression analysis for market share

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.851 <sup>a</sup>	.765	.803	.48039

a. Predictors: (Constant), Environment, Community, Customer, Law

ANOVA <sup>a</sup>					
Model		Sum of Squares	df	Mean Square	Sig.
1	Regression	161.002	3	53.667	1037.135
	Residual	16.869	326	.052	.000 <sup>b</sup>
	Total	177.871	329		

a. Dependent Variable: Market share

b. Predictors: (Constant), Environment, Community, Customer, Law

Model		Un standardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.957	.169		5.662	.000
	Environment	.799	.059	.577	13.542	.003
	Community	.632	.061	.456	10.389	.000
	Customers	.745	.075	.338	9.933	.001
	Law	.270	.106	.373	2.547	.000

<sup>a</sup> Dependent Variable: Market Share

Collinearity Diagnostics <sup>a</sup>							
Model	Dimension	Eigenvalue	Condition Index	Variance Proportions			
				(Constant)	VAR00001	VAR00002	VAR00003
1	1	3.945	1.000	.00	.00	.00	.00
	2	.031	11.351	.11	.03	.02	.97
	3	.018	14.733	.68	.33	.02	.02
	4	.007	24.501	.21	.64	.96	.01

a. Dependent Variable: perceived marketing performance

Source: own survey, 2018

$$Y = 0.957 + 0.799x_1 + 0.632x_2 + 0.745x_3 + 0.27x_4 + e$$

Table 4.10 Shows regression analysis for market share and four dimensions of CSR and Market share. In literature, linear regression estimates the coefficients of the linear equation, involving one or more independent variables that best predict the value of the dependent variable. In this research, the regression analysis used the independent variable (event marketing) indicated on the model to measure the marketing performance. The significance level of 0.05 was used with 95% confidence interval. The reason for using single analysis was to examine the direct effect of event marketing as the independent variable on the perceived marketing performance.

As indicated in the above table the independent variables predict the dependent variable value of R shows the correlation among the variables. The value of R square highlights the degree of variation in market share bring about by the dimensions of CSR such as environment oriented responsibilities, community oriented responsibilities, customer oriented responsibilities and legal responsibilities. The value of the variance is .765 or 76.5%. This result also indicates that the variable selected as independent had an effect on marketing performance.

Table 4.10, the ANOVA test, it is noticed that F value of 1037.135 is significant at 0.000 level. Therefore, from the result, it can be concluded that with 80.3% of the variance (R-Square) in environment oriented responsibilities, community oriented responsibilities, customer oriented responsibilities and legal responsibilities are significant effect on marketing performance and the model adopted appropriately measure the construct.

Multicollinearity refers to a situation in which there is exact (or nearly exact) linear relation among two or more of the input variables (Uma, 2003). The VIF (Variance Inflation Factor) for each term in the model measures the combined effect of dependence among the regressors on the variance of that term. One or more large VIF indicate multicollinearity. Practical experience indicates that if any of the VIF results exceeds 5 or 10, it is an indication that the associated regression coefficients are poorly estimated because of multicollinearity (Uma, 2003). Collinearity Statistics shows that the VIF value of event marketing factors of event objective 2.395, event selection 2.453 and opportunity and threat 1.364 which is less than 5 or 10 (Uma, 2003) and no collinaritry is observed on this data. The table also presents the result of

regression analysis; the result regression analysis is based on marketing performance. The independent variables that contribute to variance of the dependent variable are explained by standardized Beta coefficient.

The regression shows that the strongest contribution by independent variables such as environment oriented responsibilities, community oriented responsibilities, customer oriented responsibilities and legal responsibilities in explaining the dependent variable (market share) is made by environment oriented responsibilities i.e. .577. The second strongest contribution is made by community oriented responsibilities i.e. .456 third by legal responsibilities i.e. .338, and lastly by customer oriented responsibilities i.e. .373. All the independent variables have statistically significant effect on market share as depicted by the table 4.10.

#### **4.9 Summary of Hypothesis Testing**

It is obvious that CSR has positive impact on market share. Multiple regression is used to check the research hypothesis. All this was accomplished by using SPSS 20 version software.

There were four primary hypothesis of the study. Which shows is **there is a positive relationship between CSR and market share in Brewery factory in Addis Ababa.**

As CSR dimensions of CSR for the current study are environment oriented responsibilities, community, customer oriented responsibilities, community oriented responsibilities and legal oriented responsibilities. The relationship between each of the dimension and market share is based on

H1: There is a positive relationship between environment oriented responsibilities and market share in Brewery factory in Addis Ababa.

H2: There is a positive relationship between Customer oriented responsibilities and market share in Brewery factory in Addis Ababa.

H3: There is a positive relationship between community oriented responsibilities and market share in Brewery factory in Addis Ababa

H4: There is a positive relationship between legal responsibilities and market share in Brewery factory in Addis Ababa.

## Results

**H1: There is a positive relationship between environment oriented responsibilities and market share in Brewery factory in Addis Ababa.**

From table 4.10 it is clear that there is significant relationship between environmental oriented activities and market share in Brewery factory in Addis Ababa. The value of beta is .577 which holds that 1% change in environment oriented activities will lead to 57.7% change in market share in Brewery factory in Addis Ababa. The significance value is .003 which shows that the hypothesis is acceptable.

**H2: There is a positive relationship between customer oriented responsibilities and market share in Brewery factory in Addis Ababa.**

Table 4.10 shows that there is a significant relationship between customer oriented responsibilities and market share in Brewery factory in Addis Ababa. The value of beta is .338 showing that 1% variation in customers oriented responsibilities will lead to 33.8% variation in market share. The significance value at .001 is strongly acceptable.

**H3: There is a positive relationship between community oriented responsibilities and market share in Brewery factory in Addis Ababa.**

There is a significant relationship between community oriented responsibilities and market share in Brewery factory in Addis Ababa as indicated by table 4.10. The beta value is .456 which means that 1% variation in community oriented responsibilities will lead to 45.6% variation in market share in Brewery factory in Addis Ababa. Significance value is strongly acceptable at .000. Therefore our eleventh hypothesis is accepted.

**H4: There is a positive relationship between legal responsibilities and market share in Brewery factory in Addis Ababa.**

From table 4.10 it is clear that there is a significant relationship between legal responsibilities and market share of Brewery factory in Addis Ababa. The value of beta at .373 indicating that

the 1% variation in legal responsibilities will lead to 37.3% variation in market share in Brewery factory in Addis Ababa. The significance value is strongly accepted at .000

Table 4.11 Summary of Hypothesis Testing

		Sig. test result	Independent Variable	Dependent Variable	Ho Rejected or Accepted
<b>H<sub>1</sub>:</b>	There is a positive relationship between environment oriented responsibilities and market share in Brewery factory in Addis Ababa.	.003	environment oriented responsibilities	Market Share	<b>Accepted</b>
<b>H<sub>2</sub>:</b>	There is a positive relationship between Customer oriented responsibilities and market share in Brewery factory in Addis Ababa.	.000	Customer oriented responsibilities	Market Share	<b>Accepted</b>
<b>H<sub>3</sub>:</b>	There is a positive relationship between community oriented responsibilities and market share in Brewery factory in Addis Ababa	.001	community oriented responsibilities	Market Share	<b>Accepted</b>
<b>H<sub>4</sub>:</b>	There is a positive relationship between legal responsibilities and market share in Brewery factory in Addis Ababa.	.000	legal responsibilities	Market Share	<b>Accepted</b>

Source: Own survey result, 2018

# **CHAPTER 5**

## **Summary, Conclusion and Recommendation**

This final chapter focuses on conclusion and recommendations. First, summary of the main findings followed by results of the study were discussed. Then recommendations on what should be done were furthered.

This study was conducted in Brewery industry in Addis Ababa with the general objective of assess the effect of CSR on Market Share. Questionnaire and interview were the main source of data for this study. The questionnaires were developed to employee of Brewery industry in Addis Ababa and the interview is made with top managers of the companies.

By way of achieving the specific objectives of the study the general objectives were dressed briefly. The major results of this study were discussed as follows.

### **5.1 Summary and Conclusion**

Previous researchers have outlined that CSR activities bring numerous benefits for the business organizations. These benefits are discussed in the literature review in detail. Brewery factory in Addis Ababa was chosen as unit of analysis. As Brewery factory units in Addis Ababa are large in size. CSR is particularly very important area for large business organization (Moore & Spence, 2006). This is because these organizations have direct impact on environment and society through their operations, products and interaction with key stakeholders.

Clearly from the results of this research, factors that influence CSR practice come from all the stakeholders' perspectives of community, customer, employees, investors, suppliers and the environment. A business needs to incorporate all the stakeholder needs in its business operations as these have underlying benefits to a socially responsible corporation.



Approach to CSR combines a strong sense of responsibility with modern business sense and a commitment to: quality service for customers and a culture of continuous improvement; an emphasis on strong public accountability; responsible employment practices with well – trained, well – managed and motivated employees, who are fairly rewarded; contributing to community well being and playing a full role as a corporate citizen; a sustainable approach to environmental issues, including the use of natural resources and energy; actively managing risks to businesses, clients and stakeholders, as well as to company's reputation and a good return to shareholders.

Results from this research indicate that the CSR activities that were engaged in by brewery factory in the areas of the customer, employee, supplier, investor, community and the environment fit well in the legal, economic, ethical and philanthropic aspects as highlighted by Carroll (1991). Good working conditions for the employees, disclosure requirements, sales growth, product quality and packaging fit in well with the economic and legal aspects while awareness campaigns, donations to the community, tree planting among others fit in well with the ethical and philanthropic aspects.

Basing from the outcomes of the study, the factories under study registered positive trends as regards their business operations and Market share in the areas of customers where new products and product quality enhancements were observed, internal business processes where new automation of processes was observed, innovation and learning where new skills and training were imparted onto the staff and the financial perspective where sales grew for each year. Organizations wishing to survive in today's volatile environment must adhere to corporate social responsibility requirements by indulging in activities that spur efficient operations and better performance. There is need for continued support from senior management and all the stakeholders, the challenge being to continuously ascertain what the company's significant social and environmental impacts are and attaching shilling values to these impacts to ably evaluate operations and performance.

The study noted that there is a positive relationship between CSR activities such as environment oriented responsibilities, community oriented responsibilities, customers responsibilities activities and legal responsibilities and profitability of the business organization. Previous studies have outlined that CSR lead to increase profitability (Hopkins, 2003; Parket &

Eilbirt 2006; Renneboog, Horst & Zhang 2008). Therefore managers of the business organization should implement CSR activities in order to enhance their profitability.

It is also noted that there is a positive relationship between CSR activities and market share of the business organization. Findings of the study revealed that there is a strong relationship between CSR activities and market share and this is in line with previous research (Pivato, Misani & Tencati, 2008; Carroll & Shabana, 2010; Fredrick & Thomas, 2012). The findings of this study call for managers of the business organization to communicate their CSR efforts to the customers which can ultimately lead to increased market share.

The study has certain limitations. First limitation of the research is that CSR is measured by responses of survey questions on the extent of involvement in activities such as environment, community, customers and law. An important limitation of the survey method is possibility of social desirability bias where respondents over estimate CSR activities.

The second limitation of the study is that as there is scarcity of literature available on CSR in the context of Addis Ababa. Therefore the research received much of the literature from the developed countries.

Finally, as the research focused on Brewery factory in Addis Ababa, however as a consequence of only focusing on Brewery factory in Addis Ababa the findings of the study may not be applicable to other sectors of Addis Ababa.

## **5.2 Recommendation**

### **a) Factors that influence the practice of CSR**

The increase in publicity and attention towards CSR will likely continue and there is need for leaders and corporations to protect their reputations in the eyes of stakeholders. Pressure to address CSR is coming from: NGOs, investors, governments, suppliers, customers, employees, regulators and the media. These all are raising questions whether companies are living up to their Vision and Values in regard to environmental and social responsibility and whether organizations actively demonstrate CSR. At first, corporations did not believe that these groups

could have any real influence on corporate behavior, but there is now increasing awareness that a company that does not deal with environmental and social risk factors may damage its value in the market. It is important to note that, consumers, or customers are not always end users but may be clients, or other companies in supply chains. Whoever they are, reputation matters.

### **b) Approaches used by corporations in their practice of CSR**

The area defined by advocates of CSR increasingly covers a wide range of issues such as plant closures, employee relations, human rights, corporate ethics, community relations and the environment. Responsible companies engaged in CSR should carefully consider their response to economic, environmental, and social issues. These can range from how an organization selects and markets its products or services, manages and remunerates its employees, takes responsibility for its supply chain, interacts with local communities, and addresses environment health and safety and well being.

### **c) Effect of CSR on Market Share**

Business managers remain well-served to recognize the growing strength and determination of the socially-conscious stakeholders. Top management has to take a strong stand on social responsibility and develop a policy statement outlining that commitment. A carefully managed program to that effect should be instituted and put in place with a designated executive who should have the responsibility of monitoring the CSR program and ensure that implementation is consistent with the firm's policy statement and strategic plan. In all, the organization has the responsibility of performing occasional social audits and compliance checks – systematic analysis of its success in using funds it has earmarked for its social responsibility goals for the good of itself and the stakeholders. Stronger levels of disclosure and promotion can be strategically managed, allowing top corporation managers to concentrate on shareholder and other non – CSR stakeholder needs and interests. CSR programs can be linked to the firm's marketing departments so that better publicity and communication regarding CSR efforts reaches the stakeholders and consumers.

Regardless of whether a firm has a formal sustainability function, the benefits of increased social practices disclosure go beyond consumers and shareholders. There is a need for reviewing the existing accounting system with the objective of determining how CSR costs are presently accounted for and disclosed, given that the costs are attributed to products by way of arbitrary allocations and at times by some form of activity based costing. The task of listing CSR costs to be analyzed and the bases of allocation currently being employed will require close work with the accounting staff. Some costs might be ‘hidden’ though. Identification of social responsibility revenues or even cost cutting opportunities currently being ignored is an issue to consider. Care should be taken to answer questions like: where can improvements be made? Can waste be better sorted and recycled? Is waste being generated because of inferior materials being acquired, faulty equipment or negligent staff? How would such initiatives influence costs? The accounting system adopted should have clear and accurate disclosure mechanisms. In today’s capital intensive and credit restrictive environment, business managers should embrace methods of gaining access to lenders and investors and this is possible through disclosure. The same recommendation was given by Ullman (1985)

Lastly it is also recommended that by using a case study approach a researcher may come up with a clearer understanding of the nature, type and extent of corporate social responsibility within each organization. A case study approach will also provide an understanding of the motivation behind CSR and the impact of such initiatives

### **5.3 Limitation and suggestion for further study**

The study has some limitations. The first one is the study sample area was limited only in Addis Ababa but in order to make the research more representative, sample should be collected at least from the major cities which are the event included.

The second limitation of the study was no comparative study with other similar industry. When making a research comparative study use to get more information on the area of the study.

The other limitation of the study is focusing only on Market share from Business process.

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## **Appendix I**

**Addis Ababa University**

**School of School of Commerce**

**Department of Marketing Management**

**Masters Program in Marketing Management**

**Survey Questionnaire for The Effect of Corporate Social Responsibility on and Market Share.**

**To the Respondents,**

This questionnaire is designed to collect information regarding **The Effect of Corporate Social Responsibility on Market Share**. To fulfill the requirements of the master of Marketing management. The result of this questionnaire will be utilized for research purpose only.

To this end, we kindly request that you complete the following short questionnaire regarding the stated objective. It will take no longer than 10 minutes of your time. Your response is of the utmost importance to me.

Therefore, your genuine, honest, and prompt response is a valuable input for the quality and successful completion of the project.

### ***General Instructions***

- o There is no need of writing your name
- o In all cases where answer options are available please tick in the appropriate box.
- o For questions that demands your opinion, please try to honestly describe as per the questions on the space provided

**Thank you in advance for your cooperation**

## Part I General Information

This section of the questionnaire refers to general information about the respondents. The information will allow us to compare groups of respondents. Once again, your cooperation is appreciated.

### Respondent Particulars (please tick as appropriate)

1. Please tell us your gender:      M ☐      F ☐
2. Please tell us which range best describes your age:  
18-29 ☐    30-39 ☐    40-49 ☐    50-59 ☐    60 or over ☐
3. What function you involved with?
  - ☐ Finance
  - ☐ Production
  - ☐ Quality Control
  - ☐ Sales and Marketing
  - ☐ Management
  - ☐ Others (please specify) .....
4. For how many years have you been with your company?
  - ☐ Less than 5
  - ☐ 5 or more

### Section 1

5. Does the Your company have a Corporate Social Responsibility policy?
  - ☐ Yes
  - ☐ No
6. If YES in 5, is this policy written down?
  - ☐ Yes
  - ☐ No

## 7. Factors that influence the practice of CSR

Please indicate your level of agreement in respect to the following statements as they relate to CSR practice of your organization (**please tick or circle:** 1 = strongly disagree, 5 = strongly agree)

<b>Caring for the customers and community/Environmental oriented</b>		<b>Circle Only one Option in 1-5</b>				
a.	Addressing community needs influences Your company's CSR practice	1	2	3	4	5
b.	Community acceptance influences Your company's CSR practice	1	2	3	4	5
c.	Better contribution to community influences the Company's CSR practice	1	2	3	4	5
d.	Environmental conservation influences Your company's CSR practice	1	2	3	4	5
<b>Profit through caring</b>						
a.	Enhanced staff morale influences Your company's CSR practice	1	2	3	4	5
b.	Improved staff welfare influences Your company's CSR practice	1	2	3	4	5
<b>Business Performance of the company</b>						
a.	Profit maximization influences Your company's CSR practice	1	2	3	4	5
b.	Long-term survival influences Your company's CSR practice	1	2	3	4	5
c.	Customer approval influences Your company's CSR practice	1	2	3	4	5
d.	Customer loyalty maintenance influences the Group's CSR practice	1	2	3	4	5
e.	Enhancement of corporate image influences the Group's CSR practice	1	2	3	4	5

## Section 2

### 8. CSR Elements

Please indicate your level of agreement in respect to the following statements (**please tick or circle**: 1 = strongly disagree, 5 = strongly agree)

<b>Community oriented Responsibility</b>		1	2	3	4	5
a.	Your company attempts to identify and measure costs of social responsibility activities.	1	2	3	4	5
b.	Is your company strive to be good corporate citizens by contributing to community well being	1	2	3	4	5
c.	Does your company recognize their responsibility to work in partnership with the communities in which they operate	1	2	3	4	5
d.	Community oriented Responsibility will help on sells and market share of the company	1	2	3	4	5
<b>Environment oriented Responsibility</b>						
a.	Environmental oriented responsibilities attributes have improved in the last 4 years	1	2	3	4	5
b.	Is your company Involving in Pollution prevention through conducting operations in a manner that prevents pollution, conserves resources, and proactively addresses past environmental contamination	1	2	3	4	5
c.	Environmental oriented responsibilities will help the company on Market Share	1	2	3	4	5
d.	Integrating environmental management into business and decision making processes, regularly measuring performance, and practicing continual improvement will help the company business process	1	2	3	4	5
<b>Customer oriented Responsibility</b>						
a.	Customer oriented responsibilities have improved over the years	1	2	3	4	5
b.	Is your company providing goods and services hallmarked by integrity, quality and care.	1	2	3	4	5

c.	Customer rights like rights to safe products, rights to all relevant information about the product should be left to prevail	1	2	3	4	5
d.	New products and services have been developed in the last 4 years to satisfy customers	1	2	3	4	5
e.	The more customer satisfied more sales and profit will be gained	1	2	3	4	5
<b>Legal responsibilities</b>						
a.	Does your company pay tax without any interruption and timely?	1	2	3	4	5
b.	Are managers of the organization informed about relevant environmental laws?	1	2	3	4	5
c.	Do your company's products meet the legal standards?	1	2	3	4	5
d.	Does your organization always honor contractual obligations?	1	2	3	4	5

## Section 4

### 10. CSR and Business Market Share

Please indicate your level of agreement in respect to the following statements (**please tick or circle as appropriate**: 1 = strongly disagree, 5 = strongly agree)

Customer oriented Responsibility						
a.	CSR has an effect on Customer satisfaction	1	2	3	4	5
b.	CSR has an effect on internal business processes of Your Company	1	2	3	4	5
c.	CSR has an effect on Your company's competitiveness	1	2	3	4	5
d.	CSR has an effect on Your company's sells	1	2	3	4	5
e.	CSR has an effect on Your company's profitability	1	2	3	4	5
f.	CSR has an effect on Your company's Market Share	1	2	3	4	5
g.	CSR has an effect on attainment of Company objectives/goals	1	2	3	4	5

## Section 5

For management only

11. In your opinion, does your company align Corporate Social Responsibility with Financial priorities?

☐ Yes

☐ No

12. Is CSR part of the Company's annual budget

☐ Yes

☐ No

13. What percentage of the budget is allocated to CSR?

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14. General Comments

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**Thank you for your participation!**

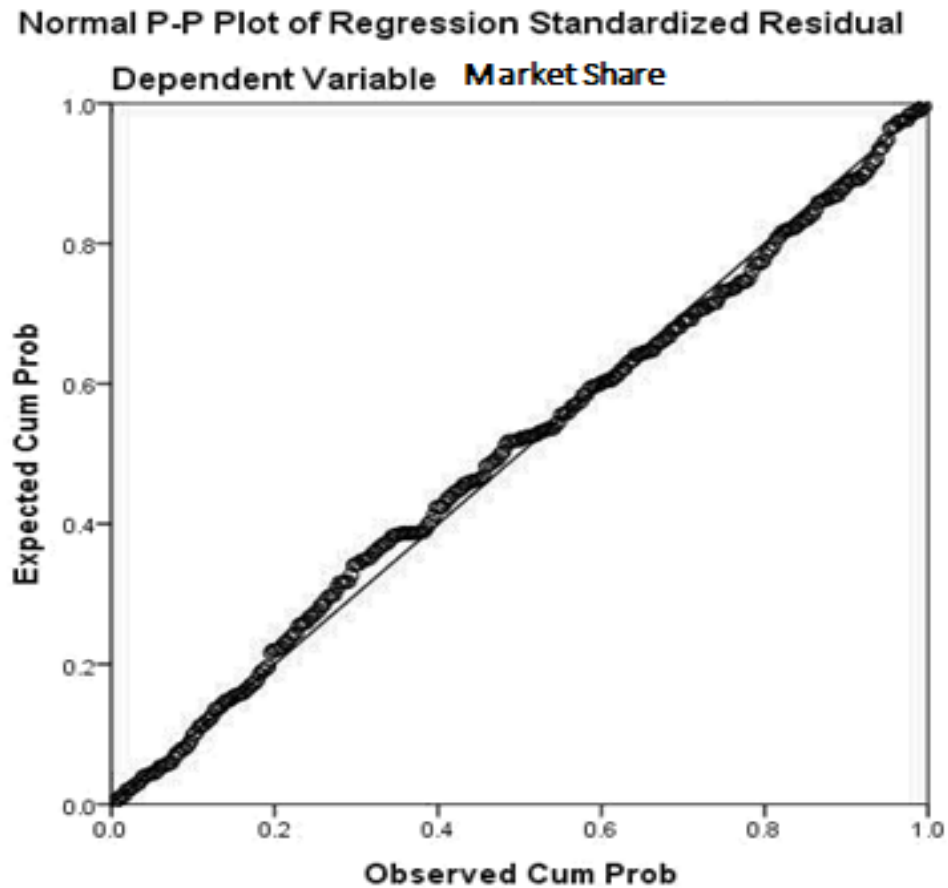


## **Appendix II: Interview guide**

1. Does the company have a CSR policy? If yes, is this policy written down?
2. How do you find the CSR policies of the company?
3. What influences management's engagement in CSR?
4. Does Government have a role towards organizational behavior?
5. Are there any specific regulations, statutory or otherwise that the company should comply with as regards CSR?
6. Of what value is engaging in CSR to the business?
7. What different approaches has management instituted in the practice of CSR?
8. In your opinion, does engagement in CSR have any effect on the business performance and operations of the business?
9. What effect has CSR on stakeholder relationships and satisfaction with the business' undertakings?
10. How does management incorporate CSR costs into the overall business operations?
11. What more do you think the company should do to make better its CSR engagements?

## Appendix III

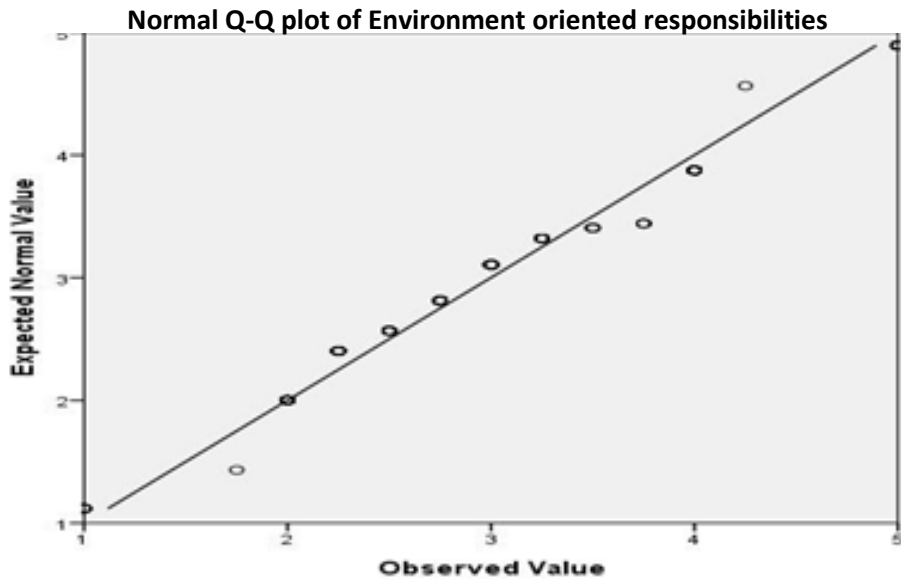
### Normal P-Plot of Regression Standardized Residuals



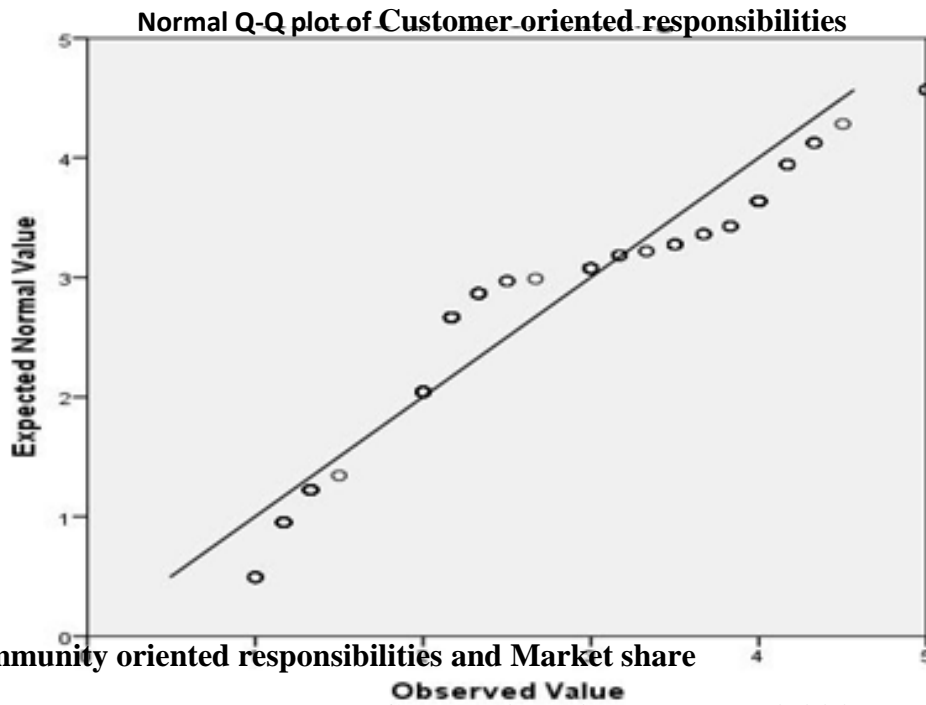
## Appendix IV

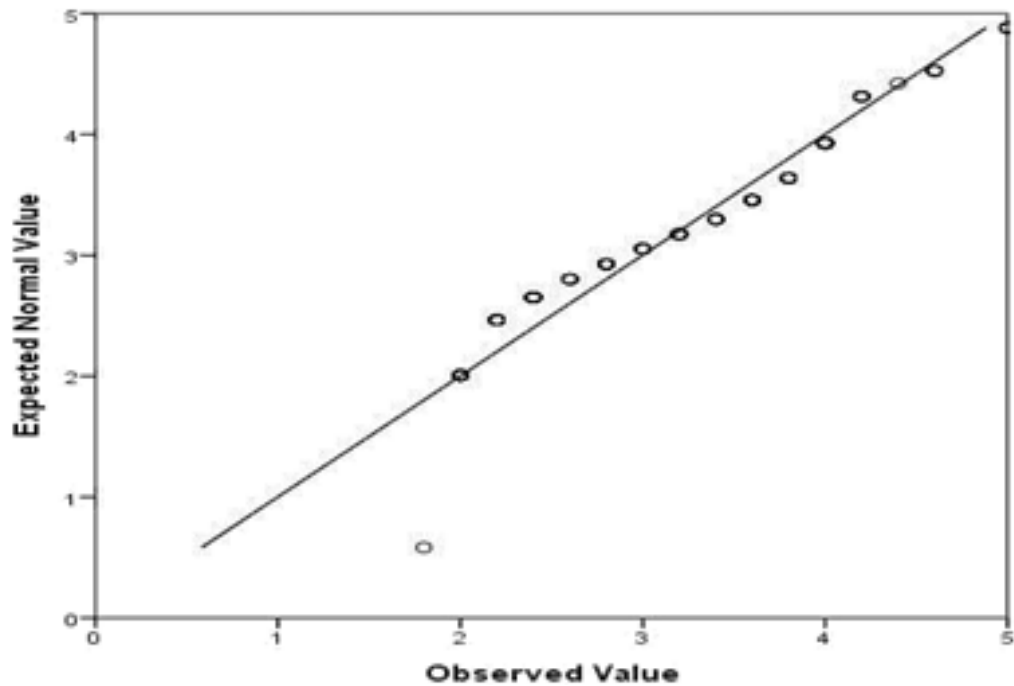
### Scatter plot linearity test for CSR elements with Market Share

#### Environment oriented responsibilities and Market share

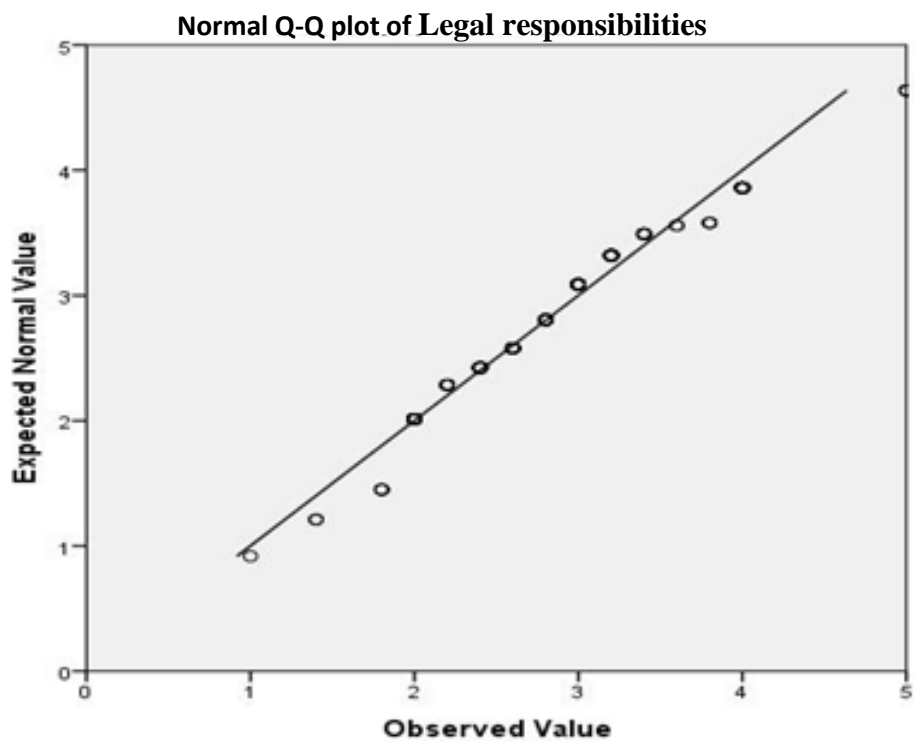


#### Customer oriented responsibilities and Market share





Legal responsibilities and Market share



## Appendix V

### Scatter plot homoscedasticity test for CSR mix elements and Market Share

