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**DEPARTMENT OF MARKETING MANAGEMENT**

**ASSESSMENT OF CORPORATE SOCIAL RESPONSIBILITY: IN CASE OF  
SELECTED CONSTRUCTION COMPANIES IN ADDIS ABABA**

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on Master of Marketing Management**

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This is to certify that the thesis prepared by Etsegenet Merekegn entitled: ASSESSMENT OF CORPORATE SOCIAL RESPONSIBILITY: IN CASE OF SELECTED CONSTRUCTION COMPANIES IN ADDIS ABABA: in partial fulfillment of the requirements for the award of Master's Degree in Marketing Management with the regulations of the College and meets the accepted standards with respect to originality and quality.

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## STATEMENT OF DECCLARATION

I, Etsegenet Merekegn, hereby declare that this Master Thesis titled “**ASSESSMENT OF CORPORATE SOCIAL RESPONSIBILITY: IN CASE OF SELECTED CONSTRUCTION COMPANIES IN ADDIS ABABA**” is my professional work and this study has not been submitted for the award of any program or any other institution. I have carried out the present study independently with the guidance and support of the research advisor. Accordingly, any other research or academic sources used here in this study have been duly acknowledged.

By: Etsegenet Merekegn

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## **CERTIFICATE**

This is to confirm that the work embodied in the accompanying thesis entitled ASSESSMENT OF CORPORATE SOCIAL RESPONSIBILITY: IN CASE OF SELECTED CONSTRUCTION COMPANIES IN ADDIS ABABA: has been carried out by the candidate under my supervision and guidance and that the candidate can fulfill the requirements of the regulations laid down for the partial fulfillment of the requirement of the Degree of Masters on Business from the College.

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## **Abstract**

*This study tried to examine the existing gaps, concepts, determinants, factors and effects that firm values have been contested for many years and still represent one of the most unresolved issues in corporate social responsibility, sustainability reporting, literature. The primary purpose of this study is to assess the determinate factors corporate social responsibility to value based management with the case of the selected construction firms in Addis Ababa. Accordingly a purposive sample of six construction companies has been considered with 54 participants. The quantitative and qualitative research approach was applied using a Cross-sectional case study method and the researcher employed probability and non-probability sampling technique to select the sample from each firm and to make the sample more representative of the population. The data is analyzed using Likert Scales as well as effect model. The study identified various factors play a prominent role in shaping the environmental, economical and societal impacts of constructions on the one hand, and deciding on its cost structure on the other: the property developer, the general contractor, the investor, and the future user and owner. Only if at least one of these key factors required, CSR measures are implemented. As this study revealed, the Ethiopian government should design appropriate corporate social responsibility framework and impede to all organization to adopt it as their obligation. Based on the finding the researcher recommended that for all stakeholders in the country the issue of corporate social responsibility is not in well expansion and the societies are not aware about it. Thus, awareness to leadership campaigns should be mobilized to press businesses responsible, to doing the CSR performance, and protect our environment, controlling the wastages, support the community and protect social welfare of the societies to got positive impacts, although many of the firms conceive CSR as marketing and branding effects.*

**Key words; corporate social responsibility, value based management, construction industry, core business operation, sustainability;**

# CHAPTER ONE

## Introduction

This study aims to examine the existing gaps, concepts, determinants, factors and effects that firm values have been contested for many years and still represent one of the most unresolved issues in corporate social responsibility, sustainability reporting, value based management literature. Thus, the primary purpose of this study is to assess the determinant issues and the practices of the construction firms' corporate responsibility to value based management with the case of the selected construction firms in Addis Ababa. Overall, introduction part of this study includes background of the study, statement of the problem, research questions, general and specific objectives, significant of the study, scopes and organization of the study.

### 1.1. Background

According to Armstrong (2013), and Joseph et.al (2014), there are important elements of corporate social responsibility (CSR) that are relevant to the goal of shareholder value maximization. Specifically, honoring implicit contracts with stakeholders is both valuable to the firm's shareholders and consistent with important elements of CSR. As revealed in various studies, CSR can involve a range of activities such as working in partnership with local communities, socially sensitive investment, developing relationships with employees, customers and their families, and involving in activities for environmental conservation and sustainability (Sheldon and Park, 2011). In this regard, core values for many construction firms involve integrity and honest, accountability and responsibility, motivated and professionalism, safety and quality, continues learning. According to Harvard Business Review, Stulz (2013) sets out Perhaps the best-known type of reputation management activity or program is corporate philanthropy. There is some evidence that companies make charitable contributions and have their own charitable foundations have better corporate reputations than their counterparts. On the other hand, there is also evidence that much if not most of a company's public image derives from its competitive performance. Social responsibility has been widely adopted as businesses are increasingly expected to respond to emerging social and environmental issues. It has become a dominant topic, drawing increasing attention from academics and business leaders from all sectors. However, there is no agreed universal definition of SR. Clearly, the lack of agreement is

not new, and Votaw (2009) stated that SR is an intelligent term that means something different to everyone. In a business context, SR can be defined as the responsibility of an organization to maximize the positive impacts on stakeholders, while minimizing negative impacts. As a result, companies should aim to minimize the negative impacts of their decisions and business activities, while maximizing their positive effects by improving a wide range of societal and environmental problems.

The initial philanthropic approach was however quickly neglected by numerous scholars (Fredrick, 1960; Davis, 1960), and replaced with the shareholder theory. Proponents of the shareholder theory argue that CSR is a waste of valuable firm resources that could otherwise be deployed into a value-creating context (Friedman, 1962, 1970). Contrasting to that, Carroll first introduced the concept of firm responsibilities towards the society in 1979, and thereby initiated the stakeholder perspective on CSR (Carroll, 1979). As discussed by various scholars, CSR involves actions that can help organizations maintain their business value and improve their relationships with stakeholders. On the other hand, the sustainability and expansion of construction firms' business operation requires maintaining a standardized CSR with value based performance management approaches.

Number researches have been conducted, regarding CSR and value based performance and its effect on reputations as well as organizational performance. As Mckinnon, etal 2015 discussed CSR has the potential to make positive contributions to the development of society and businesses. More and more organizations are beginning to see the benefits from setting up CSR program. The CSR progress is spreading over the world and in recent years a large number of methods and frameworks have been developed, the majority being developed in the West. There are many who have investigated the effects of globalization and global capitalism. In the commencement most people viewed the globalization as the best system with regard to contributing to wealth creation.

As Mckinnon, et.al.(2015) discussed value based management system serves as integration tool elements of employees' participation on corporate social responsibility efforts. The concept of social responsibility is merely a first step towards social effectiveness of business. It is the philosophy which justifies business involvement in its social community, but philosophy by itself is incomplete. It must be followed by effective social action. In the words of Philosophy

without program is a shadow without substance. Perhaps, one should take, therefore, less of corporate social responsibilities and more of corporate social responses. The former is too suggestive of legalism and the notion of fixed obligations; the latter, more open, permits voluntary and creative undertaking by business on behalf of society's larger need (Sherwin, 1983, Mckinnon, 2015).

In the context of Ethiopia, even though some researches were conducted in the area, like by KassayeDeyassa (2018) Girma (2014) and Solomon (2015), many of these studies that have been done on the effect of CSR on organizational performance within civil service. Many studies tried to examine how companies and organizations in Ethiopia view their role and part in reaching sustainable growth and development, and to find out what the learning experiences are.

Many of these have little emphasized benefiting factors of CSR and how these are affecting the core business operations profitability of construction firms. Additionally, the findings little pointed out how the present normative implications and recommendations should be forwarded for the public policy and corporate strategy, by drawing from emerging insights regarding the global competitions and responsibilities of corporations. The empirical evidences need to be re-specified in light of the current phenomenon and with respect to CSR behavior aspects remain relevant.

The study, therefore, will be trying at bridging the existing knowledge gaps by endeavoring to provide answers and to demonstrate factors as well as practices of Corporate Social Responsibility system with value-based management and performance of core business operations of Construction firms of Ethiopia. .

## **1.2. Statements of the Problem:**

Globally, the construction industry is often publicly viewed as being irresponsible because of their adverse social and environmental impact which suggests that the industry is lagging behind other industries (Carroll, 2015, Takahashi, Ellen, Brown, etal, 2013). With regards to social responsibility implementation mainly due to the fragmented and diverse nature of the industry, the construction Company might need to explain what they stand for; How CSR is carried out, how society gets benefit from such actions.

Because of the open working places that construction industry operations such as road construction, building, and manufacturing, there is a great tendency of gender based violence mostly against women and girls that work as laborers in the construction sites. More importantly, the companies' response and prevention of gender based violence strategic mechanisms should be thoroughly investigated. As discussed by various empirical studies, construction organizations and their projects face the critical challenge of understanding the strategic importance of CSR and benefits associated with its implementation at both organizational and project levels. This is argued by Murray and Dainty (2012) who stated that the construction industry has many reasons to implement CSR practices as it is being watched and monitored by governments, environmentalists and the media.

In the study conducted by Sharma and Mani (2013), lower and higher criticism of societies on corporate companies will depend according to the companies CSR practice. The choice of corporate social responsibility structure is one of the most important strategic decisions of firm According to Debemitra (2015) and Kvatchadze (2017), Social responsibility is one of the best strategies for simultaneously meeting the challenge of reducing negative environmental impacts, improving social progress and enhancing economic growth, in turn this maximizes values and brands. This is aligned with studies such as Jiao & Cloninger (2013), which state that the main aim of SR within the context of construction projects is to maintain an adequate balance between economic, social and environmental impacts.

Even though many studies have examined CSR practices, implementation, performance and benefits, few have been dedicated to understanding the barriers to SR implementation within construction projects, especially mega-construction projects. Robert kudlak, Aquinis and Kraiger (2014), also argue that implementation of a well-designed CSR system can strength an organization in several ways such as employee retention, affective commitment, increase in employee self-efficacy and competitiveness hence increased satisfaction (in areas of recognition and experiencing growth) as well as improved productivity on core business operations. However, the debate on the important determinants of social responsibility structure and firm value have been contested for many years and still represent one of the most unresolved issues in corporate human resource and value based literature.

The previous research works have explored various concepts and the debate on what drives companies to CSR decisions and their impacts on overall organizational performance improvement. Accordingly, corporate Social Responsibility was found to have a strong positive relationship with economic, legal, ethical and philanthropy responsibilities. The results from such studies indicated that economic legal and ethical responsibilities practices are at the begging stage whereas firms are not practicing philanthropy responsibilities. Thus, in competitive advantage, social & political legitimacy, employees motivation and. reputations, are the most determining factors of Corporate Social Responsibility ,and challenges to practice corporate social responsibility in the firm lack of specific legislation, lack of institutions assist or low government intervention, poor stake holders integration, lack of clear guidelines & standardized metrics and lack of corporate skill ,And there is lack of awareness about the concept of Corporate Social Responsibility. Thus, further investigations should be made in order find strategies to strengthen legal infrastructures/ enforcement and integrating stakeholders which should be critical in the sector in particular for construction corporate sectors in general (Debemitra, 2015 and Kvatchadze 2017).

In the context of Ethiopia, however, there are a few studies in relation to corporate social responsibility performances and the roles on firm's core business operations or productivity. Studies conducted, like by Girma (2014), Solomon (2015), and Yordanos M (2013) have tried to explore the effect of CSR on firms' performance that often explained in the aviation industry i.e Ethiopian airlines. According to the researcher's knowledge many of those studies and their arguments, hypotheses or problems are not only well suited with research design they adopted, but also a few of the developed theories have been tested by empirical studies. Somehow the theories themselves lead to different, not mutually exclusive and sometimes opposing result and conclusions have been suggested.

The results little pointed out how to examine the relation between creating system for company's CSR implementation strategy and how it improves positive images of the company. To tackle these issues, the study tried to summarize existing dialog among theorists, identifying how most theorist in construction business expansion and value based management strategy.

Therefore, there should be strong grounds for a separate study on important factors of CSR with value based management and profitability of the construction institutions of Ethiopia by

emphasizing on their core business operations and performances. For the purpose of these study core business operations of construction firms is defined as ‘the operation of road construction, building complexes, water, mining and related construction activities.

As such lot of studies related to economic impact of Constructions was conducted and they paid scanty attention to social responsibility and impact of Construction businesses through social accounting and reporting by adopting social statement approach. Even though the constructions are serving the community directly or indirectly their sight to the concept CSR is not considered in clear theoretical and scientific meaning both by the companies, their staff members, academic institutions and the government. Hence, constructions and their Stakeholders” have a little knowhow about social responsibility and sustainability report in its special mission in Ethiopia; this research could spark a light for them to know what Construction Social

Responsibility is and how to incorporate in their strategic plan as social obligatory tool.

Thus, this research is tried to examine determining factors of corporate social responsibilities while focusing on worth theoretical and/or practical approaches as well as assessing other important factors on the context of core business performances of selected big Construction businesses in Ethiopia at Addis Ababa.

### **1.3. Research Hypothesis**

1. There is insignificant relation between CSR and improved positive images of construction firms
2. The availability of Corporate social responsibility policy has no significant effect on firm values
3. Value based Management have insignificant influence on corporate social responsibility performance of Construction firms in Ethiopia
4. There is insignificant effect of creating system for CSR implementation and communication strategy, branding and marketing of the construction services.
5. There is no relationship between CSR and economic, legal, ethical and philanthropic responsibilities in construction managers’ perception.



## **1.4. Research Objectives**

### **1.4.1. General Objectives**

The general objective of this study is to explore the effect of Corporate Social Responsibility system with value based management performance of core business operations of the of Construction firms of Ethiopia.

### **1.4.2 Specific objectives:**

- To asses significance of CSR e for improved performance of core business operation of construction firms.
- To examine the effect of corporate social responsibility policy on construction firms value
- To analyze influencing factors affecting the Corporate Social Responsibility initiatives and value based Management performance of construction firms in Ethiopia.
- To examine the effect of creating system for CSR implementation strategy on improved positive images, branding and marketing of the construction services.
- To investigate the Corporate Social Responsibility relationship with economic, legal, ethical and philanthropy responsibilities in managers perception

## **1.5. Significance of the Study**

This study will have a practical significance in creating consolidating the understanding of employees' corporate social responsibility that wiil always be crucial for construction organizations in the modern competitive world. Thereby, it becomes obvious why many businesses lay special emphasis on the factors increasing firm's values in general and big construction firms of Ethiopia in particular in Addis Ababa.

It will provide valuable information about the current situation and construction firms' practices and value-based approaches are going well by the standards and policies that can bring a potential performance growth and a sustainable profit through effective CSR and value based management trend. As this research wiil initially be conducted by a student researcher as a

fulfillment of the post graduate degree requirement, it will add research knowledge and skills for the researcher. Moreover, the recommendation and the suggested possible solutions for the identified gaps can be used as an input for assessing practicability of corporate decision, and management.

It will serve as reference for construction managers to equip them with improved CSR performance system with applied knowledge of identifying the potential problems so that to meet values and wealth maximization goal of firms.

In addition, it will serve as a base for policy makers such as Urban development and Construction minister of Ethiopia, professional associations, construction sector associations and the likes to look at the appropriate CSR standards for construction firms performance system. Besides, it will also serve as a reference for other researchers in the area of corporate social responsibility and how to improve firms' value systems.

#### **1.6. Scope of the study**

Conceptually, CSR is a very broad concept that addresses many and various topics such as human rights, corporate governance, health and safety, environmental effects, working conditions and contribution to economic development. Thus, the scope of this study is to the examination of the effects of CSR system to value based management as well as to explore significant impacts on performance of core business operations of big construction firms ( Grade I, II or III) of Addis Ababa over the period of 5 years (2014/15 to 2019/20). Therefore, geographically the study is delimited to Addis Ababa, with selected construction firms at corporate level. For the purpose of this study CSR is limited to drive changes towards sustainability.

With regard to methodologically, the study it is delimited to explanatory and descriptive research design with active secondary evidence and case studies with primary data which are mandatory for the researcher to measure the dependent variable (CSR) as well as the proxies of the independent variables (performance of core business operations, firms value, brand image, acceptance by the community). According to Kingir Mesci and Stephen (2015), the research in recent years has to demonstrate the presence of direct relationship between CSR and value based management to organizational performance.

As another limitation, there are little model standards on CSR performance measurement and econometric test well known that adequately justify and study. As result, empirical evidence based analysis is employed to resolve existing gaps.

### **1.7. Organization of the Study**

This thesis has three major parts. The first part presents the overall introduction part that is consisting of introduction/background of the study and the organization, statement of the Problem, objectives of the study, scope of the study and its significance. The second deals with review of various literatures, while including similar studies and empirical literatures that relates. Part three involves the suitable research design and methodology being utilized to answer the researcher objectives, question or test hypothesis, which includes research approach, research design, research methodology, the data collection methods and tools, the sources of data, sampling design and data analysis.

## CHAPTER TWO

### REVIEW OF RELATED LITERATURES

#### 2. Introduction

This chapter presents the reviews of literatures and empirical evidences pertained to Corporate Social Responsibilities, firms value creation, as well similar issues in construction industry. Finally, the conceptual framework is designed by the researcher based on the reviewed literatures and empirical evidences.

#### 2.1. Theoretical Framework

##### 2.1.1 The development and Basic Definitions of CSR

According to (AsaHelg, 2007), "...H. R. Bowen is considered the man who introduced the modern debate about CSR. In 1953 Bowen initially proposed the term CSR suggesting that business should take into accordance the objectives and values of the society (Wartick & Cochran, 1985). However, Mitchell (1989; in Windsor, 2001) has actually traced the emergence of the concept of CSR back to the 1920s as an ideological movement intended to legitimize the power of large companies. Carroll (1989) goes even further back in time claiming that Adam Smith's classic economic model "the invisible hand" from the 19th century was an example of business' early social responsibility. Simply put, Smith argued that if business responded to market demands, society would get what it wanted (Carroll, 1989

Corporate Social Responsibility (CSR) is a very broad concept that addresses many and various topics such as human rights, corporate governance, health and safety, environmental effects, working conditions and contribution to economic development. According to various literatures, CSR is a concept with many definitions and practices. The way it is understood and implemented differs greatly for each company and country. Whatever the definition is, the purpose of CSR is to drive change towards sustainability.

Although some companies may achieve remarkable efforts with unique CSR initiatives, it is difficult to be on the forefront on all aspects of CSR. Mallen Baker's Respectful Business Blog (2004) cited the World Business Council for Sustainable Development in its publication

„Making Good Business Sense" by Lord Holme and Richard Watts, definition as follows: Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large.

Karthikeyan (2013) comprehensive work on the social responsibility of Cooperatives through social statements approach is scarce. In fact, the need for studies on Cooperative social responsibility was felt only during recent years. As such lot of studies related to economic impact of Cooperatives was conducted and they paid scanty attention to social responsibility and impact of Cooperatives through social accounting and reporting by adopting social statement approach as well as employing value based management practices.

According to Desta (2016), the role of value based managements have been much appreciated on the corporate social responsibility theories. Value based management is critically important for the development of organizational brands public images and sustainability.

### **2.1.2 CSR Concept in Low and Medium Income Countries**

The idea of CSR aims both to study the role of business in society and to make the most of the positive societal out- comes of business activity. In practice, much of the business activity that has so far been labeled, CSR has been driven by the concerns of investors, companies, campaign groups and consumers based in the world's richest countries CSR concept in developing countries have been less visible globally and have frequently not been labeled CSR. The effect has been CSR practices that are mainly framed in wealthy countries, then internationalized and transferred to other businesses and social settings through global trade, investment, and development backing. The strategic challenge for governments at national and local levels is how best to form a program that has been mostly market driven and responsive to concerns of developed country stakeholders (UN, 2007). In a relative survey of CSR in fifteen countries in Europe, North America, and Asia, Welford (2005) hypothesizes that the low response rates from countries like Hong Kong, Malaysia, Mexico, and Thailand may in itself be a sign of CSR being less widespread in developing countries. This seems to be borne out by the research findings, in which these countries quite consistently underperform when compared with developed countries across twenty features of CSR measured by the survey. CSR is evenly contested idea (Moon,

2002b). The challenge for CSR in developing countries is framed by an idea that was distilled in 2000 into the Millennium Development Goals, a world with less poverty, hunger and disease, greater survival prospects for mothers and their infants, better educated children, equal opportunities for women, and a healthier environment'(UN, 2006: 3). According to a study of CSR reporting in Asia, (Chappell and Moon, 2005) found that almost three quarters of large companies in India present themselves as having CSR policies and practices versus only a quarter in Indonesia. Falling somewhere between these two extremes are Thailand, Malaysia, and the Philippines 42%, 32% and 30% respectively. Moreover, they gather from the research that the evolution of CSR in Asia tends to take place in three waves, with community participation being the most established form of CSR following by successive second and third waves of socially responsible production processes and employee relations. A review of literature on CSR in Africa is mainly dominated by South Africa while other pockets of research exist for Kenya, Nigeria and very few papers are focused on industry sectors, with traditionally high impact sectors like agriculture. This is confirmed by a review of the CSR literature on Africa between 1995 and 2005 (Visser, 2006a), which found that that only twelve of Africa's fifty-three countries have had any research published in core CSR journals, with 57% of all articles focused on South Africa and 16% on Nigeria. CSR in South America is the least covered of the developing country regions, with the center mainly on Argentina, Brazil and Mexico, even though Nicaragua and Venezuela also feature.

One useful collection of papers is the Journal of Corporate Citizenship special issue on CSR in South America (Haslam, 2007). (De Oliveira, 2006) notes that the CSR agenda in South America has been mainly shaped by socioeconomic and political conditions, which have tended to make worse many environmental and social problems such as deforestation, unemployment, inequality, and crime. (Schmidheiny, 2006) frames this in a positive way, claiming that CSR is considered by a lot of South Americans as the hope for optimistic change in the face of persistent poverty, environmental degradation, corruption, and economic stagnation.

### **2.1.3. CSR Drivers in Low and Medium Income Countries**

According to ( Wayne Visser, 2005), the vital question of what makes CSR in low and medium countries unlike from its typical manifestation in the developed countries, as stated by America and Europe. An influential way he did this was by examining diverse drivers for CSR in

developing countries. Even if they are not all unique to developing countries, jointly they build up a unique picture of how CSR is conceived, incentivized, and practiced in emerging economies. He have identified ten r^or drivers for CSR in developing countries, as iillustrated in Figure 5 and discussed below. Internal drivers refer to pressures from within the country, while external drivers tend to have a global origin.(KassayeDeyassa 2016 ).

#### **2.1.4. Benefits of Corporate Social Responsibility**

Gustafson, (2006 ) In implementing CSR organizations should articulate a relevant CSR philosophy based on the scope and reach of the business and incorporate it in the mission and the vision; appoint an executive leader as the CSR officer to be the cheerleader, watchdog and the subject matter of initiatives; incorporate CSR in the long -range strategic planning to guarantee continuity and commitment; constantly communicate the results of the ongoing efforts to all the stakeholders and publicly celebrate the successes .Finally they should use the same kind of energy, initiative and commitment to develop, integrate and implement CSR programs as it does for the other core business of the firm ().

Asemah .E (2016), corporate social responsibility is the managerial obligation to take actions that protect and improve both the welfare of society as a whole and the interests of the organization. And corporate social responsibility enhance brand and reputation, reduce operation costs, attract new customers, balances power with responsibility, discourages government regulation, improves a company's public image, promotes long run profit, improved relations with the investment community and better access to capital, enhanced employee relations, productivity and innovation and stronger relations within communities through stakeholder engagement. Similarly, Maimunah I (2009) Corporate social responsibility plays great roles in community development in creating closer ties and interdependencies between corporations and community, sharing the costs the society has to pay due to environmental degradation, transfer of technology from international companies to developing countries, environmental protection measures that done together by corporation and the communities, poverty alleviation in the communities, human right advocacy and in data gathering by ICT firms to facilitate public organization functions.

In addition Centre for Economic and Social Development (2013), to be sustainable a business has to integrate the economic, social, and environmental dimensions of sustainable development. Moreover Oyewole .S and Adewale. D (2016), the implementation of a sustainable business model is a precondition for promoting sustainable development via CSR. Moreover Galbreath.J (2009) corporate social responsibility diminishes employee turnover while improving customer satisfaction. Therefore practicing corporate social responsibility helps to maintain experienced experts, customers create smooth relation among stake holders and safeguard the environment generally (AbdetaTakele 20118).

### **2.1.5 Theories of Moral Development: Origin of Social Value**

For the purpose of this study, three theories have been reviewed and conceptualized in order to assess the relation of companies or employees' ethical performance, moral development and motivation. These include; 1) Kohlberg's Theory of Moral Development, 2) Gilligan's Theory of Women's Moral Development, and Rest's Neo- Kohlbergian Approach. Among these theorists, the Kohlberg's theory of moral/ethical development in relation to social responsibility behavior discussed as follow.

Kohlberg's Theory is based on both psychology (Piaget) and moral philosophy (Rawls), is cognitive -developmental in nature. In this case, the empirical tie between moral and cognitive development is strong (PascarellaTerenzini, 2005). Focusing on the process of how individuals make moral judgments not the content of these decisions, Kohlberg saw such judgments as having qualities: - an emphasis on value rather than fact, - an effect on a person or persons, and - a requirement that action be taken (Colby, Kohlberg, & Kauffman, 1987).

Kohlberg was one of the first to study the moral development of adolescents and, later, college students. He examined the moral reasoning of persons and found their reasoning proceeded through invariant and qualitatively different stages. He identified three more advanced stages of thinking and revised the definitions of the three earlier stages that Piaget had identified.

Three criteria frame Kohlberg's stage theory (Walker, 1988). -



- The structure criterion is the most fundamental of the three characteristics. At a given stage, individuals exhibit a similar reasoning pattern regardless of the content or situation or motivation issues.
- The sequence criterion indicates that stages appear in a specific order, regardless of setting or experience (stages fixed). • not all will move through the stages at the same rate.
- The final stage characteristic is the hierarchy criterion. - It states that each successive stage is more highly developed than the previous one because it incorporates aspects of all earlier stages.

Kohlberg's Stages of Moral Reasoning • moral reasoning develops through a six-stage sequence grouped into three levels (Kohlberg, 1976)

- At level 1 (reconvention), individuals have not yet come to understand societal rules and expectations; - their perspective is concrete and individually focused.
- Level 2 (conventional) is called the "member - of - society" perspective: - individuals identify with the rules and expectations of others, especially authorities.
- Level 3 (post conventional or principled) is labeled the "prior -to -society" perspective. - Individuals separate themselves from the rules and expectations of others and base their decisions on self - chosen principles.

## **2.2 Empirical Literatures**

### **2.2.1 Determinants of Corporate Social Responsibility**

European initiatives on corporate social responsibility (2000) good practice of CSR should integrate environment(policies carried out by the company to reduce the environmental impact of its activities), labour practices/human resources( internal policies and processes oriented to the staff for the development of their work in a safe and healthy environment, equal opportunities, encouraging work-life balance, training, participation and dialogue, with the aim of permanent development),social Performance: Company participation on social, cultural and sporting

projects of the environment) and good administration (Set of rules and practices oriented to the appropriate decision-making inside the company (consensus, responsibility, efficiency, transparency, participation and law enforcement), so as to take into account the interests of the whole organization and society).

In general, this thesis tried measured the practices of corporate social responsibility by Carrolls CSR pyramid/model; economic responsibility, legal responsibility, ethical responsibility and philanthropic responsibility as well as morality development theory.

### **2.2.2 Empirical Studies on Carrolls Pyramid of CSR**

Carroll, in 1991, introduced a model of CSR that distinguishes four dimensions of responsibility that a business is regarded to cover (Carroll, 1991). According to Dartey (2011), Carrolls CSR pyramid is designed in a way that it covers all the four criteria of responsible business- "economic, legal, ethical (social) and philanthropic".

#### **2.2.2.1 The four-part definitional framework for CSR:**

The Carrolls four part definition of CSR was originally stated as follows: "Corporate social responsibility encompasses the economic, legal, ethical, and discretionary (philan - thropic) expectations that society has of organizations at a given point in time" (Carroll 1979,1991).

The Pyramid shows the four parts of CSR with economic performance as the fundamental block. Furthermore, it shows that as the responsibility to be ethical. At its most fundamental stage this is the responsibility to do what is right and to avoid harming actors. Lastly, business is expected to be a good corporate citizen. This is included in the philanthropic responsibility, where in business is expected to contribute financial and human resources to the society and to add the quality of life.

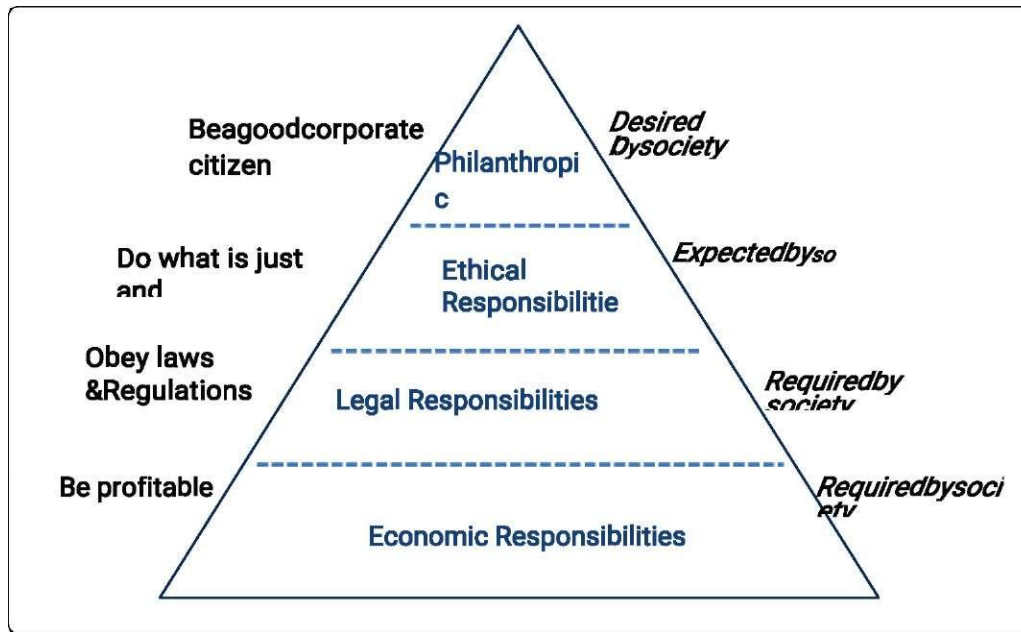


Fig 2.1 The Pyramids of Social Responsibility [Carroll, 1991]

### 2.2.2.2 Economic responsibilities

According to the Carroll's pyramid of CSR as a fundamental condition or requirement of existence, businesses have an economic responsibility to the society that permitted them to be created and sustained. At first, it may seem unusual to think about an economic expectation as a social responsibility, but this is what it is because society expects, indeed requires, business organizations to be able to sustain themselves and the only way this is possible is by being profitable and able to incentivize owners or share holders to invest and have enough resources to continue in operation. In its origins, society views business organizations as institutions that will produce and sell the goods and services it needs and desires. As an inducement, society allows businesses to take profits. Businesses create profits when they add value, and in doing this they benefit all the stakeholders of the business.

### 2.2.2.3 Legal responsibilities

Society has not only sanctioned businesses as economic entities, but it has also established the minimal ground rules under which businesses are expected to operate and function. These ground rules include laws and regulations and in effect reflect society's view of "codified ethics"

in that they articulate fundamental notions of fair business practices as established by lawmakers at federal, state and local levels.

Businesses are expected and required to comply with these laws and regulations as a condition of operating. It is not an accident that compliance officer's now occupy an important and high level position in company organization charts. When meeting these legal responsibilities, important expectations of business include their:

- Performing in manner consistent with expectations of government and law
- Complying with various federal, state, and local regulations
- Conducting themselves as law-abiding corporate citizens
- Fully filing all their legal obligations to societal stakeholders
- Providing goods and services that at least meet minimal legal requirements

#### **2.2.2.4 Ethical responsibilities**

As described by the pyramid, the normative expectations of most societies hold that laws are essential but not sufficient. In addition to what is required by laws and regulations, society expects businesses to operate and conduct their affairs in an ethical fashion. Taking on ethical responsibilities implies that organizations will embrace those activities, norms, standards and practices that even though they are not codified into law, are expected on the whole.

#### **2.2.2.5 Philanthropic responsibilities**

Corporate Philanthropy is when a business promotes the welfare of others. According to Wikipedia definition, corporate philanthropy is the act of corporation or business promoting the welfare of others, generally through charitable donations of funds or time. Corporate philanthropy includes all forms of business giving. Corporate philanthropy embraces business's voluntary or discretionary activities. Philanthropy or business giving may not be a responsibility in a literal sense, but it is normally expected by businesses today and is apart of the everyday expectations of the public. Certainly, the quantity and nature of these activities are voluntary or

discretionary. They are guided by business's desire to participate in social activities that are not mandated, not required by law, and not generally expected of business in an ethical sense.

According to Alemayeh D.(2020), among the benefits, Corporate philanthropy helps businesses and fosters employee engagement and generate business value. When business participates in corporate philanthropy, they are creating positive public images for themselves, enhancing their relationships with consumers and creating a positive work environment.

Corporate philanthropy helps support communities where companies are based. It supports corporate giving programs, which essentially lead to free money for nonprofits.

How can corporate philanthropy helps nonprofits? It helps through various methods of support, such as corporate matching gift programs and volunteer grants. The impact of donations and volunteering for nonprofits can be drastically increased with the help of corporate programs.

One of the difference between corporate philanthropy and corporate social responsibility, although they seem similar, corporate social responsibility describes the overall attitude of an organization toward society at large. While corporate philanthropy is a narrower form of corporate philanthropy.

## **2.3 Corporate Social Responsibility: Empirical Evidences**

### **2.3.1. Corporate social responsibility in construction industry: The Global perspective**

According to various literatures, for an initial understanding of the motivations behind the firms' interest in CSR it would be useful to review key corporate documents such as mission/vision statements for actual and potential CSR implications. According to various proponents to opponents view, the findings confirm the view that if CSR is to be regarded as an integral part of business decision- making, it must have a prominent place in a company's core business mission/vision statements (BSR, 2003). As example, there are both similarities and differences between Turkish and the UK corporate mission/vision statements. The mission/vision statements of the sampled companies are often effectively codes of "CSR" in themselves.

In addition, they have focused on the core values of their business to satisfy shareholders while continuing to be an agent of social and economic development through responsible construction, while Turkish firms reveals that they are similar in many respects to those of their UK counterparts, but are different in two respects. They focus more on public image and less on

survival and growth. Whereas the Turkish firms emphasize on cultural values of nature, harmony, relationships, and positive image projection and firms in the UK tend to be more eager to show that they "cared" about CSR issues, at least, on the surface, whereas Turkish firms are more likely to include CSR issues in their websites only as a response to stakeholders' scrutiny and pressures.

### **2.3.2. Why Should Companies Care about CSR?**

According to Armstone (2013), Joseph (2014), et al, there are important elements of corporate social responsibility (CSR) that are relevant to the goal of shareholder value maximization. Specifically, honoring implicit contracts with stakeholders is both valuable to the firm's shareholders and consistent with important elements of CSR. As just discussed, a good reputation has long been recognized as a source of value. Similarly those studies have shown that a reputation for producing quality products or services often enables companies to charge premium prices, attract better employees, and improve their access to financial markets. And as these findings would lead us to expect, research has also confirmed that companies with better reputations tend to have better operating performance.

Thus, there is reason to believe that companies with stronger reputations (all else being equal) have higher equity valuations. But such findings raise questions about the extent to which reputation contributes to improved performance, or whether the superior performance is responsible for a favorable reputation. Causality here is likely to go both ways. Although it is difficult to place a value on a company's reputational capital, a number of studies have documented significantly negative effects on value by events that tarnished corporate reputations.

Yet another source of investor pressure for CSR is activist investors. With regard to this, a survey by Grant Thornton (2007) of studied business executives reported a widespread belief that CSR can positively affect their bottom lines. According to the findings, the three greatest benefits were said to be improvements in: (1) public opinion, (2) customer relations, and (3) ability to attract and retain talent. Although environmental policies, community involvement, and human rights records may not have been important to previous generations of recruits when selecting potential employers, times appear to have changed.

### **2.3.3 Managing a Firm's Value or Reputation**

Various perspectives on CSR in general and on a firm's reputation for honoring its implicit contracts in particular is guided by the goal of shareholder wealth maximization. In this study firm's reputation means firm's value maximization. This means that enlightened shareholder self-interest rather than altruism is our guide. Barthorpe, S. (2010), studied on "Implementing corporate social responsibility in the UK construction industry". According to him, the term "enlightened shareholder self-interest" to emphasize the fact that the maximization of shareholder value involves more than meeting the firm's explicit contractual obligations. Specifically, as discussed earlier, it is in the interest of the firm's shareholders to manage the firm's reputational capital by making good on implicit promises to non-investor stakeholders. To be sure, the need for companies to invest in promoting their reputations for providing high-quality goods and services is not as great in markets where the quality of the goods and services can be readily verified at the time of the purchase.

According to Harvard Business Review, Stulz (2013) sets out Perhaps the best-known type of reputation management activity or program is corporate philanthropy. There is some evidence that companies that make charitable contributions and have their own charitable foundations have better corporate reputations than their counterparts. On the other hand, there is also evidence that much if not most of a company's public image derives from its competitive performance.

### **2.3.4 Social Responsibility with firms Value in the Construction Industry**

Many of the previous studies contended that CSR within mega-construction projects are fragmented with most of the existing CSR knowledge coming from studies that have reviewed online SR reports of large organizations (e.g., Jones et al.,) to the detriment of small organizations. Murray and Dainty argued that the landscape of CSR research has been established by topics such as corruption, community involvement, sustainable development, health and safety practice and the role of construction companies to alleviate poverty.

Furthermore, studies those have been conducted across the global experiences, like Petrovic-Lazarevic indicated that many Australian construction organizations implement SR to maintain their corporate image and highlighted that for corporations to be socially responsible they should improve corporate governance. Many of the studied firms like those in the context of the

Australian construction industry found that most of the firms apply ethical and economic responsibilities but limited attention was paid to the environmental and social dimensions as none of the investigated firms had a formal SR policy to refer to. This is aligned with the study of Glass (2006) who stated that SR within the construction industry is largely informal and in its early stage of development. Within the context of Malaysian property developers, an investigation into SR implementation found that most of the developers reported that their own initiatives differed from each other.

The proponents of the social responsibility at the respective of Africa like those supported by a study by Watts et al indicated that within the context of construction, SR can vary from company to company and is mostly integrated to sustain focus. This is due to the absence of SR reporting frameworks and a lack of a coherent strategy for the construction industry worldwide. A comparative study was conducted by Loose more et al. to evaluate the implementation of SR within the construction industry in Australia, New Zealand and Singapore. The results indicated that the main focus was on environmental activities. This is aligned with the study which revealed that SR activities within the construction stage are still unclear. Therefore, it is imperative to investigate factors that hinder SR implementation within mega-construction projects so that better engagement can be achieved.

Furthermore, most SR studies are conducted within developed countries. Due to differences in the environment in terms of levels of development, developing countries must base their development of CSR on studies and experiences of developed countries as a starting point. The knowledge of SR is promoted by western business concepts although the institutional system of a country determines CSR practices. According to Quazi and O'Brien (2012), social responsibility can involve different procedures within developed and developing countries, and are determined by the economic development stage of a country.

Wang et al. 2013 highlighted that the perception of CSR is determined by the knowledge and expertise in the construction industry. Knowledgeable and experienced construction professionals in SR have a higher perception of SR than end users who have limited knowledge of the concept. Lin et al (2017) emphasized that SR research within the context of the construction industry needs to be modernized in order to be abreast of SR research; the low level



of SR commitment reported in research; and cases of inadequate social performance by the construction industry

### **2.3.5 Resource based views vs. Value-creating effect of CSR in different institutional environments**

According to various empirical literatures, the resource-based view defines firms as unique bundles of resources (Williamson, 2008). This particular resource combination is however affected by transaction costs that can harm a firm's acquisition of new resources. As discussed by Garleanu & Pedersen, (2013), because of the importance of resources in the creation of competitive advantages, lower transaction costs and better access to resources can generate firm value (Foss & Foss, 2005). CSR initiatives can ease the access to resources by creating a tight network with resource-supplying stakeholders. CSR initiatives can take over the responsibilities of lacking market intermediaries and thereby drive transaction costs down. Providers of capital view CSR investing firms as highly transparent and low in short-termed opportunism (Donaldson, 1999). The access to external funding can therefore be facilitated by CSR initiatives that drive down information asymmetries and subsequently overall agency costs. CSR can lead to long lasting, benevolent relationships with firm stakeholders and this decreases firm's risk vulnerability and compliance expenditures (Godfrey, 2005).

### **2.3.6 CSR From Ethiopian Perspective and existing Practices;**

In the context of Ethiopia, perhaps most of the studies showed how values in the workplace are influenced by culture. Several literatures indicate that there are several barriers affecting the implementation of SR. In order to create interdependent relevant strategies to overcome the barriers efficiently, it is important that these barriers are acknowledged and understood by the decision-makers. These barriers can also be; therefore, the decision-makers would need to understand this interdependence to design effective policies to overcome them.

The main barriers that effect the implementation of SR are: (i) a lack of SR awareness and knowledge; and (ii) a lack of consensus on how SR is defined and the principles that might be contained in SR. The construction industry lags behind the service and manufacturing industries, especially in terms of the awareness and implementation of SR. Additional important barriers include a lack of time, funding, human resources, delayed benefits of implementing SR and poor support from top management.

With regard to CSR Practices in Ethiopia, in the same way as other creating nations, CSR rehearses in Ethiopia are guided by five perceived spaces: monetary, legitimate, moral, charitable, and natural. Here, charity gets the primary consideration of corporate bodies. By the by, CSR rehearses in Ethiopia are stiil in early stages. There has been an expanding weight on the national and global enterprises in Ethiopia to consider the thorough consolidation of CSR in their activities. A few partnerships are presently following an expanded pledge to CSR past simply benefit making and consistence with the guideline ( MudayGetachew 2019).

Around greater worldwide organizations have presented corporate social duty (CSR) plans; all things considered, most extreme Ethiopian foundations don't practice CSR. Close-by are endeavors to improve CSR designs by the office for International Development, and others. The government of Ethiopia encourages corporate social responsibility, even by deducting up to 10 percent of the taxable income of the profit making business.

#### **2.4 Conceptual Frameworks of Corporate Social Responsibility upon Value Based Management**

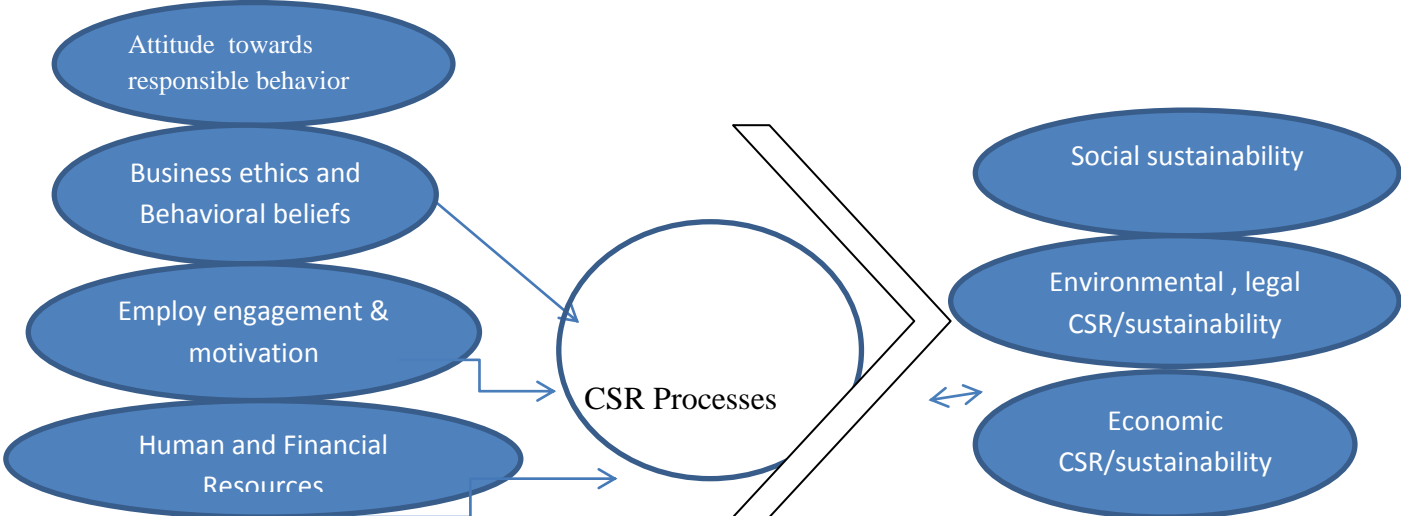
The review of various empirical studies pointed out that CSR require a comprehensive approach because businesses are expected to achieve satisfactory results not only for the share-holders, but for all stakeholders. Some authors point out the fact that the continuous improvement of the organization, of course, with the use of the European Foundation for Quality Management model to be complemented by the principles of sustainable development and corporate social responsibility. Loose more and Phua (2011) found that for one of the world's mega consulting and construction companies, most of their clients did not bother with the comprehensive SR strategies of companies in their supply chain as they did not see any connection with the results of the construction project. Moreover, the users of buildings also cared liitle, as they had liitle or no knowledge about which company designed or built the buildings they used or of their SR record.

The position of Loose more and Lim appears to suggest that the lack of SR implementation is not limited to developing economies. This makes any solution from developing countries, like Ethiopia potentially viable for establishing alternative practices worldwide. Therefore, establishing such a link and providing guidance for an SR strategy would be invaluable to the implementation of SR practices in construction globally.

Several researchers focused on construction organizations within the context of developed countries like Australia and New Zealand, and identified a failure to capture the different strategies for implementing SR in the construction industry. One of the most common strategies is for construction organizations to embed SR as a part of organizational vision, mission or policy. This makes SR an essential part of the companies' operations and value based managements. Conceptual framework helps to identify research variables and clarifies relationships among the variables which is linked to the problem statement that helps to set the stage of independent variables. Based from literatures, practices of corporate social responsibility can be measured by economic, legal, ethical, and philanthropic/ discretionary responsibilities that can be easily designated by pyramid which is synonymous with Abraham Maslow's hierarchy of needs.

The following conceptual drawing figure shows how Corporate Social Responsibility of organization improvement that significant to both: the shareholders and other stakeholders

Fig.2.2 Elements of CSR in to Value Based Management strategy.



Source: Researcher’s elaboration from Reviewed Literatures & empirical

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.0 Introduction**

The objective of the study is to assess the determinant factors, effects and practices of corporate social responsibilities to values of the firms and performance on the core business operations. Research methodology is based on research philosophy that should look at the overall methodology to be used in the study. This part presents the description of research design, research approach, source of data, population and sampling techniques, description of variables and measurement, model specification, data processing and data analysis methods to be followed in the research process.

#### **3.1 Research Design**

The Research design defines the study type (descriptive, exploratory and explanatory as well as sub-type (e.g., descriptive-longitudinal, cross sectional, case study). Research design is the framework that has been created to seek answers to research questions. Many research designs could be used to study business problems (Hair et al., 2011).

Accordingly, to meet the objectives, this study is adopting both descriptive research and explanatory research design in form of a survey of respondents are drawn from selected construction firms in Ethiopia from corporate level and different job groups which included the senior management, middle level management and project sites level employees.

This research design approach better helps in explaining critical propositions and important existing models recent efforts to re-conceptualize the construction Business field. It also helps asses and explains the implications of the debate over what drives corporate towards CSR and its impact on performances of the construction firms, while drawing the collective understanding of some big construction firms across the value based management theories.

#### **3.2 Research Approach**

With regard to research approach, this study used a combination of quantitative with qualitative perspectives such as the respondents' perspectives on their views of their companies practice and

determinant factors of the CSR performances for research approaches (to collect and analyze data that are helpful to address the research hypothesis and/or questions. This is because qualitative research is a systematic and scientific investigation of qualitative properties and phenomena and their relationships. The method is more preferred by the researcher as there is little evidence regarding the determinants of construction firms' social responsibility in Ethiopia. This also would systematically solve the research problems in the area on similar topic of CSR performance while finding out adequate information on the subject matter from different stakeholders (individuals, groups, institutions).

### **3.3 Target Population, Sample Size and Sampling Technique**

#### **3.3.1 Target population**

A population is the group of individuals or institutions taken from the general population who share common characteristics. In this case, population of the study is construction firms in Ethiopia. While targeting, on construction firms that have at least five years of experiences in CSR operation and those who have well considered value based performance management system. Accordingly, the sampling techniques is used in this study included the sampling and selecting purposely (considering minimum margin of criterion) include eight big construction firms at Addis Ababa, considering those firms fulfilling the criterion settled above.

Detail list of construction companies that are operating over five years and having CSR performance system would be obtained from reports from Ministry of Urban Development and Construction as well as some other concerned entity on these regards.

#### **3.3.2 Sample Size Determination and Sampling Technique**

The sample respondents size is determined by the researcher in due consideration of the size of population unit. According to the Kothari (2004), using simple random sampling, simplified formula with 8% desired significance level, where confidence level is 95%% (using 1.96 under normal distribution) for 90%% of population picking a choice from the sample frames.

$$n = \frac{Z^2 p(1-p)}{d^2}$$

Where

n = Sample Size, (?) Z = Z-value, (1.96)

P = Percentage of population picking a choice, (90%) d = desired significance level (8%) Thus, the sample size is being;

$$\begin{aligned} n &= (1.96)^2 \times (0.90) \times (0.10) / (0.08)^2 \\ &= 54 \text{ Participants (heads of projects, managers, supervisors)} \end{aligned}$$

Therefore, the sample size is 54 participants, while considering equal of representation from the selected construction firms. Note that, each target Construction firms at least tried to be represented by nine representatives. The participants to be targeted expected to have Construction projects management background, experience in Planning, Supervising, human resource management, and financial administrations.

### **3.4 Data Source and Data collection Method**

This research is composed of two stages. In the first stage, secondary data from CSR performance reports, existing policies, manuals and like documents of eight construction companies listed as the top grade construction companies in Ethiopian construction minister have been collected and compared. In the second stage, an expert questionnaire interview survey conducted to learn the experts' opinions about the influencing factors and practice of CSR with value based management integrated implementation levels of their companies. The questionnaire survey is mainly being intended to explore and compare the CSR implementation levels of selected large-sized companies in Ethiopia's construction industry in terms of the following dimensions: (1) corporate governance; (2) Community pressure, (3) labor pressure; (4-) environment; (4-) civil society engagement, business ethics and customer protection as well as sustainability practices.

Data sources are the basic input to conduct meaningful research. Regarding the data Sources, the research used secondary data in addition to primary data, to meet the objectives of the study; the primary data obtained through interview questioners, focus group discussion, while targeting on recent data for the institutions' CSR performance system.

The secondary data are also obtained by reviewing like policy documents, guidelines, manuals, published and unpublished dissertations and thesis, research reports, books, journal articles, archival materials, and other related to CSR performance, frameworks, policies and guidelines, while preferring the latest data. Moreover, the outcomes with firm's value growth and profitability indicator variables could be obtained from audited financial statements, the shareholders annual report as well as other models with perspectives of the respective construction firms.

### **3.5 Method of Data Analysis and Interpretation**

#### **3.5.1 Data Processing method:**

According to Emory and Cooper (2003), raw data obtained from research is useless, unless it is transformed for the decision making. Data processing usually involves reducing the raw data into a manageable size, developing summaries and applying statistical inferences. The research used the fixed effect model to process and the relationship of Corporate Social Responsibility performance with firm's value, and then the importance on the growth of core business operation of construction industry of Ethiopia. This helps so as to examine the relationship between the variables used in this study. In sum, case study results from respective firms, implications from construction Business and human resource as well value base Management Theory and Practice could be tried critically highlighted with key perspectives and propositions.

The researcher believes the future researches in similar areas can be particularly promising. As we know, several researchers have conducted studies that show a strong positive significant correlation between CSR performance and improved firm's value.

However these studies little debated that how better CSR performance improve firm's value system and increased reputations on the core business operations of the construction institutions. This study tries to identify solutions on that gap.

### **3.5.2 Data Analysis Technique**

The data analysis for the study involved both descriptive and empirical statistics to analyze the data and test the research hypothesis or questions. In the analysis of the descriptive statistics, the mean, standard deviation, maximum and minimum values being used to analyze the trends and describe the variables to be used in the study in terms of trends and variation among the cross-section.

### **3.5.3 Description of Variables Measurement and Model Specification**

For this study, Construction firms CSR performance factors on firm's value creation and towards core business operations, productivity profitability or institutional image used as study variables. We study the factors influencing the dependent variable CSR of selected firms or respondents (RR).

Accordingly, multinomial regression model is used, since it is categorized outcome on CSR issues. The explanatory variables are measured by considering improvements of the construction firms' core business operations like, volume of bids contracted, client relation management and increased cash flows, scheduled project performance, availability of skilled labor as requirements, corporate governance policies in place, reputation of community engagement practices and contribution to reduce unemployment of the country. The explanatory variables are chosen by taking in to account the availability of data and its influence on the CSR operation system as mentioned in literature.

The study tried to interpret the coefficients and marginal effects in this model in terms of the impact of each explanatory variable on the dependent variable. The researcher studies the factors influencing the corporate social responsibility of the construction businesses. Dependent variable: CSR whether or not a firm has improved performance of the above stated variables.

The respondents' level of agreement is ranked with the findings based on Linkert scale measures being evaluated. The mean score 0 to below 1 is the lowest or not important or disagree (1) from 1 - 1.99 is less important or rarely agree; (2) from 2 - 2.99 means average or moderately agree; (3) from 3 - 3.99 is good/high or strongly agree and (4) from 4 - 4.99 is considered very well or fully agree or most important. Accordingly, the higher mean result could show the better CSR



performance and firm's value so that could show improved core business operations and organizational performances.

Finally, some important variables measurement can be made as to structured questioners and document reviews in order to measure independent variables and related issues. This could help to get an initial picture as to the nature of the relationship among the variables before proceeding to descriptive analysis. In general, various tests, theoretical as well as conceptual models are tried to determine the appropriate model and to test the validity of related assumptions.

### **3.6 Ethical Considerations**

Ethics is the code of moral principles and values that governs the behavior of an individual or group with respect to what is right or wrong (Bratton and Gold, 2000). The researcher tried to uphold and respect the participants' right to privacy, anonymity, fair treatment and to protection from discomfort and harm. In this research, the researcher explains the purpose of the research clearly to the participants during data gathering stage of the research.

## CHAPTER FOUR:

### RESULTS AND DISCUSSIONS

The previous chapter presented the research methodology applied to meet the objective of the study. This chapter presents the results, the analysis of the survey data and interpretation of the results about the CSR and Value Based Management of the sampled respondents (RRs).

#### 4.1. Demographic Experiences And Socioeconomic Characteristics Of Sampled Rrs

##### 4.1.1. Demographic Information

The demographic information pertaining to the respondent participants and Descriptive statistics of the data are presented in table 4.1. The demographic and socio-economic characteristics of the respondents are considered in line with their skills, knowledge and the ability to understand the budget template and interpret the figures in relation to the operation; this has a direct impact budget performance measurement. Among the demographic issues, some of the important elements that have influence on the CSR process are discussed below.

Table 4.1: Overall demographic information of sampled respondents

Demographic Information of the Respondents	Frequency (n=54)	Percent (%)
Gender		
Male	41	76%
Female	13	24%
<u>Age of Respondents</u>		
Less than 30 Years	6	11%
31-40 Years	23	43%
41-50 Year	21	39%
Over 54 Years	4	7%
<u>Educational Background</u>		
Certificate	0	0%
Diploma	5	9%

BA/BSC	31	57%
MSc/ MA	18	33%
PHD	0	0%
Other Specify	0	0%
<u>Department</u>		0%
Accounting and Control Division	22	41%
Risk Assessment Monitoring& Evaluation	15	28%
Information and communication	5	9%
General & Admin.	12	22%
Others (specify) -----		
<u>Total Years of Working Experience</u>	-	0%
Less than 5 years	6	11%
6 to 10 years	29	54%
11 to 15 years	10	19%
16 to 20 years	6	11%
Over 21 years	3	6%
<u>Respondents Position in the Organization</u>		
Executive Director	2	4%
Deputy Manager/Program Director	6	11%
Finance Head	12	22%
Supervisor	5	9%
Auditor	7	13%
Project Coordination. accounts & Administration	20	37%
Other Specify	2	4%

#### 4.1.2. Gender and Age of Participants

The findings on Table 4.1 (I & II) established that (n=41, 76 % )of the respondents were male as compared to 24% who were females. Thus, the findings indicate that majority of the respondents were male. With regard to rage of respondents, many of the participants fall under the age range of 31-40 Years (43%, n=23) followed by 41-50 Year (39%, n=21). Thus, the findings indicate that majority of the respondents are above 31 years old or adult age stage.

Variable	Obs	Mean	Std. Dev.	Min	Max
age	54	49.35185	14.80459	25	86

#### 4.1.3. Educational Background

Educational Background is an important characteristic that enhances organizational performance on Corporate Social Responsibility with ability to acquire values, benefits, challenges, perceive, interpret, and reports to adopt internal control and cost management standards. As shown in table, we see the educational level of the respondents and about (n=35, 65%) of the respondents are having BA/BSC education level, followed by master's degree (n=9, 17%). Empirical evidences have shown that increased educational status of the people so that it increases their ability on institutional responsibility management.

During the focus group discussions it was also observed about the implementation of proper CSR coordination and value based management including understanding benefits and challenges for respective organizations. When asked about respondent's experience, (n=29, 54%) respondents have 6 to 10 years and then 11 to 15 years of experiences followed by 19% (n=10).

-> tabulation of sex

sex	Freq.	Percent	Cum.
Female	23	42.59	42.59
Male	31	57.41	100.00
Total	54	100.00	

-> tabulation of Education

Education	Freq.	Percent	Cum.
BA	31	57.41	57.41
Diploma	5	9.26	66.67
MA/MSC	18	33.33	100.00
Total	54	100.00	

#### 4.1.4. Positional experiences: As Analysis of Value-based Knowledge

As can be seen in the results table, 37% (n = 20) and 22% (n = 12) of the RRs that responded to the study have positional experience in Project coordination, control and administration division respectively. Many of the respondents have Construction projects management background, 36% of the participants had prior experience in Planning (n = 50) and 25.9% in Supervising (n = 18), However, relatively small number of participants knew VBM (26%, n = 15), and asset management (12.7%, n = 11). At their open ended response, it is noteworthy that the respondents believed that these courses were suitable for successfully of morality development and community service professions about Social Responsibility in the value based management and analytical skills related to Project planning and control.

In this regard, and according to several empirical evidences, value Based Management (VBM) represents a modern approach in the governance and steering of corporations, focused on value creation. CIMA (2014), defines the concept as a managerial process which effectively links strategy, measurement and operational processes to the end of creating shareholder value". Additionally, in many aspects, more than half of global consumers will pay more for a product if it is produced by a company that engages in corporate environmental responsibility. Improved

corporate sustainability is linked to improved public image, financial performance and employee retention.

## **4.2. The Overall Implementation Of CSR In Construction Industry**

According to Carroll (2016) .Corporate social responsibility encompasses the economic, legal, ethical, and discretionary (philanthropic) expectations that society has of organizations at a given point in time. This set of four responsibilities creates a foundation or infrastructure that helps to delineate in some detail and to frame or characterize the nature of businesses 'responsibilities to the society of which it is a part. Thus on the basis of these responsibilities descriptive statistics from the respondents view as well as from empirical studies of the thesis are summarized and presented below

### **4.2.1. Perception of Respondents and Strategic Implementation of CSR**

In this part the study assessed the perception of participants towards CSR, accordingly, the study tried to assess, their concepts of CSR, sources of materials to perceived areal knowledge, and their perception on their organization CSR practices. In this regard as discussed below respondent's awareness, understanding, application, integration and perception presented.

Accordingly, there seems to be a practice of "corporate Social Responsibility" as the case construction companies refer it. Strategic implementation of CSR is mainly determined by the internal preparedness of the companies so as to practice CSR activities as organized and planed as the overall corporate wise functions (Handfield, 2005).

### **4.2.2. Understanding of CRS and important factors for the company**

The researcher has tried to reviewed various academic literature related to CRS implementation, with a primary focus on understanding its effects and consequences on studied constructions. The employees of those firms in Ethiopia have had awareness of the different benefits of practicing CSR in preparing and reporting their welfare reports for different users.

There are five attainment stages for the corporate social responsibility practices to most company managers, such as Awareness, Understanding, Application, Integration and Leadership. Agafri, Kassahunetal(2012), discussed that Awareness is a broad appreciation of the core CSR

characteristics and how they might impinge on business decision-making whereas, understanding implies a basic knowledge of some of the issues, with the competence to apply this to specific activities. Similarly, application is the ability to supplement this basic knowledge of the issues with the competence to apply it to specific activities. Consequently, integration means an in-depth understanding of the issues and an expertise in embedding CSRs into the business decision-making process. In this respect leadership, which is the ability to help managers across the organization operates in a way that fully integrates CSRs in the decision-making process would be critically important.

In this study, using open ended questions and focused group discussion, on average, (74%) of these respondents assured that CRS improved institutional value, effectiveness, efficiency, their depths of reports, as well as the CRS reporting sets of the Ethiopian construction firms.

On the other dimensions as well while to summarize the development of the CRS, the majority of early studies pointed out that CSRs as significantly benefiting implementing firms and countries in terms of (i) improved transparency, (ii) better access to capital, (iii) improved cross-country investments, (iv) better competitiveness and (v) increased recognition by the society and stakeholders.

Although many of these studies include limitations about drawing strong inferences about the role of CSR in causing the observed outcomes, these tend to be minimal and often ignored by subsequent research.

In this study, the construction firms tried to develop the CSR policy in fragmented manner,. However, they need to create detailed awareness of standards to their workforce and then practical application guidelines of each CSR standard on regular manner. One of the key informants of the firms has argued as following. In Ethiopian context, most construction firms have made gap analysis on the implementation of CSR; however, awareness level of the employees in the firms about application of CRS is very shallow. As this study revealed, the Training on CRS in value based management was viewed as inadequate in terms of depth and practice.

## **Evidence from voluntary CSR implementation**

Several researches based on large samples have documented that voluntary CSR implementation leads to improved institutional performances, social values and reporting quality. As in the study by Hung and Subramanyam (2007), however, these results do not endure when underlying institutional details and economic activities are held constant, Although these studies attempt to rule out self-selection biases, one should be aware that the potential for such biases remains in any voluntary CSR implementation process setting.

As discussed using open ended interviews and data results from structured questioners, many of the participants from targeted construction firms have started using CSR implementation voluntary basis, either or not knowing its benefits and multi-dimensional opportunities. Accordingly using qualitative analysis, the result shown that above the mean of voluntary CSR implementation has highly benefits in construction market process.

### **4.2.3. Company Management with Value Based Management Approach for CSR**

Company management with VBM approach provides performance consistency of mission, strategy, culture, communication, organizational structures and decisions process, but most of all it enables performance measurement and alignment of the performance with reward and motivation instruments. This leads to concentration on three main components: creating value, managing for value and measuring value. Company management with VBM generates long-term changes in the business processes, in the organizational values and in the manner of assuming responsibility. Haspeslagh et al. (2001) reaches the conclusion that VBM is more about cultural than about financial change. Depending on the corporate purpose and the values prevailing in the firm, the implementation of VBM is different for each company. The corporate purpose can either be economic (shareholder value) or it can aim at other constituents directly (stakeholder value). This study tried to assess the practice company management or governance practice with regard to the following issues.

#### **4.2.3.1. Company Management and Review system**

As discussed so far in this study, Corporate Social Responsibility (CSR)/Sustainability is a process for companies to integrate social, governance, environmental and supply chain



sustainability into operations and corporate strategy. The construction companies represented by this study have a sound company management system, though they did not appropriately adopt the value based management approach with CSR attainment levels.

Table 4.2 Company Management activities & effect on the Social Responsibility competence of firms

Statements	Mean	St.Dev
Periodic Managerial Reviews	2.71	0.00
Review of prior period performance	2.82	1.36
Internal control or Physical controls(necessary to provide safety, livelihood income creation and other assets)	2.91	1.30
Segregation of duties among the employees	3.21	1.22
Supportive Supervision &Monitoring of operations	3.11	1.18
<b>Overall mean and standard deviation</b>	<b>2.95</b>	<b>0.18</b>

According to various empirical evidences, as per the diagram shown, the reason for the Company Management performance enable management to use, to monitor and compare the actual results, so that action can be taken to modify the operation of the business. The results show that the company management performance system is highest for Segregation of duties among the employees (m=3.21, Sdv 1.22), followed by Supportive Supervision &Monitoring of operations (m=3.11, Sdv 1.18). As presented in the table results are interpreted based on mean ranking, and standard deviation, hence the higher mean value is the greater CSR performance and the lower mean value indicates the lessor CSR performance on the issue. The Standard deviation indicates the deviation between the less agree and highly agreed persons. This gap should be narrowed either due lack of extensive training programs or creating intensive awareness to understandings amongst staffs.

#### 4.2.3.2. Management person responsible for CSR and Policy

One of the important components of company management for effective CSR is to assign a responsible person and organize training sessions for representative management staffs in order to enhance the performance and the understanding of Corporate Social Responsibility/Sustainability at those sites. Accordingly, many of the firms have assigned a responsible person responsible of CSR particularly for environmental concerned (m=3.46, Std=0.07)

Table 4.3 Management person responsible for CSR and Policy

Questions on Company Management	Total Case	Mean	STD
<b>Does your company have a management person responsible for:</b>			
Social sustainability	54	2.69	0.05
Business Conduct and Compliance	54	3.43	0.06
Environmental sustainability	54	3.46	0.07
<b>For which of the following social issues does your company have a policy?</b>			
Social sustainability	54	3.20	0.06
Business Conduct and Compliance	54	2.35	0.04
Environmental Sustainability	54	2.35	0.04

According to various empirical evidences, companies are expected to appoint a senior management representative, who irrespective of other responsibilities, serves as a management person responsible to ensures that the company meets its commitment related to social sustainability, business conduct and compliance and environmental sustainability. The studied companies have a company management with CSR policy and assigned personnel responsible for majorly environmental sustainability.

#### 4.2.3.3. Training Sessions on CSR Issues

As discussed by various scholars and empirical evidences, training sessions enhance the understanding of CSR/ Sustainability that refers to companies training their employees on the expectations, policies and procedures relating to Corporate Social Responsibility within the

company context. Training is intended to raise awareness on CSR topics, so that specific functions could identify and act on issues they encounter in their day-to-day activities. Training could be function-specific (e.g. trainings for buyers, managers, etc.), or topic-specific (e.g. on anticorruption, Health & Safety, etc.)

As explained by various scholars, training is defined as methods used to give employees skills they need to perform their jobs ethical and responsibly. According to Dessler & Robson (2005), training implies preparing an employee for an occupation or specific skills. In this case, it has to be narrow in its focus and be for the job, rather than personally oriented. – Training is usually provided to adults and is aimed at producing an improvement in corporate responsibility performance, by addressing weaknesses in knowledge, skills, or attitudes. It tends to be more practically focused and can take place in a variety of environments and concerned with the acquisition of knowledge, skills and attitudes.

This study conceptualized that the training program on Corporate Social Responsibility (CSR) has to integrate a process for companies to integrate social, environmental, and ethical and human rights concerns into their operations and core strategy, in close collaboration with their stakeholders (European Commission, EU Strategy on CSR 2011 – 2014).

Some examples of social issues that companies could conduct training sessions on include nondiscrimination, human rights, etc. Through focused discussions and opened ended questions, the participants to this study have responded that their company organized a training session on issues of CSR though it is below average ( $m=2.85$ ,  $Std=0.03$ ). The represented companies have conducted training session particularly covering most importantly business ethics and compliance ( $m=3.35$ ,  $Std=0.04$ ) followed by environmental sustainability [ $m=2.85$ ,  $Std=0.03$ ] and social sustainability ( $m=2.50$ ,  $Std=0.04$ ).

Table 4.4 Training Sessions on CSR Issues

<b>Training Session on CSR Issues</b>	Tot Case	Mean	StD
Does your company conduct training session with regard to Corporate Social Responsibility (CSR)/ Sustainability Report?	54	2.85	0.03
<b>On which of the following issues does your company conduct training often?</b>			
Social sustainability	54	2.50	0.06
Business Conduct and Compliance	54	3.35	0.04
Environmental Sustainability	54	2.85	0.03

### **4.3. Factors on the Implementation of CSR : Descriptive Statistics**

According to Najafi (2010) study, CSR performance had little influence on the business performance. On the other hand, responses indicated that when social justice and fairness are observed then it would work to improve employee productivity, institutional profitability and values. As this study considered Construction businesses CSR performance and its influence towards core business operations, productivity profitability or value growth that have been used as part of study variables. These are measured by considering improvements of the institution's core business operations like, volume of bids contracted, better project risk management and cash reserve requirement for CPOs, gross domestic product and contribution to reduce socioeconomic inequalities, unemployment situations, or inflation of the country.

The study considered six significant characters of CSR determinant factors and Implementation of CSR such as; company management in VBM approach, social sustainability, environmental responsibility, Business Conduct and Compliance/Ethical Responsibilities of CSR, Philanthropic Responsibilities of CSR and Perceived Benefit.

In such manner the clear piece of this study broke down using mean and standard deviation. The composite mean value shows the average of all respondents' reaction on specific dimensional inquiries. While, standard deviation shows how diverse are the response of participants for a given dimensional inquiries. The entirety of the dependent variables were estimated utilizing five point Likert scale ("0" disagree; to "5" Strongly agree).

### **4.3.1. Social Sustainability**

According to several empirical evidences, social sustainability or understanding the society relates to practices that contribute to the quality of life of both employees and communities that could be impacted by the company's operations. Examples of social topics to address include working conditions, nondiscrimination, freedom of association and collective bargaining, health and safety at work, etc.

In order to implement effective social sustainability the company needs to have a company policy. A company policy refers to a business approach to a given issue and contains general principles and/ or practical how-to-do items. A policy may include components such as prohibited behaviors, rights, and dispute procedures. Social issues could be contained in the company HR policy, CSR policy, Human Rights policy, etc. Human rights are the rights we are entitled to simply because we are human beings. They represent the universally agreed minimum conditions that enable all people to maintain their dignity. The industry practitioners should have adequate understanding the role of each player in society – government, business, trade unions, non-governmental organizations and civil society. This study through the focused group interviews and questions responded by participants, many of the construction managements understand how their business operates in the broader context and know the social and environmental impact that the construction business has on society. The research recognized that construction business is an important player in society and should seek to make as positive an impact as possible.

The table below sets out the practice patterns required to achieve each level of attainment for social sustainability or 'Understanding society'.

Table 4.5 Determinant factors and Implementation of CSR : Descriptive Statistics

Item #	Questions	Total Case	Mean	STD
<b>1</b>	<b>Social Sustainability</b>	54	3.39	0.06
	To what extent do you know concerning the concept of CSR on community engagement issues			
	Respect for human rights (e.g. fair treatment	54	2.69	0.05
	No forced or compulsory labor	54	1.80	0.03
	No child labor (e.g. no worker under legal working age, etc.)	54	3.43	0.06
	Working conditions (e.g. employing the local community members as a priority	54	2.72	0.05
	Human Resource Issues			
	Wages & benefits (e.g. no unpaid overtime, etc.)	54	3.06	0.06
	Non-discrimination (e.g. age, gender, religion, race, etc.)	54	3.02	0.06
	Freedom of association	54	3.02	0.06
	Collective bargaining	54	3.52	0.07
	Does your site have a management system in place to manage the above mentioned social issues?	54	3.50	0.07
	health & safety			
	Does your company have a written health & safety policy in place, which complies with industry, national and international standards?	54	4.00	0.08
	How often have health and safety audits been conducted at this site?	54	3.67	0.07
	To what extent is your social management system documented?	54	3.50	0.07

As represented in the above Table 4.2 the respondents were asked whether they have essential awareness and understanding the society or the social sustainability practice of CSR. In view of the inquiry the respondent picked their degree of comprehension towards CSR ideas and social sustainability standards. Human rights are inherent to all of us, whatever our nationality, place of residence, sex, national or ethnic origin, colour, religion, or any other status. Forced or compulsory labor refers to all work or service exacted from any person under the menace of any penalty and for which that person has not offered himself voluntarily. Examples include forced overtime, retention of identity documents, etc[International Trade Union Confederation]. Child labour relates to the prohibition of employment of children who are under the legal minimum working age.

#### **4.3.2. Economic responsibility to Philanthropic Activities**

Economic responsibility, as one of the social sustainability issues, can be described in terms of creating job opportunities for the local community, staff capacity building, policy paying decent wage comparability with other companies provides reasonable benefits for employees, and strives to deliver high value and quality products that meet and/or exceed the expectations of their customers. People admitted to work must have working conditions appropriate to their age and be protected against economic exploitation and any work likely to harm their safety, health or physical, mental, moral or social development or to interfere with their education.

According to EU Charter of Fundamental Rights Working conditions refer to the working environment and aspects of an employee's terms and conditions of employment. Examples include health, safety and well-being; maximum daily and weekly working hours, including mandatory days off, annual paid leave etc. As indicated in the table below, respondents reaction towards the economic responsibility of their firm as Job opportunity to the local community was rated as the highest (m=3.33, Std 0.07), whereas the company provides reasonable benefits for employees was rated as the lower (m=3.02, Std=0.06).

Table 4.6 Participants Reaction towards Economic to Ethical Responsibility of Their Firm

Statements	Mean	STD
Job opportunity to the local community	3.33	0.07
Staff capacity building policy	3.13	0.06
The company is paying decent wage comparing with others	3.04	0.06
The company provides reasonable benefits for employees	3.02	0.06
The company display openness and transparency	3.31	
The enterprise helps the communities to solve their social problems	3.10	
The company employs responsive personnel		
The firm respects the norms of the societies'		

However, the previous research findings are opposing, for instance according to the Commission of the European Communities (2002) and Visser (2008) company should mix social and environmental concerns in their operation and interaction with stakeholders on a voluntary basis and most African countries practices economic and philanthropy by overlooking legal and ethical responsibilities due to Africa's high unemployment rates, shortage of investment and high poverty, respectively.

#### 4.3.3. Environmental Sustainability

According to several literatures, Environmental sustainability relates to practices that contribute to the quality of the environment on a long-term basis. Examples of company practices include recycling programmes, carbon emissions reduction programmes, for waste management, etc. as the works of most construction firms relate to the environmental aspects, it is reseanable that the have to be more environmentally responsible.



Table 4.7 Environmental Sustainability

Item #	Questions	Total Case	Mean	STD
	<b>Environmental Sustainability</b>	54	3.46	0.07
	Does your facility have work procedures to manage the use of restricted substances and chemicals?	54	2.17	0.04
	How often environmental audits been conducted at this site?	54	3.59	0.07
	To what extent the following areas covered by this policy or the related processes and procedures?			
	Energy consumption	54	2.24	0.04
	Water usage	54	3.02	0.06
	Air emissions	54	1.81	0.03
	Waste management	54	3.35	0.06
	Restricted substances and chemical handling	54	3.02	0.06
	Does this site have an environmental management system in place	54	3.17	0.06

The mean ranking of the extents that were covered by the environmental management policies of the companies respectively waste management [m=3.35], restricted substance and chemical handling [m=3.02],

With open ended questions discussions, regarding the availability and practice of monitoring and evaluation system by the regulatory government and nongovernment bodies, the key informants said there are waste disposal rule and regulation but, the concerned bodies are not practiced and monitoring whether the firm release wastes to the environment or not and the solution is not grounded most of the time.

#### 4.3.4. Business Conduct and Compliance

Business conduct and compliance relate to the principles of ethical responsibilities that guide business conduct in its relations towards its business partners and customers. Ethical

responsibility can be described in terms of the company's openness and transparency in relationships with customers, employees, community groups, and governmental organizations, helping the communities to solve their social problems. Employs friendly or courteous or responsive personnel and respecting the norms, or the expectations that consumers, employees, shareholders, and the community regard as fair and just. Examples of unethical business practice include corruption, extortion and bribery. The existing practices of construction businesses that engaged in the corporate social responsibility at the wing of the business ethics, conduct and compliance are presented and discussed with results below.

Table 4.8 Business Ethics Conduct and Compliance Practice of Constructions

Item #	Description of variables on Business Conduct	Total Case	Mean	STD
<b>3</b>	<b>Business Conduct and Compliance</b>			
	Does your company have a formal policy in place regarding business conduct and compliance? (corruption, extortion, bribery)	54	3.30	0.06
	Are the following areas covered by this policy [Corruption, including extortion the related processes and procedures? Corruption, including extortion Bribery]	54	3.22	0.82
	To what extent is your business conduct and compliance ethics management system documented?	54	2.59	0.05

According to the results shown in the table above the requested organizations have the corporate social responsibility issue on the business conducted or ethical responsibility issues is well above average ( $m=3.30$ ,  $StD =0.06$ ). However, the results showed that lower level of commitment in documenting the company's business conducted and compliance ethics management systems.

#### 4.4. Importance and Benefits of Practicing CSR

Most successful companies understand that CSR can promote respect and value for their company in the market place which can result in higher sales, enhance loyal customers, build

good brand image, received lower criticism from societies and keep its legality. In this regard the study focused to assess each organization employee and management view how their organizations perceive CSR effect on the company's profit and value maximization.

Below is the table that tried to measure companies' level of importance, values and implementation of CSR status.

Table 4.9 Participant view of the benefit obtained by implementing CSR

<b>Description of Variables to rank</b>	<b>Mean</b>	<b>STD</b>
• Increase value creation	3.4	0.35
• Lower criticism from Society	3.1	0.32
• Increase brand image	3.1	0.32
• Increase sales share	3.4	0.32
• Increases Companies competency	3.7	0.33
• perceived legal performance of Companies	2.8	0.28

As the Table depicts field results and mean ranking of respondents on effects to the benefits of CSR implementation. Accordingly large number of respondents equally and most importantly agree as CSR improves competency of the company (m=3.7, std=0.33), then followed by as CSR application improves sales share and increase customer loyalty/value creation.

As the researcher understood and from drawing conceptual frameworks, CSR is in fact well placed to improve competency due to its focus on ethical principles rather than rules. By encouraging construction managers to prepare Institutional Responsibility statements based on the essence of value base management, while ensuring employees maximizes the impact of their social responsibility on the various socioeconomic and environmental causes.

In the study conducted by Sharma and Mani (2013), lower and higher criticism of societies on corporate companies will depend according to the companies CSR practice, such as waste materials managing system, contribution of the organization in keeping clean of the environment and so forth.

In order to find a respond to one of the objectives of the study on the environmental responsibilities of corporate partners to the clean and green Addis Ababa society, the top listed in the construction industry are Gift Real estate and sunshine construction that have a robust corporate philanthropies and welfare activities towards environmental responsibilities.

#### **4.5. Role of CSR Reporting and corporate decision-making**

There are several reasons to expect changes in CSR standards and the attendant effect on reporting quality to influence corporate decision-making. The reviewed several studies show that better CSR reporting quality decreases information asymmetry between stakeholders, insiders and outsiders, which in turn attracts capital to positive images or value maximizing projects and increases investment opportunities by increasing investors' required value returns.

Similarly, better Social Responsibility reporting quality also enhances the effectiveness of corporate governance mechanisms and thus mitigates managerial excesses, including under- and over investments. As reported responses, CSR implementation provides better information for management to make corporate decision. Furthermore, such practices reporting standards often require managers to consolidate additional information, which can affect managerial decision-making.

#### **4.6. Challenges/ Problems to practice corporate social responsibility**

As revealed by several empirical studies, Corporate social responsibility is an inescapable priority' for corporations in today's globalized world to be the parts the glob challenges should be examined and resolved to apply in the country in general and in the study in particular. Through focused group discussions as well as open ended question, the common challenges of ten include in the terms of lack of knowledge, lack of institutions assist or low government intervention (poor monitoring and evaluation system) lack of specific legislation, lack of immediate benefits, high cost, lack of corporate skill, company's loss of interest, poor stake holders integration, lack of community participation, lack of clear guidelines and standardized metrics.

Some of the key the key informants stated the major challenges or problems to practice corporate social responsibility in the company are higher CSR investment cost, negative perception of the

influential peoples that make an influence on the overall social, Lack of transparency, the proposal of general criteria, neglecting of the main business stakeholder and not the introduction of criteria relative to the CSR outcome.

#### **4.7. CSR (dependent Variable) relationship with economic, legal, ethical and philanthropy responsibilities: Summary of Chapter**

The focus group discussions, open ended questions and executive interview result of the study showed that economic legal and ethical responsibilities practices are at the begging stage whereas firms are not practicing philanthropy responsibilities ,competitive advantage, social & political legitimacy, employees motivation and. reputations, are the most motivating factors of Corporate Social Responsibility ,and challenges to practice corporate social responsibility in the firm lack of specific legislation, lack of institutions assist or low government intervention, poor stake holders integration, lack of clear guidelines & standardized metrics and lack of corporate skill ,And there is lack of awareness about the concept of Corporate Social Responsibility

As to finding out the determinant factors, the explanatory variables are being measured by considering improvements of the construction firms' core business operations like, volume of bids contracted, client relation management and increased cash flows, scheduled project performance, availability of skilled labor as requirements, corporate governance policies in place, reputation of community engagement practices and contribution to reduce unemployment of the country.

In general, summary of the major findings presented as follows.

- Regarding economic responsibility majority of the respondents disagreed that economic responsibility or opportunity which is given by the companies improves their livelihood. These indicate that the existing economic responsibility or opportunity provided by the companies has a good opportunity in order to improve the employee's livelihood, but still we can understand there is some limitation in creating values, economic responsibility or opportunity for the society.
- The Legal practices are the major part of every sector's CSR, through open ended questioners construction Company's Legal responsibility can be considered as a lower score. This is mainly due to the adoption of CSR practice in Ethiopia is mainly on

voluntary basis, that means companies are not legally obliged to adopt the CSR. Though it is below average, the current Legal responsibility practice on required safety and environmental standards, suitable arrangements for health and safety for its employees, pollute air or water by emitting hazardous waste, waste reduction program, and open dialogue schedule with the local community.

- The existing ethical responsibilities, practice are seemingly not exercised well in which the companies display openness and transparency help the communities to solve their social problems employ friendly or responsive personnel. Consequently, most employees of the firm have good understanding towards the applications and practicing of philanthropy responsibility in their organization.
- Almost all of respondents and represented construction companies agree with the common factors like competitive advantage, social and political legitimacy, financial performance, moral value, risk mitigation, company's reputations, to solve social and environments problems motivate the firm to practice corporate social responsibility in their firms even though their degree of influence varies. Accordingly improve financial performance, competitive advantage, moral value or goodness/ normal ethical duties, and enhance innovations are taking the rank from lower to higher respectively.

## CHAPTER FIVE

### SUMMARY OF THE STUDY, CONCLUSION AND RECOMMENDATIONS

#### 5.1 Summary of Findings

- Educational Background and experiences are important characteristic that enhances organizational performance on Corporate Social Responsibility with ability to acquire values, benefits, challenges, perceive, interpret, and reports to adopt internal control and cost management standards. The findings from empirical evidences have shown that increased educational status of the people so that it increases their ability on institutional responsibility management. Most of the participants have educational background of BA or BSC so that considerably they are educated at degree level. Regarding experiences, many of the respondents have Construction projects management background, had prior experience in Planning and in Supervising . However, relatively small number of participants knew about value based Management (VBM) approach.
- Corporate social responsibility encompasses the economic, legal, ethical, and discretionary (philanthropic) expectations. Thus on the basis of these responsibilities descriptive statistics from the respondents view as well as from empirical studies of the thesis are summarized and presented below.
- The existing economic responsibility or opportunity provided by the construction companies has a good opportunity in order to improve the employee's livelihood, but still we can understand there is some limitation in creating values or opportunity for the society.
- Legal responsibility can be considered as a lower score though the Legal practices are the major part of every sector's CSR. This is mainly due to the adoption of CSR practice in Ethiopia is mainly on voluntary basis, that means companies are not legally obliged to adopt the CSR. On the other hand most employees of the firm have significantly good understanding towards the applications and the determinants of philanthropy responsibility in their organization. Among factors motivate the firm to apply corporate social responsibility in their firms even though their degree of influence varies, include to improve financial performance, competitive advantage, moral value or goodness/ normal

ethical duties, and enhance innovations are taking the rank from lower to higher respectively

- Like other firms, among construction firms, strategic implementation of CSR is mainly determined by the internal preparedness of the companies so as to practice CSR activities as organized and planned as the overall corporate wide functions.
- There are five attainment stages for the corporate social responsibility practices to most company managers, such as Awareness, Understanding, Application, Integration and Leadership. The employees of construction firms in Ethiopia have had awareness of the different benefits of implementing CSR in preparing and reporting their welfare reports for different users. Respondents assured that CRS improved institutional value, effectiveness, efficiency, their depths of reports, as well as the CRS reporting sets of the Ethiopian construction firms.
- The studied construction firms tried to develop the CSR policy in fragmented manner,. However, they need to create detailed awareness of standards to their workforce and then practical application guidelines of each CSR standard on regular manner, awareness level of the employees in the firms about application of CRS is very shallow.
- The study results are interpreted based on mean ranking, and standard deviation, in this case the higher mean value is the greater CSR performance and the lower mean value indicates the lessor CSR performance on the issue. The Standard deviation indicates the deviation between the less agree and highly agreed persons. This gap should be narrowed either due lack of extensive training programs or creating intensive awareness to understandings amongst staffs.
- Empirical evidences revealed that most companies appoint a senior management representative, who irrespective of other responsibilities, serves as a management person responsible to ensures that the company meets its commitment related to social sustainability, business conduct and compliance and environmental sustainability.
- The studied companies have a company management with CSR policy and assigned personnel responsible for majorly environmental sustainability which had significant effect on firms value..
- As discussed by various scholars and empirical evidences, training sessions enhance the understanding of CSR/ Sustainability that refers to companies training their employees on



the expectations, policies and procedures relating to Corporate Social Responsibility within the company context. Accordingly, the participants to this study have responded that their company organized a training session on issues of CSR though it is below average

- Most successful companies understand that CSR can promote respect and value for their company in the market place which can result in higher sales, enhance loyal customers, build good brand image, received lower criticism from societies and keep its legality. Accordingly large number of respondents equally and most importantly agrees as CSR improves competency of the company then followed by as CSR application improves sales share and increase customer loyalty/value creation. CSR implementation provides better information for management to make corporate decision. Furthermore, such practices reporting standards often require managers to consolidate additional information, which can affect managerial decision-making.
- The common challenges of ten include in the terms of lack of knowledge, lack of institutions assist or low government intervention (poor monitoring and evaluation system) lack of specific legislation, lack of immediate benefits, high cost, lack of corporate skill, company's loss of interest, poor stake holders integration, lack of community participation, lack of clear guidelines and standardized metrics. Some of the key the key informants stated the major challenges or problems to practice corporate social responsibility in the company are higher CSR investment cost, negative perception of the influential peoples that make an influence on the overall social, Lack of transparency, the proposal of general criteria, neglecting of the main business stakeholder and not the introduction of criteria relative to the CSR outcome.

## **5.2 Conclusion.**

The construction sector is characterized by the temporal character of a construction site (and the high number and diversity of companies involved), by fierce price competition, by high labor intensity (with short-term labor contracts, seasonal work and wage dumping), by the outstanding role of public procurement, and by the long lifetime of the end product (with the respective effects on energy consumption, health of residents, etc).

The most important issues concerning quality of jobs in the construction sector are health and working conditions (bad physical working conditions, long and unfavorable working hours, high accident rates and work-related illnesses) and flexibility, stability and security, especially further down the subcontracting chain, where limited contracts, wage dumping, leasing, and sometimes illegal practices are common.

As construction remains primarily a local industry with a majority of small and medium-sized enterprises, the competition with companies outside Europe is negligible. The construction sector suffered from the economic crisis all across the countries. As a consequence, the construction sector was the focus of economic stimulus packages in many countries, as public investments in infrastructure are regarded as very effective on the labor market.

The study identified various actors play a prominent role in shaping the environmental and societal impacts of construction on the one hand, and deciding on its cost structure on the other: the property developer, the general contractor, the investor, and the future user and owner. Only if at least one of these key actors requires them, CSR measures are implemented. If none of them perceives CSR measures are essential, societal responsibility is seen in contradiction to the high pressure for low costs, which are the most decisive factor for competitiveness in the construction sector.

As to the revealed facts, CSR activities in the construction sector focus on occupational health, security and safety on the one hand, and on sustainable construction and accordingly Eco compatible buildings on the other. In Ethiopia, public CSR policies as well as value based management with CSR competency framework in the construction sector should set, mainly in public procurement processes, establish standards (e.g. for energy consumption), enforce the implementation of existing norms and regulations (e.g. occupational health and safety), and combat corruption.

According to the revealed evidences, corporate social responsibility in value based performance management system is often considered as one of the most important factors for construction business operations, employee motivation, community relation as well as value maximization. A substantial proportion of the respondents believe that the CSR performance could help improve job performance at work and company level.

### 5.3. Recommendation

Some of the leading Ethiopian businesses are already making a huge impact in many areas, such as raising employment standards, better stakeholder engagement and improving the environment. There remains much to be done, especially in embedding CSR practices into value base business management, or put another way, making it part and parcel of everything we do. The CSR in VBM study propose framework that is aiming to providing a very practical tool for impacting the business mainstream, filling a gap and adding real value. The aspiration is that it will play a key part in CSR becoming integral to the way we do business in the country and hence around the world.

On the basis of analyses and findings regarding CSR practice in general and in the case of construction businesses in particular, the following recommendations have been given:

- The Ethiopian construction companies should have made clear and understandable Policy and procedures as an industry for CSR activities Based on the finding construction firms Ethiopia have doing more and more CSR activities but there is no policy or framework. In most cases CSR activities are just managed by marketing and sales departments as an usual case in order to maximize the CSR activities the company should promote policy and strategies.
- The CSR Framework should be designed to be a flexible tool, meeting the needs of companies and organizations of all shapes and sizes, particularly construction industry of Ethiopia. Management of firms should doing more and more CSR activities such as community involvement, protecting the environment, protecting pollutant waste, support society by different aspects like assistance of education, health, humanitarians, art culture and sport but the CSR policy is not set by the company in countable manner so make it countable and clear for doing measurable.
- Policy maker should make the policy of corporate social responsibilities for different sectors especially for construction firms because they affect the environments the communities to protect the welfare of the societies. The research institute and academicians need to do more research and create awareness about CSR in societies, government and non-government organization.

- The Ethiopian government needs to recognize that now a days Corporate Social Responsibilities practice is the key or the crucial issue in Africa due to the expansion of technological advancement, investment create interlink age of the society and the industries, services and construction sectors. The government should responsible for developing effective strategies, policies and procedures of CSR it is important for achieved Sustainable Development Goals, particularly ensure environmental sustainability, Conserve & sustainably use of natural resources, protect ,restore and promote sustainable use of land, terrestrial ecosystems, sustainably manage forests, combat desertification, halt and reverse land degradation and halt biodiversity loss in effectively.
- Based on the finding the researcher recommended that for all stakeholders in the country the practice of corporate social responsibility is not in well expansion and the societies are not aware about it. Thus, awareness to leadership campaigns should be mobilized to press businesses responsible, to doing the CSR practice, and protect our environment, controlling the wastages, support the community and protect social welfare of the societies to got positive impacts.

#### **5.4 Suggestion for Further Research**

- The study was limited due to its cross-sectional study design. However, these types of relationships may require a longitudinal analysis so; future researches should examine this relationship over a longer period of time.
- The research was limited to some factors or practices which affect CSR of construction, but the future researchers may focus on different variables or combination of those variables included in this study.
- The future researches may also examine CSR in value base model in different places comparing their impact on the community as well as the environment, but this study was limited in Addis Ababa.
- Future researches need to understand the CSR competency frameworks as it is very important to measure managers knowledge (what they know), Attitude (want to know), Skill (how to perform that they knew) and Habit (how often to perform) (KASH) in practice

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## Appendix

### I. Data Collection Questionnaires

#### Questionnaires for Data collection

Name of Company \_\_\_\_\_

Address of the Company \_\_\_\_\_

Respondent Reference Number \_\_\_\_\_

1. Demographic Information of the Respondent	Response	Remark
1.1 Gender		
Male		
Female		
1.2 Age of Respondents		
Less than 30 Years		
31-40 Years		
41-50 Year		
Over 54 Years		
1.3 Educational Background		
Certificate		
Diploma		
BA/BSC		
MSc/ MA		



PHD		
Other Specify		
1.4 Total Years of Working Experience		
Less than 5 years		
6 to 10 years		
11 to 15 years		
16 to 20 years		
Over 21 years		
1.5 Respondents Position in the Organization		
Executive Director		
Deputy Manager/Program Director		
Finance Head		
Supervisor		
Auditor		
Project Coordination. accounts & Administration		
Other Specify		

## Part 2 Questions on Level of Agreement

Please Give Your Responses as your level of Agreement/importance 5 for most important or the highest agreement and 1 for the least important or rare.

5	4	3	2	1
very important/highly agree	strongly agree	Moderately important/agree	Sometimes	Rarely

Description of Items	Response	Response note	Remark
<b>Questions on Company Management</b>			
Does your company have a management person responsible for:			
Social sustainability			
. Business Conduct and Compliance			
Environmental sustainability			
For which of the following social issues does your company have a policy?			
Social sustainability			
Business Conduct and Compliance			
Environmental Sustainability			
<b>Training Session on CSR Issues</b>			
Does your company conduct training session with regard to Corporate Social Responsibility (CSR)/ Sustainability Report?			
<b>On which of the following issues does your company conduct</b>			

<b>training often?</b>				
Social sustainability				
Business Conduct and Compliance				
Environmental Sustainability				
<b>Item #</b>	<b>Questions</b>			
<b>1</b>	<b>Social Sustainability</b>			
	To what extent do you know concerning the concept of CSR on community engagement issues			
	Respect for human rights (e.g. fair treatment			
	No forced or compulsory labor			
	No child labor (e.g. no worker under legal working age, etc.)			
	Working conditions (e.g. employing the local community members as a priority			
	Human Resource Issues			
	Wages & benefits (e.g. no unpaid overtime, etc.)			
	Non-discrimination (e.g. age, gender, religion, race, etc.)			
	Freedom of association			
	Collective bargaining			
	Does your site have a management system in place to manage the above mentioned social issues?			
	health & safety			

	Does your company have a written health & safety policy in place, which complies with industry, national and international standards?			
	How often have health and safety audits been conducted at this site?			
	To what extent is your social management system documented?			
Item #	<b>Questions</b>			
	<b>Environmental Sustainability</b>			
	Does your facility have work procedures to manage the use of restricted substances and chemicals?			
	How often environmental audits been conducted at this site?			
	To what extent the following areas covered by this policy or the related processes and procedures?			
	Energy consumption			
	Water usage			
	Air emissions			
	Waste management			
	Restricted substances and chemical handling			
	Does this site have an environmental management system in place			
<b>Item</b>	<b>Description of variables on Business Conduct</b>			

	<b>Business Conduct and Compliance</b>		
	Does your company have a formal policy in place regarding business conduct and compliance? (corruption, extortion, bribery)		
	Are the following areas covered by this policy [Corruption, including extortion the related processes and procedures? Corruption, including extortion Bribery]		
	To what extent is your business conduct and compliance ethics management system documented?		

*Thank you for Your Extended Cooperation*