

“The purpose of business is business”. Is Corporate Social Responsibility (CSR) a contradiction of this view?: A Critical Examination of the Motives that drive CSREngagement by Companies listed on the Zimbabwe Stock Exchange (ZSE) and the impact of CSR on financial performance.

Sanyanga Tsitsi (R950954P)

A dissertation submitted in partial fulfillment of the requirements for the degree of Master of Business Administration

2015

Graduate School of Management

University of Zimbabwe

Supervisor: Dr. D. Madzikanda

Dedication

This work is dedicated to the following:

My husband: Moses

My children: Anesu, Anotidaishe and Anopa

Declaration

I,, do hereby declare that this dissertation is the result of my own investigation and research, except to the extent indicated in the Acknowledgements, References and by comments included in the body of the report, and that it has not been submitted in part or in full for any other degree to any other university.

Student signature

Date

Acknowledgements

I would like to express gratitude towards Dr. Madzikanda for his guidance and supervision. I would also like to thank my loving husband, Moses and my children; Anesu, Anotidaishe and Anopa, whose love and support has been a source of inspiration throughout the dissertation period. I would also like to appreciate all the managers of the various companies who participated in this research for their valued responses to the questionnaires. Lastly, I would also like to thank my MBA Lectures and classmates for their continued motivation and encouragement.

Abstract

Business is expected to give back to the society through corporate social responsibility (CSR). In Zimbabwe, public limited companies engage in CSR but there is a rising pressure from Government and society on companies to increase their CSR engagement. Managers have the dilemma of trying to satisfy the expectations of multiple stakeholders on one hand and satisfying shareholders by increasing firm value on the other hand. These managers have the complex task of crafting CSR policies that balance compliance to mandatory CSR and choice of voluntary CSR activities that are in line with the company's strategic thrust so that the firm's financial performance is not traded off.

The main purpose of this study was to examine the motives of CSR engagement by companies listed on the ZSE and to examine the impact of CSR investment on financial performance.

The research used quantitative methods to collect and analyse data. Of the 63 companies listed on the ZSE, 52 companies were selected using stratified sampling by sector and four managers were randomly selected from each company to respond to the structured questionnaires.

The research found a significant positive relationship between motives and CSR engagement although motives affect CSR activities differently. The research also found that the ethical and philanthropic CSR activities have a significant positive impact on financial performance. A CSR conceptual framework was proposed showing main drivers of each of the CSR elements as well as the CSR elements that have a significant positive impact on financial performance. These results suggest that companies that intend to derive financial benefits from CSR investment should concentrate more on the philanthropic and ethical CSR activities. On the other hand, being conservative by just focusing on maximising economic value, compliance to legal and environmental regulation may not result in increased financial performance if the firm does not do more to the society.

It is recommended that managers carefully select CSR activities focusing more on ethical and philanthropic activities so that there is no trade-off between CSR and financial performance. It is also recommended that the Government hold CSR awards, offer more tax incentives and have a more voluntary CSR policy to motivate companies to invest more in CSR.

Key Words: CSR, motives, financial performance, ZSE

Table of Contents

Dedication	ii
Declaration.....	iii
Acknowledgements.....	iv
Abstract.....	v
List of Tables	viii
List of figures.....	x
ABBREVIATIONS	xi
CHAPTER ONE	1
INTRODUCTION.....	1
1.1Background	2
1.1.1 Background to CSR (Shareholder vs Stakeholder view of firm).....	2
1.1.2 National Development and private sector CSR in Zimbabwe.....	4
1.1.3 CSR by Zimbabwean Companies listed on the ZSE	5
1.2 Problem Statement.....	7
1.3 Research Objectives.....	8
1.4 Research Questions	9
1.5 Research Hypotheses.....	9
1.6 Justification of Study.....	9
1.7 Scope/ delimitation of study.....	10
1.8 Dissertation Outline.....	10
1.9 Chapter Summary	10
CHAPTER TWO	12
LITERATURE REVIEW	12
2.0 Introduction	12
2.1 The concept of CSR	13
2.2 The CSR Theory	18
2.2.1 Stakeholder Theory.....	19
2.2.3 Legitimacy Theory.....	20
2.3 Reasons Why Businesses Engage In CSR Activities	20
2.3.1 The Ethical Imperative Motive.....	20
2.3.2 The Firm Protection Strategy Motive	21
2.3.3 The Market Share Seeking CSR Motive.....	22
2.3.4 The Managerial Ego Satisfaction Motive	22

2.3.5 The Public relations and marketing motive	23
2.4 How Businesses Choose the CSR Activities to Engage In	24
2.4.1 Orientation of Leaders and Their Perceptions	24
2.4.2 Discretionary Resources Available	26
2.4.3 Alignment to Overall Company Strategy	26
2.4.4 The Power and Urgency Possessed By Stakeholders	26
2.5 The Relationship between CSR and Financial Performance	27
2.5.1 Neutral Relationship	28
2.5.2 Positive Relationship	28
2.5.3 Negative Relationship	29
2.5.4 Conditional Relationship	30
2.6 Should CSR Policy Be Voluntary Or Mandatory?	30
2.7 Conceptual Framework	33
CHAPTER THREE	36
RESEARCH METHODOLOGY	36
3.1 Introduction	36
3.2 Research Design	36
3.2.1 Research Philosophy/Paradigm	36
3.2.2 Research Methods/Strategy	38
3.3 Population and Sampling Techniques	38
3.3.1 Population	38
3.3.2 Sampling	38
3.4 Sources of Data	41
3.5 Data Collection Procedure	42
3.6 Data Analysis	43
3.7 Research Limitations	43
3.8 Research Ethics and Data Credibility	44
3.9 Chapter Summary	44
CHAPTER FOUR	46
DATA ANALYSIS, PRESENTATION AND DISCUSSION	46
4.1 Introduction	46
4.2 Response rate	46
4.3 Descriptive Statistics	47
4.3.1 Existence of CSR board Committee	47

4.3.2 Ownership of the Company	47
4.3.4 Company Size	48
4.3.5 CSR selection factors	49
4.4 Reliability and Validity.....	50
4.5 Normality Test.....	52
4.7 Tests of Association: Correlation Analysis	53
4.7.1 Correlations among Motives and CSR Elements.....	53
4.7.2 Correlations Among CSR Elements And Financial Performance.....	57
4.8 Testing For Differences	58
4.8.1 CSR board committee	58
4.8.2 Ownership.....	58
4.8.3 Company size	59
4.8.4 Sector	60
4.9 Hypothesis Testing.....	60
4.10 Presentation of Major Themes from Qualitative Statements	61
4.10.1 How can companies be motivated to engage in more CSR?	61
4.11 Discussion of Findings	61
4.12 Conclusion.....	63
CHAPTER FIVE	64
CONCLUSIONS AND RECOMMENDATIONS.....	64
5.1 Introduction	64
5.2 Conclusions	64
5.3 Discussion of Objectives	65
5.4 Validation of Research Hypotheses	67
5.5 Theoretical Contribution.....	67
5.6 Recommendations.....	68
5.6.1 Management Recommendations	68
5.6.2 Government Policy Recommendations	69
5.7 Study Limitations and Suggestions for Further Study.....	70
Appendices.....	80

List of Tables

Table 1: Research Paradigms	37
-----------------------------------	----

Table 2: Research methods	38
Table 3 : Number of companies and respondents to be used in the sample.....	41
Table 4: Existence of CSR board Committee	47
Table 5: Ownership of the company	47
Table 6: Sector/Industry Type	48
Table 7: Size of the company.....	49
Table 8: CSR selection factors.....	49
Table 9: CSR Policy.....	50
Table 10: Reliability Statistics	50
Table 11: Reliability of individual variables.....	51
Table 12: Normality Test.....	52
Table 13: Motives and the economic CSR elements	53
Table 14: Motives and the ethical CSR elements	54
Table 15: Motives and the legal CSR activities.....	55
Table 16: Motives and the environmental CSR elements.....	55
Table 17: Motives and the philanthropic elements	56
Table 18: Correlations among CSR elements and financial performance	57
Table 19: Motives and the Economic CSR Elements	Error! Bookmark not defined.
Table 20: Motives and the Ethical CSR Elements.....	Error! Bookmark not defined.
Table 21: Motives and the legal CSR activities.....	Error! Bookmark not defined.
Table 22: Motives and the legal CSR activities.....	Error! Bookmark not defined.
Table 23: Motives and the philanthropic CSR activities	Error! Bookmark not defined.
Table 24: CSR elements and financial performance.....	Error! Bookmark not defined.
Table 25: Statistical controls model summary	Error! Bookmark not defined.
Table 26: Statistical Controls coefficients	Error! Bookmark not defined.
Table 27: CSR board committee.....	58
Table 28: Ownership.....	59
Table 29: Company Size	59
Table 30: Sector	60

List of figures

Figure 1: Pyramid of Corporate Social Responsibility Source: Carroll and Shabbana (2010)..... 15

Figure 2: The corporate social responsibility continuum Source: Johnson (2003)..... 30

Figure 3: CSR Conceptual Framework 33

Figure 4: Response rate..... 46

Figure 5: Proposed CSR Conceptual framework..... 68

ABBREVIATIONS

CSOTs	Community Share Ownership Trusts
CSR	Corporate Social Responsibility
EIAP	Environmental Impact Assessment Policy
EMA	Environmental Management Agency
EPS	Earnings per Share
GMO	Genetically Modified Organisms
ILO	International Labour Organisation
ISO	International Standards Organisation
MDGs	Millennium Development Goals
NGO	Non-Governmental Organisation
PRFT	Poverty Reduction Forum Trust
SPSS	Software Package for Social Sciences
TCPL	Total Consumption Poverty Line
WBCSD	World Business Council for Sustainable Development
ZIMASSET	Zimbabwe Agenda for Sustainable Socio-Economic Transformation
ZSE	Zimbabwe Stock Exchange

CHAPTER ONE

INTRODUCTION

1.0 introduction

The traditional view of the firm (the shareholder view) is that the firm has a primary fiduciary duty to the shareholders to increase their value (Friedman, 1970). However, for the past decades firms have considered the interests of other stakeholders (customers, government, workers, communities and the environment) through Corporate Social Responsibility (CSR). The topic of CSR and its impact on firm financial performance has been widely researched and debated. Some researchers found a positive correlation (Orlitzky 2011; Brammer and Millington, 2009); others found a negative correlation between CSR and firm financial performance (Spitzer, 2010); while others found neutral relationship (McWilliams and Siegel, 2006). The important question that managers need an answer to as they engage in CSR is whether CSR contradict the economic purpose of business of increasing shareholder value. Answer to this question will help managers on how to approach CSR either with enthusiasm or with caution.

While previous researches examine the relationship between CSR and firm performance, there is limited research in the area of the real motives that drive companies to be involved in CSR and how managers of companies select CSR activities to be involved in. Previous researches largely concentrate on the qualitative study and theory building of the concept of CSR; the quantitative side is lacking. Even those researches that are quantitative, there is little agreement among researchers on the impact of CSR on the economic purpose of business of increasing firm value. Although there is agreement among researchers on the assumption that businesses are responsible for their impact on society, there is little agreement to the policy by which businesses should be involved in addressing social issues; especially whether it should be purely voluntary or more of mandatory in nature in the context of the Zimbabwean. Finally, in the Zimbabwean context, previous research is specific to sectors (eg mining sector, banking sector). There is limited research that cuts across multiple sectors of the economy to highlight differences in the CSR approaches of different sectors. This research will fill in these gaps by describing the most influencing reasons why companies engage in CSR

activities and also examining the concentration of CSR activities that companies choose to engage in; including the quantitative analysis of the relationship between CSR and firm performance. The research cuts across all the sectors of companies listed on the ZSE which will help establish a broad based view of CSR in Zimbabwe.

1.1 Background

1.1.1 Background to CSR (Shareholder vs Stakeholder view of firm)

There has been a historic debate on the role of the businesses in society; between shareholder primacy and social welfare (stakeholder) theorists. The traditional view of the firm (the shareholder view) is that the firm has only one purpose of existence which is to maximise profits for shareholders. This school of thought was first endorsed by Berle (1931) and latter supported by Friedman (1970). The traditional shareholder primacy theory argues that a corporation has a primarily responsibility to its shareholders to maximise their wealth and therefore social issues should not interfere in the business operations. Friedman (1970) argues that corporations have neither the authority nor the moral right to sacrifice shareholders' funds for the welfare of the society. Managers are considered as mere agents of the shareholders and thus have no right to give away corporate profits except when it increases shareholder wealth. These traditional theorists argue that CSR increases agency costs and thus should be considered as illegal. Friedman (1970) contends that any shareholder is free to use his/her dividend to support social issues of a worthy cause which he may choose; but a company manager should not make the choice for him. Friedman (1970) passionately notes that there is only one social responsibility of business which is to use its resources and engage in activities that increase profits and value for shareholders. Latter, Husted and De Jesus Salazar (2009) also argue that taking all stakeholders' interests into business decisions is complex in the sense that all other stakeholders do not pay for their stake in the company, but shareholders do. To sum up, the traditional free market theorists argue that a manager of a corporation cannot simultaneously be; a philanthropist, an eco-warrior, a human rights activist, a civil servant or social worker (Dunne, 2009).

Conversely, the modern view (stakeholder view) of the firm is that the firm does not operate in a vacuum and thus argues for an extension of the fiduciary duties of the directors, apart

from shareholders, to the protection of the interests of the general public even at the expense of the company profits. This stakeholder view of the firm was first proposed by Dodd (1932) and later adopted by Freeman (1984). Since then, CSR has taken a pragmatic turn from the traditional view of the firm. Modern research now focuses not on whether CSR should be done by corporations but rather on how to effectively carry out CSR for the benefit of both the society and the firm. This market-friendly approach to doing business has made companies to engage in CSR activities so that society and environment can also benefit from the profits of the company (Gill, 2009). This is referred to as the “triple bottom line” consisting of people, planet and profit components first conceptualised by Elkington (2001) and later emphasised by Campbell (2007).

CSR is now being studied as a strategic tool for managing stakeholders’ relations which yield economic benefits to the firm. McWilliams and Siegel (2006) support the stakeholder approach and emphasise the importance of relationships with stakeholders. They highlight the importance of the strategic management of the relationships between a firm and its various stakeholders, other than shareholders, arguing that this underpins firm financial performance. If its relationship with stakeholders is weak, a firm will find it difficult to attract essential inputs and to sell its outputs on favourable terms (Bhattacharya, 2001). Mohr, Web and Harris (2011) argue that, if stakeholders are unhappy with a firm, customers can stop buying its products, employees can withhold their loyalty and Government will impose stiffer regulation. But if the firm manages its relationships well, the firm can gain competitive advantage (Porter & Kramer, 2006). Firms that have developed strong stakeholder relationships by being socially responsible can attract quality workers (Spitzer, 2010; Bir and Suher, 2009). CSR can lead to first mover advantages (Lamerts & Sirsly, 2010). The benefits that companies reap by getting stakeholder favour (through CSR) against the costs to be suffered by triggering their anger (through social irresponsibility) combine to form a ‘business case’ for CSR that drives firms to be socially responsible voluntarily (Porter & Kramer, 2006).

While targeting the “triple bottom line” is mostly cited by firms in their CSR missions, there is a reason to examine the real motivations behind CSR expenditure by firms. Analysis of company financial statements show that companies in different sectors have different

concentration of choice of CSR activities they engage in. This research seeks to investigate the real motivating forces of CSR expenditure and activities by Zimbabwean companies listed on the Zimbabwe Stock Exchange (ZSE) and how CSR engagement affects firm financial performance.

1.1.2 National Development and private sector CSR in Zimbabwe

The Millennium Development Goals (MDGs) were declared by 189 Heads of State at the United Nations Summit in 2000 where they pledged to work together to make a better world by 2015. A total of eight MDGs were adopted by member states: reducing poverty, child mortality, maternal mortality, HIV and enhancing primary education, gender equality environmental sustainability and global partnership. In Zimbabwe, the goal of poverty alleviation is still lagging far behind the target (Poverty Reduction Forum Trust (PRFT), 2013). The economic challenges facing the country have exposed the society to unemployment, under-employment and general rise in poverty. Many people are struggling to access basics like food, clean water, health care and education due to the deterioration of their socio and economic status.

Surveys carried out by the PRFT in November 2012 revealed that household monthly incomes averaged \$289 which was far below the Basic Needs Basket of \$540. According to the Zimbabwe United Nations Development Framework (ZUNDF, 2012), the human development index for Zimbabwe has worsened by 12% since 1995. People living below the Total Consumption Poverty Line (TCPL) increased from 55% in 1995 to 72.3% in 2011 (MDGs Status Report, 2012). Food security and nutrition has also fallen over the past decade due to reduced productivity emanating from a lack of comprehensive agriculture policy framework. Zimbabwe still faces environmental challenges including biodiversity loss, poor waste management, pollution and forest and land degradation (ZUNDF, 2012). Zimbabwe is also facing serious challenges in delivering basic socio services like water, sanitation, health, housing and social protection services. Globally, Zimbabwe remains among the countries with the highest HIV infections – it carries the third largest HIV burden in Southern Africa (ZUNDF, 2012). According to the MDGs Status Report (2012), infant mortality rate decreased marginally from 65/1000 in 1999 to 57/1000 in 2011 which is far away from the 2015 target of 34/1000. Maternal mortality has increased from 612/100 000 in 2005 to

960/100 000 in 2011. Primary school children who complete primary education enrolment have also decreased from 97.7% in 2000 to 81.4% in 2011.

The above statistics show that Zimbabwe is way off the target of the achievement of the MDGs by 2015 and even general national development beyond MDGs. The new blue print, The Zimbabwe Agenda for Sustainable Socio-Economic Transformation (ZIMASSET) of 2012 is also tailored to address social needs and to enhance national development. Although the burden to the achievement of the MDGs lies with Government, supported by the donor community, the private sector has an increasingly important role to play (Gapare, 2012). Government alone cannot achieve these MDGs given the economic challenges the country is facing. Although the Government is receiving taxes from the corporations, there is a general call for the private sector to take ownership of these MDGs and meaningfully contribute to their achievement even beyond the 2015 target. The private sector is also central in the success of the ZIMASSET which also mirrors the MDGs. There is also a general suspicion from both the Government and society at large that although companies are contributing to CSR programmes, the amounts are insignificant compared to the profits they have earned (Kasukuwere, 2012). Although Zimbabwean companies have CSR missions, the question which needs to be answered is whether their CSR funds are being channelled to programmes that are addressing the real challenges that the Zimbabwean communities are facing (Nhema, 2014).

1.1.3 CSR by Zimbabwean Companies listed on the ZSE

A content analysis of mission statements and published accounts shows that all companies listed on the ZSE are committed to CSR. Some companies have combined their CSR commitment as part of the overall mission statement while others have a separate CSR mission statement. In most of these statements, CSR issues mostly cited are education, sport, environment, health, employees and the welfare of the general society. For the corporations listed on the ZSE that are group of companies eg Inscor, the subsidiaries and associate companies run their own CSR programmes in addition to the programmes of the holding company www.inscor.co.zw. Most of the CSR activities of these companies are congruent with the products and services they offer. For example, a bakery donating bread, a retailer donating food hampers, a chicken farming company donating chicken and eggs and conducting farming workshops for communities for free, a bank giving financial support to

small businesses and a telecommunications company supporting communication of health issues. CSR has been given varied terminologies by different companies: corporate social investment, corporate social performance, sustainability programmes, creating shared value and also the company in the community.

A close analysis of the published financial statements of all the companies shows that there is non-financial CSR reporting. Companies only report on the various CSR activities carried out in the financial year, but actual expenditure value is not disclosed. This shows that the Publish What You Pay concept has not been adopted in Zimbabwe. Quantifying CSR expenditure as part of financial reporting may be useful to express to the society the extent to which companies are willing to sacrifice profit for social responsibility. This would avoid the suspicion by Government and society of whether companies are making “meaningful contributions” to CSR given the profits they are making.

CSR in Zimbabwe has both voluntary and mandatory CSR initiatives. Voluntary CSR leaves the discretion of the choices of the CSR activities and amount of expenditure to the company. This mainly involves philanthropic programmes for the benefit of the society. Zimbabwe has adopted the ISO 26000 (2010) Guidelines in the voluntary CSR programmes. These programmes include sponsoring sport, arts and culture where companies donate sporting uniforms, equipment and also training teams. Supporting the education of disadvantaged students has also been an area of concern for some companies. For example, Econet has two funds for this purpose: the Joshua Nkomo Scholarship Fund and the Capernaum Trust www.econet.co.zw. Some companies have engaged in poverty alleviation programmes through supporting entrepreneurship. For this purpose, banks have provided cheap loans to small businesses to support projects www.cbz.co.zw. Some companies have provided training of the community, for example Irvine’s has demonstrated chicken rearing to Mt Darwin community for those who want to start chicken projects www.irvine’s.co.zw. Most companies respond to national disasters like the 2008 cholera outbreak, road and flood disasters (eg the Tokwe-Mukosi disaster).

Mandatory CSR is CSR regulated by Government through legislation. Companies just have to comply or face the consequences of the law. The issue of the health and safety of workers has been adopted from the International Labour Organisation (ILO) and it is mandatory. To date there are two Zimbabwean Acts for CSR: the Environmental Impact Assessment Policy (EIAP) (1994) and The Indigenisation and Empowerment Act (2007). The Environmental Management Agency (EMA) is an arm of Government that monitors environmental issues like pollution, aqua life protection, deforestation and land degradation. However, the EIAP is not really mandatory in nature. The Indigenous and Economic Empowerment Act is a legal framework to facilitate the meaningful participation of Zimbabweans in the mainstream economy. The Act mandates that 51% equity to be held by Indigenous Zimbabweans. Communities within which companies operate are to hold at least 10% equity through Community Share Ownership Trusts (CSOTs). Companies should contribute \$10 million each to the CSOTs. Money accruing to the Trusts is to be used for community development.

As on 26 August 2014, sixty one CSOTs have been registered so far (Nhema, 2014). The mining sector is the one that has been greatly affected by this mandatory CSR since most of the mining companies are foreign based and are big enough to qualify. Non-compliance to the mandatory CSR means the non-complying company can lose its operating license. Some mining communities where resources are commercially exploited have realised meaningful contributions by mining companies through the CSOTs. However, there is allegation of abuse of funds with other CSOTs and also some companies have not yet complied with the \$10 million funding of the CSOTs. Strict monitoring and administration of the various CSOTs is underway. The Tongogara CSOT in Shurugwi boasts of a success story on CSOTs where a school was built, two hundred boreholes drilled, a dam constructed and roads refurbished among other developments with the full \$10 million contributed by Unki mine (Nhema, 2014). This is just one example of a positive impact a company can have on the community in which it operates through CSR. Such meaningful contribution could not possibly been realised without the mandatory CSR.

1.2 Problem Statement

The MDGs and ZIMASSET advocate for poverty eradication, improved literacy, health for all and sustainable environment among other concerns. Although this is the major task of the

Government, businesses are expected to take a major role in the achievement of MDGs and the ZIMASSET agenda through CSR. Businesses should give back to the society through sincere philanthropy, infrastructure development and reduction of the negative impact on the environment. Notwithstanding this concern, most public limited companies have indeed engaged in CSR activities as reported in their financial statements. However, in Zimbabwe, there is a rising pressure from Government and society on public limited companies to increase their CSR engagement especially in the context of legislated CSR through the Indigenisation and Empowerment Act (2007) as the Government tries to mobilise private sector resources towards social development. Managers in these public limited companies find themselves in a dilemma of trying to comply and satisfy the expectations of multiple stakeholders on one hand and satisfying shareholders by increasing firm value on the other hand. Managers of these companies have the complex task of crafting CSR policies that balance compliance to mandatory CSR to maintain the legitimacy of the company on one hand and choice of voluntary CSR activities that are in line with the company's strategic thrust on the other hand so that the firm's financial performance is not traded off, given the prevailing economic challenges the Zimbabwean economy is facing.

1.3 Research Objectives

Main objective

The main objective of this study is to examine the motives of companies listed on the ZSE to engage in CSR activities as they pursue the economic purpose of business.

Secondary objectives

Specifically, the study seeks:

1. To examine the most influencing motives of CSR engagement by public limited companies.
2. To describe how companies choose CSR activities to invest in.
3. To describe the CSR policy that is preferred between mandatory and voluntary policies.
4. To examine the impact of CSR investment on financial performance.
5. To recommend strategies to motivate companies to invest in CSR without trading-off the financial performance of the companies.

1.4 Research Questions

The *main question* to be answered in this research is: *Does CSR contradict the economic objective of the firm of increasing firm financial performance?*

The following specific questions will be answered:

1. What are the most influencing motives for CSR engagement by public limited companies in Zimbabwe?
2. How do companies choose CSR activities to engage in?
3. Which CSR policy do companies prefer between mandatory and voluntary policies?
4. Does CSR engagement lead to increased firm performance?

1.5 Research Hypotheses

The research is based on the three hypotheses:

- H₁ Motives are positively related to CSR engagement.
H₂ CSR has a positive impact on financial performance.

1.6 Justification of Study

The study serves as a guide to the Government in policy making and legislation that involves CSR. The study serves to help the Government to come up with strategies that will motivate companies to engage in those activities that they do not normally choose especially those that reduce poverty level in the society. The research may also help Government in getting a general view of what companies prefer between a voluntary and mandatory approach so that policies are tailored that motivate companies in CSR engagement.

If the study reveals that behind the non-profit CSR activities, companies are still creating value for the shareholders through increase in financial performance, this would motivate companies to engage more in CSR. This would also motivate other business managers that still hold the traditional view that CSR expenditure is a waste of business resources and that CSR is peripheral to the core purpose of business of value creation for shareholders. The study will also help company managers in crafting CSR policies that are strategic in increasing firm financial performance.

This study will add to the literature on CSR and firm performance, CSR policy and also on the motives of CSR activities engagement by businesses operating in a developing country like Zimbabwe.

1.7 Scope/ delimitation of study

This study will be limited to companies listed on the Zimbabwe Stock Exchange (ZSE). The companies should have branches, subsidiaries or Head offices in Harare as in case of mining companies. Private companies and other forms of business as partnerships and sole traders are excluded.

1.8 Dissertation Outline

Chapter one covers the introduction and background to CSR in the context of the companies listed on the ZSE. It also states the research problem, objectives, questions, proposition, justification and scope of the study.

Chapter two will detail a literature review on CSR, reasons, activities and initiatives.

Chapter three will explain the research methodology; highlighting sampling and data collection.

Chapter four will analyse data and present the results.

Chapter five will finally make conclusion and recommendations basing on the results of the data analysis.

1.9 Chapter Summary

The Chapter has introduced the topic of CSR and given the background in terms of its origins. It has also highlighted the socio economic challenges facing the Zimbabwean communities and the private sector's important role in alleviating these social and environmental problems in the quest to meet the 2015 MDGs deadline, ZIMASSET agenda and national development. Relevant statistics have been provided. The chapter has also stated

the research problem emanating from the alleged minimal contribution to CSR by companies and pressure from Government in the face of rising poverty, economic and environmental challenges. Objectives and questions have been crafted to come up with strategies to increase companies' contribution to CSR programmes. The scope of the study is on ZSE listed companies with head offices or subsidiaries or branches in Harare. Other forms of businesses such as private companies, partnerships and sole traders are excluded from the research.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

The area of CSR has been widely researched and has been a topic of academic debate for decades. This chapter will focus on the broad development of ideas behind CSR within literature. It starts by attempting to define CSR with its various concepts and issues. It then looks at the development of the CSR theories by various researchers. It goes on to discuss why businesses engage in CSR and how managers choose the activities to engage in. The relationship between CSR and firm financial performance is also debated from literature. Finally, the chapter concludes by examining a crucial policy formulation question of whether CSR should be voluntary or mandatory.

Although there is ample literature on CSR theory and impact on firm financial performance, the main issue of motives of CSR engagement to be tackled in this research, is not widely researched. Although some studies list advantages or reasons of CSR engagement, in most cases, such reasons are not empirically established through research of the real motives of CSR engagement by companies. As will be shown in the review of literature below, limited previous research has tried to empirically answer the main research question of this study- “does CSR contradict the economic purpose of business of increasing shareholder value?” Most previous studies on CSR are qualitative in nature, purely theoretical and lack field research; concentrating on establishing CSR theory, definition of CSR and content analysis of financial statements and company mission statements. This research will fill in the gap in literature by analysing CSR quantitatively and empirically.

In the Zimbabwean context, there is pressure on companies to seriously implement the Indigenisation policy in their CSR agendas as the Government tries to harness private sector resources in social development. Newspapers and other media have been at the fore front giving the views of companies on such mandatory policy by Government. The danger of media is that it can be subjective and biased depending on political affiliation. There has been limited voice from academic research in Zimbabwe on the impact of the mandatory CSR

policy on companies through field research. What appear in most newspapers on CSR are political statements that are not based on empirical research findings. This research will also fill in this gap by studying the concentration of mandatory and voluntary CSR activities of companies listed on the ZSE; which are mainly targeted by the indigenisation policy.

Finally, a review of literature also shows that most of the research concentrates on few sectors; mining, banking, state owned enterprises, alcohol industries and aviation industries. There is limited research on sectors like retail, manufacturing, hospitality, agro-businesses and construction companies. This research will fill in this gap by providing a cross sector view of CSR in Zimbabwe. This research also gives an integrated approach to CSR where all important aspects of business strategy are interwoven in CSR agendas of companies to enhance CSR engagement in the achievement of the economic objective of the firm of increasing firm financial performance. This is what differentiates this research from previous research that concentrates on certain aspects of CSR; for example financial performance, reputation, CSR theory etc as individual aspects.

2.1 The concept of CSR

Defining Corporate Social Responsibility (CSR) is not a straightforward task. This is because corporate behaviour affects several stakeholders that include customers, suppliers, workers Government and the community at large. Each stakeholder would define CSR in the context of their expectations (Baden and Harwood, 2013). In this case Maltz, Thompson and Ringold (2011) argue that corporate behaviour is socially responsible as long as it meets the expectations of the stakeholders pertaining to what they define as appropriate and acceptable behaviour. Furthermore, Moir (2001) argues that corporations act in socially responsible ways if they can do the following two things. Firstly, they must not do anything that could cause harm to their stakeholders knowingly. Secondly, if corporations find that they have caused harm to their stakeholders they should rectify the effects of the harm. This rectification could be done voluntarily or in response to pressure from the law and society at large in the form of court orders, legal lawsuits and human rights activism (Gill, 2008). This definition of CSR sets a minimum behavioural standard for corporation, below which corporate behaviour becomes socially irresponsible (Moir, 2001). With so many conflicting

goals and objectives of stakeholders, the definition of CSR based on stakeholder expectations is not clear (McWilliams and Siegel, 2001).

Matten and Moon (2004) and Matten and Crane (2005) also argue that defining CSR is not easy because of three reasons. Firstly, this is because CSR is an area that is widely researched and is complex (Matten and Crane, 2005). Second, CSR is an umbrella term with several synonyms of corporate behaviour. (Matten and Crane, 2005). Federiksen (2010) poses several synonyms of CSR which include corporate responsibility, corporate citizenship, corporate social opportunity and responsible business. Thirdly, CSR is a constantly changing and dynamic phenomenon in terms of its application to different communities. (Matten and Moon, 2004). This dynamism is concurred by Baden and Harwood (2013) who propose CSR is a “moving target”, constantly changing according to society’s expectations. Matten and Crane (2005) argue that CSR entails compliance to legal frameworks and with societal ethics. Given that different societies have different legal systems and ethics, it would mean that corporations pursue their social responsibilities among different societies and nations differently (Idemudia, 2011). This analysis further complicates the definition of CSR in terms of its legal and ethical aspects.

Carroll (1991, 1979) is considered as the father of CSR and defines CSR as a four part pyramid of responsibilities: *economic* (profit maximisation, creating jobs, fair pay to workers, creating new products, return to investors), *legal* (compliance to legal frameworks), *ethical* (fairness, equality and impartiality) and *discretionary responsibilities* (philanthropy and selfless giving) (Figure 1). The four activities constitute total CSR and this has been adopted by various academics as the definition of CSR. Carroll (1991) argues that for a firm to be said to engage in CSR, it should engage in at least two of the four activities economic, legal, ethical and discretionary activities. A company that engages in one activity, for instance ethical, will be deemed as purely ethical company and not as a socially responsible company. Carroll (1991) also emphasises that economic and legal responsibilities are required by society while ethical responsibilities are expected and philanthropic activities are desired. The economic responsibility is considered as the basic responsibility upon which all other responsibilities are founded.

Although several researchers adopt Carroll's pyramid order, there is a growing concern among researchers that the pyramid is "up-side down". Cavalieri (2007) argues that the problem with Carroll's pyramid is that profitability is considered to be above obeying the law, being ethical and caring for communities; proposing for a model that places importance on being ethical. This argument is echoed by Baden (2013) who contends that managers should flip Carroll's pyramid by avoiding short-term profit chasing; proposing that managers should find solutions to societal problems and not to harm society or environment. Profit seeking should receive the least emphasis among the CSR activities (Cavalieri, 2007). Fleming (2004) also argues that companies can be seen to be doing CSR, but at the same time acting in unethical ways; citing the example of Enron which looked profitable and doing CSR, but collapsed because of being unethical.

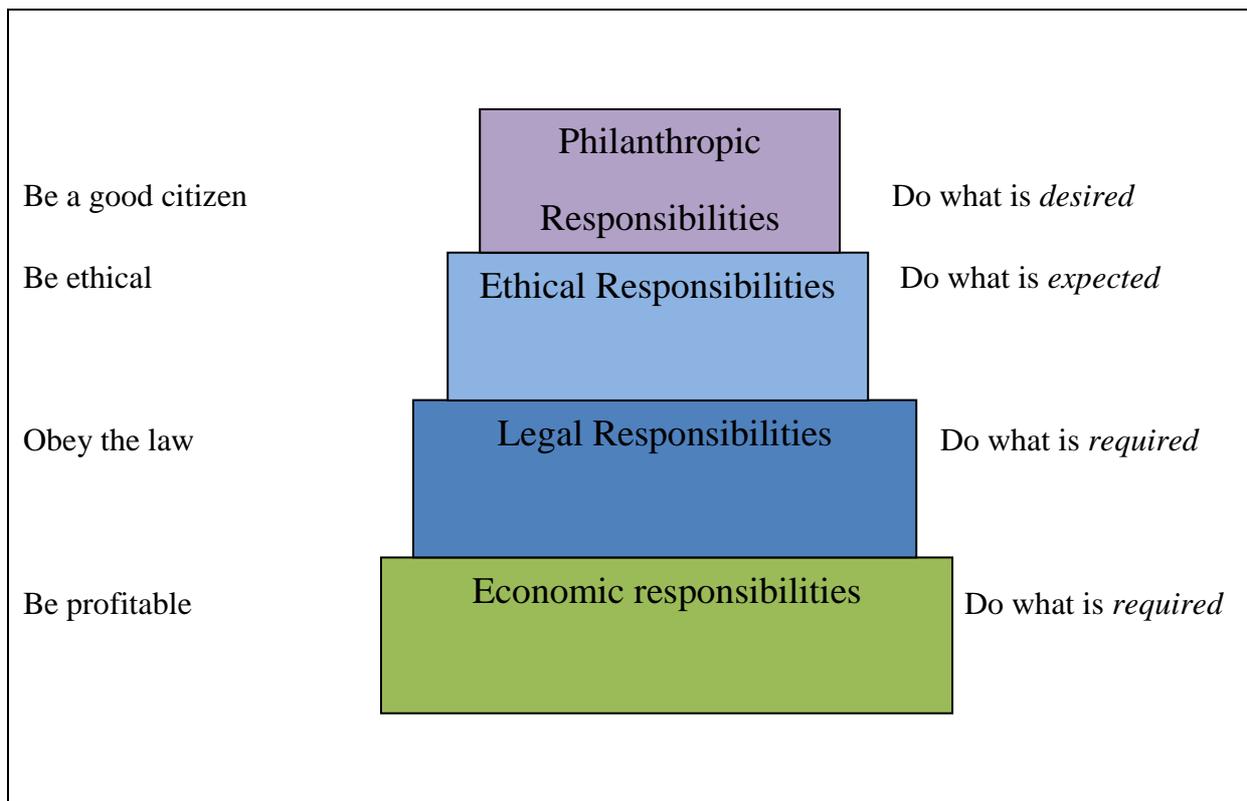


Figure 1: Pyramid of Corporate Social Responsibility Source: Carroll and Shabbana (2010).

McWilliams and Siegel (2001) argue for a definition of CSR that excludes the economic and legal aspects. They define CSR as actions taken by a corporation that support social goals, beyond the interests of the firm, its shareholders and that which is required by the law.

McWilliams and Siegel (2001) emphasise that CSR means going beyond obeying the law. For them, a company that avoids discriminating against women and minorities is not engaging in a socially responsible act; it is merely obeying the law. This argument is echoed by Grossman (2005) who posits that the economic and legal aspects are not part of CSR by emphasising that maximisation of profits by efficiently providing goods and services to meet market demand is the basic goal of a business and CSR goes beyond that goal. Similarly, according to Oury (2007), CSR is the commitment by business to behave ethically and contribute to the national economic development while improving the quality of life of the communities. Oury (2007) adds the economic aspect but still ignores the legal aspect in the definition.

Another rather controversial definition of CSR is one that excludes any amounts spent on workers and their welfare as proposed by the Indian companies Act (2013), Schedule (iv) cited in Sushmita (2013). Sushmita (2013) argues that if a company makes expenditure on the welfare of its workers, this is not CSR because these are programmes in pursuance of the normal course of business. Workers' costs are treated like any other expense that a business incurs to generate revenue. According to Sushmita (2013), the list of eligible CSR initiatives listed by the Companies Act (2013) consists only of activities that have nothing to do with the normal activities of the business to generate income. This view is echoed by Wan-Jan (2006), who also argues that an activity is classified as CSR if it goes beyond making profits for shareholders and meeting workers' needs.

The World Business Council for Sustainable Development (WBCSD) (2012) cited in Barnett (2012) proposes a definition for CSR as the ethical behaviour of a company towards society through management acting responsibly in its relationships with other stakeholders who have a legitimate interest in the business. So according to the WBCSD (2012), CSR is mainly concerned with ethical behaviour towards the community and workers. The problem with this definition is that the issue of ethics is controversial in its definition. What is ethical within one community might be unethical in another community. Furthermore, local conditions and customs are different across communities and nations (Matten and Moon, 2004). A question can also be posed on the inclusion of all stakeholders with a "legitimate interest in the

business". According to Coldwell (2000) shareholders are clear that they have the "legitimate interest" in the firm because of their capital; same applies to customers (they provide revenue), suppliers (they provide goods), workers (they provide labour) and the Government (it legalises the operation of the company). What legitimises society's interest? Marcoux (2003) argues that the general society has no legitimate right to claim anything from business unless they are customers. Husted and De Jesus Salazar (2006) also echo the same argument and advocate business to take seriously Friedman's (1970) position of the shareholder primacy. Similarly, Benerjee (2008) refuted the argument of the society having any "legitimate interest" in the business. Hence from this analysis, it also shows that researchers do not agree on which stakeholders to include in the definition of CSR and the basis of inclusion.

Yoon and Lam (2013) also propose a controversial issue on the definition of CSR. While all organisations might endeavour to show commitment for CSR, Yoon and Lam (2013) recommend the exclusion from the CSR category of businesses whose agenda is to create products that are hazardous, destructive or addictive. Examples of such organisations include industries dealing with alcohol, tobacco, gambling, nuclear and defence. Ludescher and Mahsud (2010) argue that these organisations create products that endanger or destroy human life instead of the well-being of society. Yoon, Gürhan-Canli and Schwartz (2006) echo this argument by analysing the issue of salience of firm-serving benefits; arguing that if a tobacco company donates money to a cancer association, this increases customer suspicion on the true motives of the company since tobacco allegedly causes cancer. Such philanthropy is duped "nonsensical" according to Ludescher and Mahsud (2010) because it is not sincere. Yoon and Lam (2013) argue that companies in the alcohol industry engage in CSR activities for three reasons: as an indirect brand marketing, as a means to shift responsibility of the potential harm of alcohol from the manufactures to the consumers and to promote voluntary regulation by offsetting alcohol control legislation. According to Yoon and Lam (2013), such CSR is "an illusion of righteousness" and can never eradicate the negatives of alcohol on society. Such reasoning and argument further complicates the CSR concept when linked to the main products of the company.

Kotler and Lee (2006), define CSR as the “social contract” where business has an obligation to take an active role in finding solutions to the problems that local communities face. Campbell (2007) calls it the “social licence” which refers to local community’s acceptance and approval of a company’s existence in the area. The concept of CSR is based on the argument that business is promoted and sanctioned by society (Branco and Rodrigues, 2006). Oury (2007) posits that society legitimates business by allowing it to function and to use the scarce resources in the area. Society also provides the environment and market for the business to operate and make profit. In return, society expects businesses to be good corporate citizens by obeying laws and societal ethics (Piercy and Lane, 2009). Although this “social licence” or ‘social contract” is intangible and informal, it can be realised through CSR (Branco and Rodrigues, 2006). However, this “social contract” of CSR is also difficult to use as a definition since such a “contract” is not formal or written down and thus impossible to enforce as it relies on business to voluntarily look into social issues.

This research will adopt Werner and Chandler’s (2011) definition which stipulates that CSR is a philosophy of doing business for sustainable development encompassing the following principles: to treat employees fairly; to operate ethically; to respect human rights; to sustain the environment; to provide quality products and services to customers; to create value for shareholders; to comply with all laws; and to be a caring neighbour in their communities. This definition is all encompassing because it has the various categories of CSR: economic in the form of value maximisation and also production of quality products and services; ethical in the form of human rights and employee welfare; legal in obeying the law; environmental sustainability and philanthropy in voluntarily caring for communities. The definition also addresses the needs of various stakeholders: customers, shareholders, Government, employees and the community at large. The definition also includes an important aspect of CSR, that is, sustainability since CSR has a long term commitment in nature.

2.2 The CSR Theory

Theories that explain and analyse CSR are generally divided into three: shareholder theory, social contracts theory and legitimacy theory. These theories also try to explain if CSR is descriptive, normative or instrumental.

2.2.1 Stakeholder Theory

This theory is used to analyse those groups to whom the firm should be responsible (the stakeholders) who also have an interest in the affairs of the firm. Moir (2001) classify stakeholders into primary (shareholders, investors, customers, suppliers, employees and government) and secondary stakeholder groups (the communities). Primary stakeholder groups are those whose participation is crucial for the survival of the corporation and whose laws must be obeyed (Moir, 2001). The secondary stakeholders are those that influence or are influenced by the corporation but they are not engaged in transactions with the corporation and thus are not essential for its survival (Garriga and Mele, 2004).

McWilliams and Siegel (2006) address the important question whether stakeholder CSR theory is normative, descriptive or instrumental. Stakeholder theory is descriptive as it presents a model of describing what the corporation is (McWilliams and Siegel, 2006). According to Moir (2002), stakeholder theory is also instrumental as it establishes a framework for stakeholder management. McWilliams and Siegel (2006) also argue that stakeholder theory is normative as it emphasises on ethical issues.

As has been argued under the definition of CSR, using the stakeholder theory as CSR theory is complex; considering that the company has many stakeholders thereby making it difficult to satisfy all of them. Each stakeholder would define a company as socially responsible if their needs are met and yet these stakeholders have various and sometimes conflicting objectives.

2.2.2 Social Contracts Theory

Moir (2001) argues that companies would be involved in CSR activities as part of “societal expectation” differentiating between macro-social and micro-social contract. A macro-social contract is defined as the general expectations for support that communities have on corporations and the specific form of support would be the micro-social contract (Mintzberg, 2000). Moir (2001) proposes that one of the commercial benefits for CSR is the “licence to operate” which enhances reputation and the gaining and maintaining legitimacy.

As has been argued under definition of CSR, using social contracts as CSR theory is also difficult as such “contract” is not formal and cannot be enforced since it relies on the company to voluntarily engage in CSR in the community in which it operates.

2.2.3 Legitimacy Theory

According to Moir (2001) legitimacy is a general perception that the actions of an entity are desirable and proper within the norms, values and beliefs of the society. Managers face legitimacy management challenges in the form of gaining, maintaining and repairing legitimacy (Spitzer, 2010). Legitimacy can be seen as a key reason for undertaking CSR and then using the CSR activity as a form of publicity and influence (Porter and Kramer, 2006).

This research will adopt the legitimacy theory because this study is based on the premise that companies engage in CSR activities that give them legitimacy and help them to stay in business. This legitimacy gaining and maintaining comes from complying with the law and all social norms especially in the Zimbabwean context where CSR is increasingly becoming more mandatory in nature.

2.3 Reasons Why Businesses Engage In CSR Activities

This research builds on five motivational bases adapting Campbell’s (2007) model in an effort to explain why firms commit to CSR expenditure which are: ethical imperative, firm protection strategy, market share seeking CSR, managerial ego satisfaction and public relations and marketing. Although these are the mostly cited reasons for company CSR engagement, Frankental (2011) argues that public relations and marketing could be the most important motivation considered by managers in CSR engagement for their companies. And this research also adopts Frankental’s (2011) argument.

2.3.1 The Ethical Imperative Motive

The ethical behaviour of the firm refers to the activities that society expects from the business that are not necessarily written down into law (Frederiksen, 2010). However, Branco and Rodrigues (2006) argue that ethical responsibilities are difficult to define and are complex and controversial. This is mainly because ethics differ with societies. Society wish to see

business assets, skills and resources employed to help reduce social problems such as poverty eradication concerns in the form of clean drinking water, health and education of communities (Sanchez, 2010). Through philanthropy, the firm can solve some of the society's problems. Thus, corporate philanthropy helps a firm achieve socio-political legitimacy, which is obtained when the general public and the government accept a firm as appropriate in terms of existing norms (Porter and Kramer, 2006). Corporate philanthropy is especially appreciated when governments do not have enough resources to engage in community and social welfare projects, as in the case of Zimbabwe (Chidavaenzi, 2014). Cavalieri (2007) argues that ethical issues should be given more attention by business compared to all other CSR activities.

2.3.2 The Firm Protection Strategy Motive

For many firms, CSR is considered as a cheap form of insurance and protection of the firm from societal riots and government regulation (Godfry, Hatch & Mansen, 2010). Human rights activists can force a firm to close down if it is not socially responsible. Philanthropy activities help firms gain 'social license' and ensure the firm's survival in the community (Porter and Kramer, 2006). This social licence recognises the fact that companies require some form of approval from various stakeholders to operate. The Government can also impose stiff regulatory penalties for not complying with CSR laws. In Zimbabwe, firms that do not implement the Indigenization Policy risk their operating licenses being cancelled. Compliance to Government CSR policies reduces regulation costs and protects the firm from takeover. Facio (2009) argues that it has been widely observed that firms with political connections enjoy preferential treatment by government, lighter taxation, preferential treatment in competition for government contracts or relaxed regulatory oversight of the company. This is what Sanchez (2010) calls "defence posture" and it is used by many firms to mitigate risks associated with regulation.

Barney (1991), cited in McWilliams and Siegel (2006), argues that the resource-based view of the firm asserts that a firm's sustainable competitive advantage in its markets derives from its possession of valuable and rare assets that are difficult for competitors to imitate or customers to substitute for. Porter & Kramer (2006) argue that CSR enhances and protects these resources through building relationships with stakeholders. Godfry, Hatch and Mansen (2010) argue that good relations with stakeholders create relational wealth (assets) that cannot

be protected through the traditional insurance markets because such assets are not tangible and quantifiable. Sanchez (2010) argues that philanthropic activity provides insurance-like protection for a firm's relational wealth.

2.3.3 The Market Share Seeking CSR Motive

Besides CSR being an advertising strategy, it can also be used as a market share growth strategy. Mintzberg (2000) argues that CSR enables a company to enter new markets. With a special reference to the alcohol industry, Yoon and Lam (2013) argue that CSR activities for alcohol companies are characterised by two aspects: social outreach and sponsorship of arts and cultural activities especially to emerging markets with large youth populations. From the view point of the alcohol companies, corporate philanthropy is not just a strategy of brand promotion but is a tactic to enter new markets (Yoon and Lam, 2013).

Bhattacharya (2001) argues that customers are willing to give incentives to socially responsible firms. A survey by Comiteau (2003) found that 84% of Americans would likely switch to a brand associated with a good cause if price and quality were similar. Most customers value social responsibility and as such, businesses can gain market share through CSR. If a business can certify their product as 'green,' they can achieve competitive advantage and more customers will be more willing to buy their product than the one that has not been certified as 'green'. This is because customers perceive the value of the 'green certified' product to be higher than others (Porter and Kramer, 2006). A growing number of customers now value products with CSR attributes, for example: ozone friendly, pesticide free and natural food as opposed to genetically modified organisms (GMO) food (Siegel and Vitaliano, 2007). Corporate Social responsibility is considered a business strategy because it does not only broaden and expand the customer base, but it also increases the likelihood of developing customer loyalty (Porter and Kramer, 2006).

2.3.4 The Managerial Ego Satisfaction Motive

Proponents of the Agency theory argue that the involvement by managers in CSR activities is to satisfy their ego (Campbell, 2007). An agency theory perspective implies that CSR is a misuse of corporate funds that would have been spent on projects that add value to the firm or

returned to shareholders in the form of dividends (Henderson, 2001). The agency theory also suggests that CSR is an executive perk because managers can use CSR to advance their careers or other personal agendas. CSR can indicate a self-serving behaviour on the part of managers thereby reducing shareholder wealth (Jensen, 2002). Through CSR, managers gain publicity, recognition, fame and esteem (Marcoux, 2003).

2.3.5 The Public relations and marketing motive

Some firms undertake CSR activities as public relations and marketing strategy. Franketal (2011) argues that CSR can be branded as a new invention of public relations. Building a firm's public relations takes a long time and is expensive. Public relations management is important for the firm's corporate image which is a crucial ingredient of firm competitiveness. Fombrum and Shanley (2010) argue that CSR can be part of a firm's reputation building strategy. Kotler and Lee (2010) stress the importance of community relations to a firm when likened to a marriage where the business as the husband, marries the community and takes inherent responsibilities associated with the union- the responsibilities which go beyond just financial. Product advertising is very expensive especially when media coverage is used. Firms can be motivated to spend on CSR and receive free media coverage and public relations exposure (Vaaland, Heide & Kell , 2009).

Conversely, CSR can also be used to overcome negative effects of a corporate product or past publicity problems. In this case, CSR will be used to repair bad publicity of the company. Barnett (2012) argues that good management of a company's CSR programme can help stakeholders "ignore past firm's misconduct". Focussing on the alcohol and tobacco industries, Gulyás (2011) argues that CSR can turn "demons into angels" if it is properly communicated. Yoon and Lam (2013) argues that CSR has a cognitive constraint on stakeholders who might be unable to see past firm's "smokescreens" or "green washing" efforts.

According to Greening, Daniel and Turban (2000), CSR has also been viewed as a strategy to improve the company's publicity in terms of attracting quality employees. Mahroum (2000) argues that organisations are competing to attract highly skilled personnel in various professional areas and postulates that in the future, competition for best employees will be as

fierce as competition for customers. Companies seek to attract new employees and retain existing staff through employment advertising and employment branding (Bir, Süher, Altınbaşak, 2009). CSR is considered as an essential tool for enhancing the firm's ability to attract quality workers (Berthon , Ewing and Hah, 2005). Kortler and Lee (2006) argue that employees are significantly interested in and loyal to companies that have proven commitment to CSR.

Although the above reasons are explained as the reasons why companies engage in CSR, this research proposes that the public relations and marketing motive is the most influencing motive in CSR engagement because it is a benefit that yields other benefits like reputation, loyalty, market share, legitimacy and brand equity.

2.4 How Businesses Choose the CSR Activities to Engage In

Due to a lack of a universal definition of CSR, the specific CSR activities to engage in also vary according to each researcher's definition of CSR. This research adopts Werner and Chandler's (2011) five categories for CSR activities: economic in the form of value maximisation and also production of quality products and services; ethical in the form of human rights and employee welfare; legal in obeying the law and any form of regulation; environmental sustainability, and philanthropy in voluntarily caring for communities. This classification is more straight forward and all encompassing. It is a slight variation of Carroll's (1979) four classifications by introducing environmental sustainability separately which can be part of the legal activities. The following section explains how managers select CSR activities to engage in for their companies.

2.4.1 Orientation of Leaders and Their Perceptions

Pless, Maak and Waldman (2012) argue that given the range of CSR activities, the actual choice of CSR activities to engage in all depends on the orientation of the leaders. They proposed four responsible leadership orientations: traditional economist, idealist, opportunity seeker and integrator. According to Pless et al (2012), the traditional economist is motivated by saving costs and maximising profits. The CSR activities that idealist would choose are those that involve obeying the law. Such a leader would show less commitment to CSR. The

opportunistic seeker is also oriented toward economic purposes and engages in CSR as a strategy or long-term value creation with the aim of realising competitive advantage (Pless et al, 2012). The opportunistic seeker tries to address a broader set of stakeholders with a belief that such actions will ultimately benefit the firm and its shareholders (Pless et al, 2012). The opportunistic seeker is mainly motivated by building good reputation for the firm and hence would choose to engage in CSR activities that enhance reputation of the firm such as human resources issues, environmental sustainability and community involvement (Pless et al, 2012). The integrator understands that the purpose of running a business is not just economic but involves creating value for all business stakeholders. According to Pless et al (2012), such leaders would take a proactive involvement in CSR activities that will benefit the society as a whole. The idealists act as social entrepreneurs that are driven by strong ethical and religious beliefs (Pless et al, 2012). These idealist leaders are motivated by sincere altruism and drive their businesses to finding solutions to societal problems. To sum up, Pless et al (2012) argue that there are two groups of leaders: those that are only concerned with economic and legal CSR issues (traditional economist and opportunity seekers) and those that go beyond legal or economic concerns (integrator and idealist).

Basu and Palazzo (2008) argue that the choice of CSR activities is a process of “sense-making” by managers where managers make decisions of CSR engagement depending on mental models of how they view the world. Pfeffer (2005) argues that what managers do stems from what and how they think. This view is concurred by Brickson(2007) who also argues that the process of sense-making determines how managers view their relationship with stakeholders which in turn will affect their CSR engagement. Basu and Palazzo (2008) argue that the differences in how organisations engage in CSR activities come from the differences in how managers of the different organisations make sense of their relationships with various stakeholders. Brickson (2007) proposes that what an organisation thinks of the world comes from three identity orientations: an individualistic identity orientation emphasises on self interest; relational identity orientation emphasises on partnerships with stakeholders; collectivist orientation emphasise on the organisation being a member of the bigger world not only its immediate stakeholders. Whether managers view themselves as individualistic, relational or collectivists will affect the choice of CSR activities. Basu and Palazzo (2008) propose that an individualistic manager would choose those activities that further the interests of their company; relational managers would choose activities that

strengthen relations with stakeholders; collectivist managers would de-contextualise their CSR engagement by extending resources to high-profile sustainability activism even on a global level.

2.4.2 Discretionary Resources Available

Banco and Rodrigues (2006) argue that the actual choices of CSR activities to engage in by managers also depend on the discretionary resources available and the urgency of the activity. The availability of organisational slack (extra cash flows) motivates managers to engage more in CSR activities above just complying with the law. CSR involves additional costs to the firm (McWilliams and Siegel, 2001). These additional costs require additional finances and a manager cannot choose CSR activities that require more money if the company is in financial problems (Banco and Rodrigues, 2006). Economic and legal obligations are considered as urgent as compared to ethical and philanthropic activities meaning that if resources are scarce, philanthropic activities would be the last to be chosen (Banco and Rodrigues, 2004). McWilliams and Siegel (2001) also argue that the availability of slack resources explains why big companies are more involved in costly CSR activities as compared to smaller firms.

2.4.3 Alignment to Overall Company Strategy

Porter and Kramer (2002) contend that managers choose CSR activities that are consistent with the overall company strategies. The CSR activities chosen are a deliberate move to align them with the strategic direction of the company. This explains why different companies have different CSR activities selection as their strategies are also different (Siegel and Vitaliano, 2007). This is what Ponte, Richey, and Baab (2009) refer to as “engaged” CSR which is ingrained in the ethos of the business. Similarly, Marvis and Googins (2006) also argue that managers choose to engage in certain CSR activities to achieve desired outcomes. Porter and Kramer (2002) propose that if the main outcome to be achieved is corporate image, then charity is the best CSR activity to choose.

2.4.4 The Power and Urgency Possessed By Stakeholders

Given the diversity of the stakeholders of the corporation, Baden (2013) argues that attributes of power and urgency possessed by the various stakeholders are considered when choosing CSR activities to engage in. Baden and Harwood (2013) argue that managers pay most

attention to those stakeholders who possess power and urgency. As an example, firms that have problems with employee retention would pay more attention to employee issues while a firm in the extractive industries, environmental groups might require more urgent attention than other groups. The Government is considered as the most powerful stakeholder and thus legal issues are considered first in CSR missions to avoid regulation risk (Idemudia, 2011).

Pfeffer (2005) argues that the CSR engagement by company managers could come from external pressure from various stakeholders. Such pressure forces managers to respond by doing what is expected to gain legitimacy. Similarly, Parker (2002) emphasises that an organisation facing such pressure will choose CSR activities that show conformity with social norms and expectations. With particular reference to ownership, Idemudia (2011) argues that foreign owned companies are more prone to such pressure than local companies. Such foreign owned companies are likely to engage in CSR activities that help them gain legitimacy with the local community and Government (Pfeffer, 2005). In line with this argument, Yoon, Gurhan-Canli and Schwartz (2006) argue that companies that produce harmful or risky products (eg tobacco and alcohol), are likely to engage in CSR activities that correct their public image to gain legitimacy.

This research proposes that stakeholder power, urgency and pressure represent the main reason why companies select certain activities to engage in to gain legitimacy.

2.5 The Relationship between CSR and Financial Performance

Before analysing the effect of CSR on firm performance, it is important to discuss issues to do with measurement of CSR and firm performance. Brammer and Millington (2009) argue that CSR cannot be measured objectively. They contend that reputation indices and content analysis used to measure CSR are not adequate. Freeman, Harrison and Wicks (2007) argue that reputation indices and content analysis are subjective in nature and thus compromises the credibility of the results. Furthermore, Brammer, Millington and Raton (2007) argue that the commonly used measures of firm performance; investor's returns and accounting returns are also difficult to use. Investor's returns use share price which is highly volatile and the movement of the share price also depends on many other factors (Brammer et al, 2007). The two accounting returns normally used are Earnings per share (EPS) and Price earnings ratio (PER). Using accounting returns as proxy for financial performance also has the shortfall of the subjectivity of finding accounting profit.

Chakarova and Karlsson (2008) devote a whole paper to answering the question: does CSR really pay off or is it a trade-off between social criteria and investment return? It is very important to answer the question of whether there is a positive or negative relationship between CSR commitment and firm performance. If CSR tends to be negatively correlated with firm performance, then managers would be advised to approach the issues to do with CSR with caution. If on the other hand, CSR has a positive correlation with financial performance, then managers would be encouraged to take CSR issues with vigour for the benefit of the firm. Essentially, companies are competing for investor's capital and thus, it is crucial to offer higher value for capital invested by shareholders. Several researchers have investigated the relationship between CSR and firm performance or shareholder value. The results are interestingly mixed and will be discussed below.

2.5.1 Neutral Relationship

Researchers have attempted to establish a relationship between CSR and firm performance which in turn will affect firm value and shareholder value. Some found no correlation between CSR involvement and firm profitability which is a good indicator of performance. A study by McWilliams and Siegel (2006) found that businesses could not demonstrate the impact of their CSR work to the company profits. They argue that there is no direct and quantifiable translation of CSR investment into profits. Orlitzky (2011) also contends that there is no correlation between CSR expenditure and firm performance. McWilliams and Siegel (2001) illustrate the neutral relationship between CSR and firm performance using the theory of the firm of optimal choices and profit maximising level of output. Assuming that there are two firms that produce identical goods except that one company adds a social characteristic to its product, it can be shown that in equilibrium, both firms will be equally profitable. The argument is that the firm that produces a CSR attribute will have high costs but also higher revenues, whereas the firm that produces no CSR attributes will have lower costs and also lower returns. McWilliams and Siegel (2006) conclude that there is inconsistent evidence on the relationship between CSR commitment and firm performance and thus propose a neutral relationship.

2.5.2 Positive Relationship

Orlitzky (2011) suggests that a corporation's CSR commitment can maximise profits if it satisfies its stakeholders. Margolis and Welsh (2003) cited in Orlitzky (2011), conducted a meta-analysis of 127 multiple regression studies between 1972-2003 and concluded that there

is a positive relationship between CSR and financial performance. The researchers who argue for a positive relationship between CSR commitment and shareholder value use the indirect link to firm performance indicators like sales, net asset value, revenue, employee retention, operational efficiency, reputation and overall competitiveness. The assumption is that an increase in these performance indicators will also result in an increase in firm performance which will translate to increase in shareholder value (McWilliams and Siegel, 2001). Orlitzky (2011) proposes that there is a positive correlation between CSR and firm performance; called “a virtuous circle.” This presents a “chicken and egg” problem on the causal relationship between CSR and financial performance. The evidence produced by the study of Orlitzky (2011) indicates that the causation is bidirectional and simultaneous; meaning that better CSR performance leads to better financial performance and vice versa. In other words, a firm with a strong financial performance can have better financial resources to invest in more CSR; while on the other hand a firm can intentionally commit to more CSR as a strategy to boost its financial performance. In both cases there is a positive link between CSR and financial performance.

2.5.3 Negative Relationship

With particular reference to investors, Chakarova and Karlsson (2008) argue that, assuming that investors are rational and fully informed, the stock market reacts to news regarding a company’s CSR activities based on its impact on the stock price. Chakarova and Karlsson (2008) argue that since most CSR activities are cost increasing, this sends a message to investors that the company is shifting from the focus of maximization of shareholder value and thus will result in a negative reaction on the stock market. This argument is echoed by McWilliams and Siegel (2006) who argue that since CSR is not cost-free, CSR will have a negative impact on firm value unless the CSR activities have valuable, rare, non-imitability and organisational capabilities according to the Resource based view theory. Orlitzky (2011) argues that in the short run, there is a negative correlation between CSR investment and firm financial performance because usually the firm needs to buy new assets which result in a cash outflow without immediate financial rewards. However, Orlitzky (2011) suggests that there is a potential for long term value creation with CSR investment as the short term costs are offset by the long term benefits.

2.5.4 Conditional Relationship

Johnson (2003) cited in Chakarova and Karlsson (2008), views the relationship between CSR and firm financial performance as conditional depending on where the firm is on the CSR commitment continuum (figure 2). Johnson (2003) concludes that firms ignoring minimal CSR related laws at level one experience decrease in value because of the time and resources spent on legal procedures as well as worsened reputation and bad publicity. Level two companies avoid costly legal procedures by just complying with the laws and such companies will not generate advantage over competitors (Johnson, 2003). Level three companies have a fragmented approach to CSR commitment towards key stakeholders but however this is not enough to generate significant value creation (Johnson, 2003). According to Johnson (2003), the strongest positive link between CSR and firm performance is at level four due to the fact that such companies incorporate CSR into their overall strategy. This view is supported by Porter and Kramer (2006), who also argue that CSR can only yield positive effects on profitability if it is strategic in nature. In contrast, Johnson (2003) argues that level five companies can experience a negative relationship between CSR and financial performance because these companies consider themselves as agents for social change and regard CSR as equally important as profits thereby trading off profitability.

Level one	Level two	Level three	Level four	Level five
Irresponsible	Compliant	Fragmented	strategic	Social advocacy

Figure 2: The corporate social responsibility continuum Source: Johnson (2003)

2.6 Should CSR Policy Be Voluntary Or Mandatory?

There has been debate on whether CSR should be voluntary or mandatory for it to be effective. Rosser and Edwin (2010), argue that CSR is traditionally viewed as voluntary in nature. Voluntary CSR is when the corporation decides on what to do as social responsibility, while mandatory CSR is when it is regulated by law or Government policy (Rosser and Edwin, 2010). Matten and Moon (2004), consider voluntary CSR as “explicit” and mandatory as “implicit”. They define “explicit CSR” as voluntary programs to address social issues and “implicit CSR” as consisting of values and rules that require corporations to address social

issues (Matten and Moon, 2004). Furthermore, Baden and Wilkinson (2014) argue that implicit CSR is a reaction to regulation, whereas explicit CSR is the result of deliberate strategic decisions of a firm. The United States is a typical liberal economy demonstrating voluntary CSR where protecting the environment, paying wages, covering health insurance and donating to charity are decisions made by corporations (Matten and Moon, 2004). Conversely, in non-liberal economies like developing countries, the State regulates business to a greater extent leading to mandatory CSR. In such economies, paying wages and working conditions is legislated or negotiated by trade unions and environment impact is regulated by the State (Baden and Wilkinson, 2014).

Parker (2002) argues that when companies voluntarily create mechanisms to support CSR activities, this is called “corporate self-regulation”. Such mechanisms include: corporate codes, CSR board committees and company units dealing with business ethics. When the State, institutional investors and social pressure groups create policies to make self-regulation more enforceable, this is called “meta regulation” or “the regulation of self-regulation” (Parker, 2002). Meta-regulation focuses on non-legal measures to make self-regulation effective and is in the form of stakeholder activism and media campaigns (Parker, 2002). Gill (2008) proposes that at the intersection of corporate self-regulation and meta-regulation, is the union between CSR and corporate governance. Corporate governance is considered as important in making self-regulation more effective and where corporate governance is weak, the meta-regulation will then be used to make self-regulation more effective (Gill, 2008).

Kostova and Roth (2002) propose that institutions (political and market) are important in determining whether companies should practise voluntary or mandatory CSR. Where institutions are strong, the private sector usually has explicit (voluntary) CSR. On the other hand, where there are weak institutions and poor governance, implicit (mandatory) CSR is prevalent (Matten and Moon, 2004). Similarly, Baden and Wilkinson (2014) also argue that in liberal and capitalist economies, CSR is voluntary in nature and CSR is company decision, whereas in coordinated market economies, CSR is mandatory as companies have to regulate by legal frameworks. Campbell (2007) also suggests that the presence of active media and

trade unions affects the level of CSR in a country. The more active they are, the higher the level of CSR.

Answering the question on which is a better policy: voluntary or mandatory CSR, Campbell (2007) argues that regulation (mandatory CSR) is important in determining the level and efficiency of CSR in development. Stiglitz (2003) also argues that strong and effectively enforced regulation of business will reduce business irresponsibility. Campbell (2007) also contends that the deregulation in the United States resulted in corporate governance failures, citing the collapse of Enron, WorldCom and Arthur Andersen. Rosser and Edwin (2010) claim that Indonesia was the first to introduce mandatory CSR in 2007 when the Parliament passed Law 40/2007 for public limited companies. Such mandatory CSR policy in Indonesia sparked conflicts between large businesses (pressing for maintaining voluntary CSR policy) on one and the NGOs and political activists (supporting the new mandatory policy) on the other (Kiroyan, 2007). India has also introduced a mandatory amount of 2% of profits to be spent on CSR activities by qualifying companies in the companies Act 2013, specifying financial penal consequences for non-compliance (Sushmita, 2013). According to Sushmita (2013), those pressing for voluntary CSR policy argue that mandatory CSR policy has three problems: by forcing companies to spend revenues that they would otherwise distribute to shareholders or reinvest, such requirements would effectively amount to an additional tax to the company profits; such requirements could create an opportunity for Government officials to demand bribes from companies; and such requirements could lead some companies to be unviable and thereby trigger capital flight.

Rosser and Edwin (2010) argue that mandatory CSR should just apply to those companies that are in the extractive industries and those in manufacturing. Bieri and Boli (2011), with particular reference to diamond trading, also argue that only “clean diamonds” can receive the Kimberly Process Certification Scheme - a mandatory regulatory system. These diamonds would have been mined ethically and respecting human rights of the local communities which is part of CSR. The argument is that, naturally, many of these companies do not voluntarily make the required investments in occupational health and safety of workers, environmental protection (Parker, 2002). Only mandatory CSR, it is argued, can address this problem because a voluntary system privileges profitability over social responsibility

whenever the two are in conflict (Rosser and Edwin, 2010). On the other hand, Himley (2013) argues that political parties (especially the ruling party) support a mandatory approach because their real interest is to force large foreign companies to channel resources to CSR activities that will appeal to local communities which will in turn help political parties (especially , the ruling party) to gain support for re-election.

2.7 Conceptual Framework

The research is based on the concept that CSR engagement by companies all start with motives as drivers of CSR engagement. These motives lead to engagement in CSR activities that can either be voluntary or mandatory in nature. Voluntary CSR entails choices of activities to engage in while mandatory CSR means compliance to laws. CSR engagement has a positive impact firm financial performance as measured by the Earnings per share (EPS).

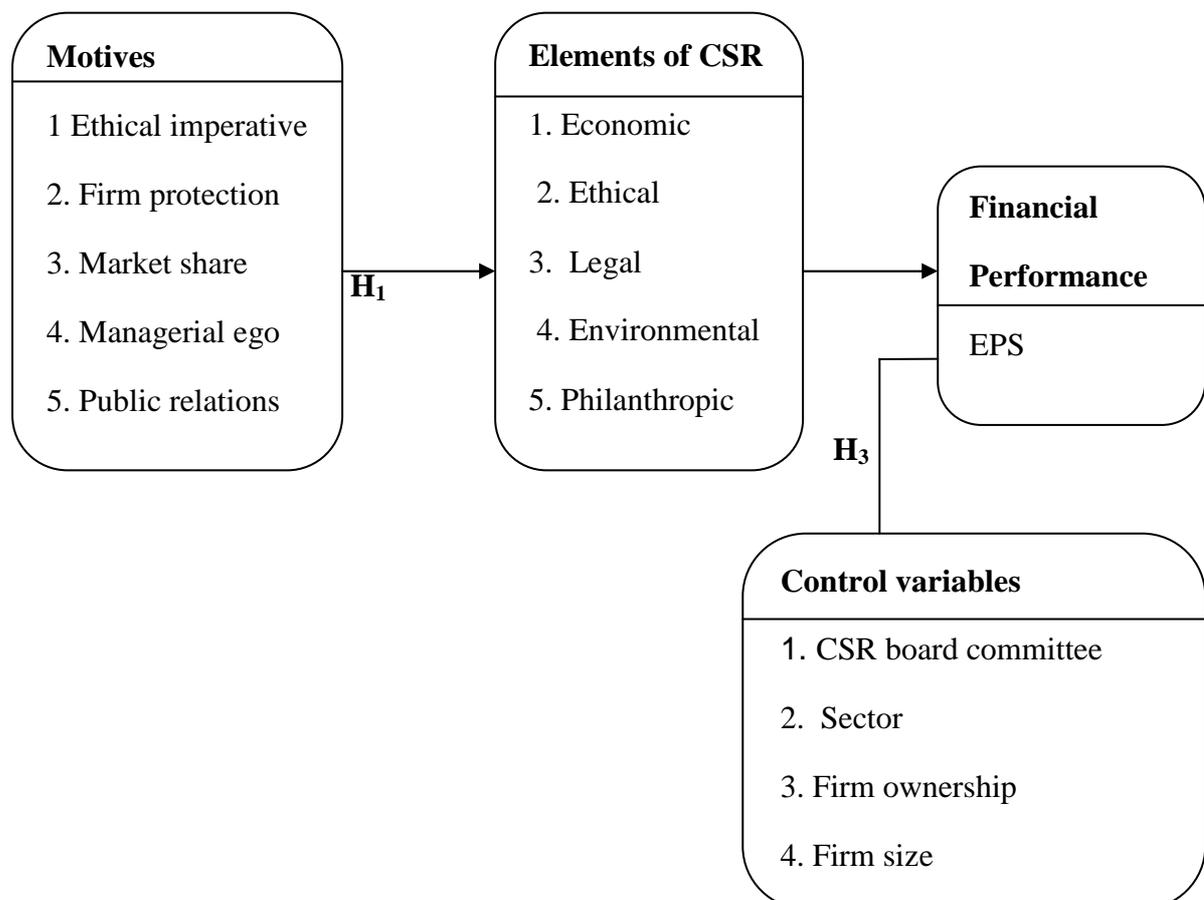


Figure 3: CSR Conceptual Framework

Operational Definitions of Clusters

- i. **Motives** – drivers of CSR engagement and intended benefits from CSR expenditure by companies through their managers. The anticipated benefits are: ethical imperative, firm protection, public relations and marketing, market share seeking and managerial ego satisfaction. This is an independent variable that should trigger CSR elements engagement (a mediating variable).

- ii. **CSR elements**

Economic – salaries and wages of workers, profitability, provision of quality goods and services, provision of jobs and operational efficiency

Ethical – non-discrimination, human rights, fair pricing, supporting culture and anticipating risks of the company's activities

Legal – compliance to the Indigenisation laws, Environment management authority regulation, International labour requirements, Taxation laws and the Reserve Bank regulations.

Environmental - pollution prevention and control, protection of the natural resources, tree planting, recycling and cleaning the environment.

Philanthropic - voluntarily caring for communities in the form of: health care, education, infrastructure development, donations to charities, response to natural disasters and donations to sports.

- iii. **Financial performance**

Financial performance is measured in terms of the relationship between investment and profitability using the following investment ratio: *Earnings per share (EPS)*. The managers do not need to calculate this ratio but will extract from the 2013 financial statements.

- iv. **Control variables**

These are company specific variables, other than CSR elements, that may affect the CSR-Financial performance relationship. These are: CSR board committee, sector ownership and size of company.

2.8 Chapter Summary

The chapter has reviewed various literature articles and books on issues to do with CSR. It starts with a discussion on the definition of CSR, analysing different concepts and discussing why it is difficult to come up with a precise definition. Some researchers define CSR in terms of stakeholder approach, social contracts, licence to operate, economic, ethical, legal and discretionary activities. Other researchers argue for the exclusion of economic and legal concepts in the definition of CSR while others argue for the exclusion of companies that produce harmful products even if they do CSR activities by definition. It also outlines CSR theory in terms of the stakeholder theory, social contracts theory and legitimacy theory; discussing whether CSR is descriptive, instrumental or normative. The general reasons why companies engage in CSR are discussed as: ethical imperative, firm protection strategy, market share seeking and managerial ego satisfaction. The chapter also discusses how company managers choose CSR activities to engage in as: the slack resources available, the orientations of the company leaders the power and urgency of stakeholders. The relationship between CSR and firm performance has been analysed as neutral, positive, negative and conditional. Finally, answering the question on whether CSR should be voluntary or mandatory, a growing voice in literature tends to support mandatory CSR especially in extractive industries and manufacturing companies because of their obvious impact on the environment and society. However, companies themselves support a voluntary approach to CSR.

A conceptual framework is also presented to summarise the research approach. Literature review shows that there are gaps in CSR literature especially that which empirically studies motives of companies that engage in CSR and how CSR activities are selected. Reviewed literature is not holistic but focuses on certain aspects of business; for example financial performance, reputation, marketing etc as individual aspects of business. This research gives an integrated approach to CSR where all important aspects of CSR are interwoven in CSR agendas of companies to enhance CSR engagement in the achievement of the economic objective of the firm of increasing firm financial performance.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter will discuss the research design in terms of philosophy, approach and strategy. It goes on to discuss the population and sampling techniques used. Sources of data are acknowledged. The data collection procedure; the research instrument is described. The chapter goes on to discuss in brief how the collected data is to be analysed in terms of descriptive and inferential statistics to test the hypotheses. The challenges encountered in the research are also discussed under research limitations. Finally, issues to do with how the researcher respected ethics and the credibility of data collected are discussed. Chapter summary is presented at the end.

3.2 Research Design

Kothari (2004) defines research design as a blue print for collecting, analysing and reporting data; aiming at achieving the objectives of the research in a cost effective way. Similarly, Plano and Creswell (2014) define research design as an overall plan that researchers use to collect data, measure and report it as they do their research. Specifically, research design involves issues to do with the what, when, where, how much and by what means when conducting a research (Kothari, 2004).

3.2.1 Research Philosophy/Paradigm

According to Saunders et al (2009), research philosophy is concerned with the assumptions concerning the way data to be researched should be gathered, measured and reported. Philosophy has three parameters: ontology, epistemology and axiology. Ontology deals with the perceptions about reality. There are two types of perceptions: whether reality is objective (reality that really exists) or subjective (reality created in the mind). Epistemology is mainly concerned about what constitutes the reality and how it should be measured. Axiology is mainly concerned about how the personal values of the researcher affect the research process from the topic selection up to data analysis (Saunders et al, 2009). For example, a researcher who values large amount of data would use surveys instead of interviews. Saunders et al

(2009) proposes that there are four views of reality: positivism, realism, interpretism and pragmatism. Plano and Creswell (2014) pairs the positivist philosophy with deductive approach and the quantitative paradigm while the interpretivist is paired with the inductive approach and the qualitative paradigm. The realism philosophy combines the positivist and the interpretivist philosophies. The following table summarises the two research paradigms and what is entailed.

Table 1: Research Paradigms

Quantitative	Qualitative
<ul style="list-style-type: none"> • Large sample • Reliability is high • Hypothesis testing • Sample proportional to population • Specific and precise data • Validity is low 	<ul style="list-style-type: none"> Small sample Reliability is low Proposition/New theories Sample in relation to setting Subjective data Validity is high

Source: Plano and Creswell (2014)

This research takes the *positivism* philosophy. Kothari (2004) defines the positivist philosophy as one that is derived from the natural sciences and is characterised by hypothesis testing of existing theories (*deductive approach*). This approach assumes that the social world exists objectively and externally and that knowledge is only valid if it is based on the observation of this external reality. This approach can explain cause and effect relationships and generate models that are prescriptive and can be generalised to the general population. Positivism focuses on facts gathered and measured empirically through *quantitative methods (strategies)* like experiments and surveys which in turn require statistical data analysis.

Justification

This research has hypotheses developed from literature and collects data through surveys, which is a quantitative paradigm. The research also tests the hypotheses through statistical data analysis using the Statistical Package for Social Sciences (SPSS). The sample is large (208 respondents) and proportional to the population. This justifies why this research takes a positivist philosophy, deductive approach and quantitative paradigm.

3.2.2 Research Methods/Strategy

Kothari (2004) defines research strategy as the methods that will be used to collect the data required in achieving the research objectives. These methods should align to the philosophy, approach and paradigm of the researcher. This research used the *survey method* of data collection through a structured questionnaire delivered to 208 respondents. It is also *cross sectional* because the time of the study is constrained to 6 months. Plano and Creswell (2014) summarise the methods in the following table.

Table 2: Research methods

Positivist/deductive/quantitative	Interpretivist/inductive/qualitative
Experiments	Case studies
Case studies	Ethnography
Surveys	Action research
Simulation	Grounded theory
	Role playing

Source: Plano and Creswell (2014)

3.3 Population and Sampling Techniques

3.3.1 Population

Kothari (2004) defines a population as the total elements in the area of the research. The population is comprised of the companies listed on the Zimbabwe stock exchange (ZSE). As at 3 December 2014, there were 63 companies listed on the ZSE (www.ZSE.com). Of the 63, 3 fall outside the delimitation boundaries of this study; they do not have head offices, subsidiaries or branches in Harare. The sampling frame is thus a list of 60 companies as provided by the ZSE.

3.3.2 Sampling

Kothari (2004) acknowledges that collecting data from all the elements of the population (a census) is expensive in terms of cost and time. This gives rise to the necessity to select fewer

respondents to represent the population. The fewer representative respondents are called the sample and the process of selecting respondents to represent the population is called sampling (Plano and Creswell, 2014).

Sample size

Before discussing on the sampling methods used, it is important to first discuss the sample size since time constraints could not permit the researcher to conduct a census. The researcher adopted the ready-made sample size table by Krejcie and Morgan (1970) (see Appendix A). There are 60 companies listed on the ZSE that fall within the delimitations of the study. From the table, a sample size to match a population of 60 is 52.

Sampling Designs

Sampling designs take two forms: probability and non-probability sampling (Saunders, 2009). *Non-probability sampling* is subjective in nature because the selection of elements relies on the researcher's judgement. This in turn leads to a high bias and a larger sampling error because the units do not stand an equal chance of being selected (Saunders, 2009). Kothari (2004) cites four examples of non-probability sampling as, quota, snowballing, judgemental or purposive and convenience sampling. Quota sampling is where units are selected from defined categories of the population. Snowballing is where the initially selected elements provide other elements to be included in the sample. Judgemental sampling involves a deliberate picking of elements based on pre-determined criteria. Convenience sampling is where the researcher chooses elements that are available or close (Kothari, 2004).

Probability sampling methods ensure that every element of the population has an equal chance of being selected. This reduces bias and sampling error (Saunders, 2009). Kothari (2004) highlights that there are four probability sampling types: random, systematic, stratified and cluster sampling. Random sampling involves blind picking of elements from the population. Systematic sampling involves picking the *n*th element from the population list. Stratified sampling is whereby the population is divided into sub-groups (strata) and elements selected from the sub-groups. Cluster sampling is where the population is divided into groups (usually demographically) and the sample comprises of groups and not elements (Saunders, 2009).

Since the research takes the quantitative paradigm, probability sampling methods were used. In particular *stratified and random sampling(stratified random sampling)* designs were used.

i. Stratified sampling and justification

60 companies listed on the ZSE fall within the delimitations of the study. Realising that the companies listed on the ZSE are heterogeneous in terms of industry/sector, the researcher found it necessary to first stratify the population before selecting companies to participate in the sample. The sub-groups/strata thus formed would constitute companies that are homogeneous by industry/sector. This ensures a representative sample that includes all characteristics of the population. The researcher adopted the ZSE sector/industry type combination classifications of companies. The ZSE has 17 classifications by industry/sector.

Calculation of the sample size from the strata

Kothari (2004) highlights that when the population is stratified, it is important to use the method of proportional allocation where the sizes of samples from each strata are kept proportional to the sizes of the strata. The following formula is prescribed to calculate the sample size from each stratum.

$$a = n \cdot P_a$$

Where: a=the number of elements selected from stratum a

n=the sample size

P_a=the proportion of the population included in stratum a

After applying the above formula, the final composition of the 52 companies was to be included in the sample.

ii. Random sampling and justification

After stratifying the population and calculating the number of companies to be selected from each stratum, the companies were selected randomly where applicable. For strata with one or two companies eg Tobacco and Telecommunications, there was no sampling because the calculation resulted in both being included. The final sample was made up of four managers to be *selected randomly* from the companies also *randomly selected* from the strata. The four managers from each company were selected rather than just one so as to ensure that at least

one response will be collected from each company. Only managers rather other ordinary workers were used in the research because they have more reliable data on CSR issues of their companies. This increases the credibility of the research results. This means that the final sample was: 52companies \times 4 managers = 208 managers. The following table 3 shows what constitute the sample.

Table 3 : Number of companies and respondents to be used in the sample

Sector/Industry	Sample size	
	<i>No. of companies</i>	<i>No. of Respondents</i>
Agriculture	5	20
Automotives and transport	2	8
Banking and financial	5	20
Beverages	2	8
Building materials and construction	4	16
Engineering	3	12
Food	4	16
Industrial holding	3	12
Insurance	4	16
Mining	3	12
Paper, printing, forestry and publishing	2	8
Pharmaceuticals and chemicals	1	4
Property and real estate	3	12
Retail and wholesale	5	20
Telecommunications	2	8
Tobacco	1	4
Tourism	3	12
Total	52	208

3.4 Sources of Data

The researcher used both primary and secondary sources of data. The *secondary sources* used were literature from journals, books, newspapers, reports from conferences and data from databases of companies. The *primary source* of data is the structured questionnaire and this forms the main basis of data analysis. The secondary sources were just used to validate the primary data.

3.5 Data Collection Procedure

The data was collected from the structured questionnaire which was delivered either by email or hand to the various respondents. The questionnaires delivered by email were through contacts in the various companies and those people would forward the questionnaires to the four managers in the company. The email responses were sent direct to the researcher and captured on a hard copy. Where the researcher had no contacts to a company, questionnaires were hand delivered to the managers. The questionnaire was structured in three sections (Appendix B).

Section A was for information about respondent's company characteristics (size and sector/industry). *Section B* was for motives of CSR engagement which was adopted from Mohamed (2004) who had 12 statements requiring respondents to indicate strong, moderate and little influence. In this study, 20 statements were used; four statements for each of the five motives identified in literature (ethical imperative, firm protection, public relations and marketing, market share seeking and managerial ego satisfaction). A five point Likert-scale was used instead ranging from 1 strongly disagree to 5 strongly agree. *Section C* was for how companies select CSR activities and was adopted from Ali and Al-Aali (2012) who designed the instrument based on Carroll,s (1991) pyramid but grouped CSR activities into six categories (economic, ethical, legal, philanthropic, charitable and environmental) and four statements on each CSR activity. In this study, only five categories were used and charitable category was removed. Five statements for the level of involvement for each category (except for philanthropic with seven) were used and rated on a five point Likert scale (ranging from 1 very low to 5 very high). There are two other questions in section C on how companies select CSR activities and also mandatory/voluntary CSR policies. *Section D* has one indicator of financial performance – EPS. Although financial performance has other indicators like return on equity (ROE), return on assets (ROA), price earnings ratio (PER), EPS was considered easy to use since it is usually readily available for all public limited companies. Finally, the questionnaire contains two qualitative statements: how companies can be motivated to spend more on CSR and how companies can invest in CSR without compromising financial performance.

A pilot study of 20 respondents was made to check on understandability, presentability and the nature of results expected. *Four* amendments were necessary after the pilot study. The *first* was in Section A on company classification which had omitted industrial holding and included manufacturing which is not part of ZSE sector classifications. Number of classifications remained 17 but manufacturing was removed and industrial holding was included. The *second* was the removal of a question in section C that required the respondent to rank CSR activities engaged in because the researcher found that it was a mere repetition of question 1 and SPSS would rank that. The *third* was the removal of a question that required the respondent to explain why they chose voluntary/mandatory because respondents were just defining or not responding at all. The *fourth* adjustment was for sections; the researcher realised that the original questionnaire lacked a link with the conceptual framework where motives come before activities. Thus section B (original) became section C and section C (original) became section B. The necessary adjustments were made and the final questionnaire produced.

3.6 Data Analysis

Data will be analysed using SPSS. The data will be tested for normality so that appropriate statistics (parametric/non-parametric tests) will be used. Descriptive statistics will be used for presenting Section A data in the form of tables and graphs. Hypotheses will be tested using appropriate inferential statistics. Hypothesis 1 and 2 will be tested using correlation and also regression if the data proves to be normal. However, if the data is non normal, only non-parametric tests will be carried out including Mann-Whitney and Kruskal Wallis tests for differences.

3.7 Research Limitations

It is acknowledged that just concentrating on companies listed on the ZSE, poses a limitation to the study. Other forms of business like private limited companies, partnerships and sole traders were excluded. Their inclusion could have changed the results of the study. However, since the results will include industry/sector analysis, these other forms of business can benchmark their CSR activities to the public companies in their line of business. Challenges encountered included the delays in data collection caused by just focussing on managers and not ordinary employees in the company; considering that data was collected end of

November to December. Although this increases credibility of results since management has more reliable information on CSR issues, managers are very busy with end of year planning, budgeting and performance appraisal meetings. This meant the researcher had to be told to come back to collect the data another day or sending reminders; thereby delaying the process of data collection.

The other limitation pertains to the indicator of financial performance. The researcher relied on the managers that they give correct figures of EPS after verifying with their financial statements for 2013. However, it is a possibility that some managers could be too busy to verify and thus the figures presented could be estimates and not the correct figures. This poses a threat to the validity of the data. However, the researcher believes that managers are professional and may not lie about information for their companies.

3.8 Research Ethics and Data Credibility

The structured questionnaire contains a covering statement about ethical issues like *anonymity*, *voluntary* filling, that the responses will be used just for the research and also *confidentiality* will be observed. *Permission* was sought first for the researcher to have access to the respondents for handing in the questionnaires. According to Saunders (2009), research credibility is about reliability and validity which in turn depend on the research paradigm chosen (qualitative/quantitative). Reliability is about consistency of results where the instrument should yield the same results on different situations. Validity is about the research instrument being able to measure what it is supposed to measure. Reliability will be calculated by SPSS using Cronbach alpha. Content validity was verified by seeking the opinion of the research supervisor as an expert and also through a pilot study.

3.9 Chapter Summary

The chapter discussed the research philosophy, paradigm, approaches and strategies. This research takes the positivist philosophy, the deductive approach, the quantitative paradigm and the survey strategy. The population is described as 60 companies listed on the ZSE and the stratified random sampling method is used. The sample is made up of 52 companies and 208 respondents. The questionnaire is described as having four sections: respondent

information and company characteristics, CSR activities, motives of CSR engagement and financial performance. Pre-testing the questionnaire is described and the questions corrected. A description of how data is to be analysed and the testing of hypotheses is done. Finally issues to do with research ethics and credibility are also discussed.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND DISCUSSION

4.1 Introduction

The SPSS software was used to analyse the data collected from the questionnaires. Excel spreadsheets were also used to make calculations data easy. The following sections present and discuss the results of the study.

4.2 Response rate

The sample was made up of 52 companies and 4 managers were randomly selected from each company, resulting in 208 questionnaires being distributed. The returned questionnaires were 109, resulting in a response rate of 52% as shown in figure 4.

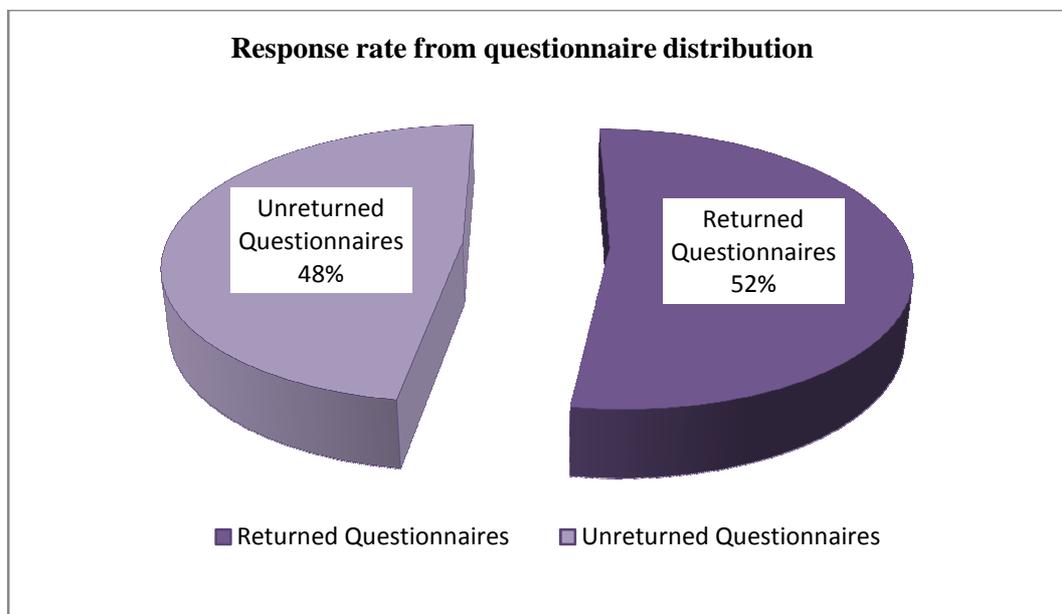


Figure 4: Response rate

The data were collected in November-December, a period where managers in companies are usually busy making year end evaluations and planning. This reduced the response rate. However, response rate was enhanced through distributing the questionnaires both by hand and by email where possible. Of the 109 returned questionnaires, 77 were email and only 32 were hand collected. Email response rates were higher than those collected as hard copies.

4.3 Descriptive Statistics

4.3.1 Existence of CSR board Committee

The existence of a CSR board committee is a fairly new concept in the efficient management of CSR issues. Few companies have managed to set up such a board committee which is solely devoted to planning and implementation of CSR. As shown in Table 4, in Zimbabwe the concept of a CSR board is not yet common since only 21% indicated that they have a CSR board.

Table 4: Existence of CSR board Committee

CSR BOARD COMMITTEE	Frequency	Percentage
Yes	23	21%
No	86	79%
Total	109	100%

4.3.2 Ownership of the Company

The results from Table 5 show that the majority of the respondents were from Zimbabwean-owned Companies 56% while 44% were from Foreign-owned companies.

Table 5: Ownership of the company

Ownership Type	Frequency	Percentage
Foreign Owned	48	44%
Zimbabwean Owned	61	56%
Total	109	100%

The fact that the difference between the two percentages (44%; 56%) is not large, this enhances the representativeness of the responses so that the data is not too skewed to one

ownership type. A fairly balanced composition in the responses in terms of company ownership ensures that the responses can be inferred to the population.

4.3.3 Sector/Industry type profile

Table 6 shows that most of the respondents were from the Banking and Financials sector (12.8%) followed by Agriculture related businesses with (11.9%) and Retail and Wholesale with (11.0%). All sectors of the ZSE are well represented because at least a response was received from each sector. A close analysis of Table 6 shows that there is a fair representation of all sectors and the responses are representative of the strata created in Chapter 3.

Table 6: Sector/Industry Type

Sector	Frequency	Percentage
Agriculture	13	11.9%
Automotive & Transport	2	1.8%
Banking & Financials	14	12.8%
Beverages	5	4.6%
Building Materials & Construction	10	9.2%
Engineering	8	7.3%
Food	9	8.3%
Insurance	9	8.3%
Manufacturing	5	4.6%
Mining	6	5.5%
Printing, Forestry & Publishing	2	1.8%
Pharmaceuticals & Chemicals	1	0.9%
Property & real estate	4	3.7%
Retail & Wholesale	12	11.0%
Telecommunications	4	3.7%
Tobacco	2	1.8%
Tourism	3	2.8%
Total	109	100%

4.3.4 Company Size

The results in Table 7 shows that the majority of the respondents were from medium sized companied (n=56), constituting 51%, followed by big companies (n=42), constituting 39% while fewer responses came from small companies (n=11), constituting 10%. Such results are representative of company listed on the ZSE since very few companies can be small to be capitalised enough to be listed. According to the ZSE classification, medium sized companies

are also more than big companies. Such results further authenticate the representativeness of the responses.

Table 7: Size of the company

Company Size	Frequency	Percentage
Big	42	39%
Medium	56	51%
Small	11	10%
Total	109	100%

4.3.5 CSR selection factors

Table 8 answers the question “how do companies select CSR elements to invest in?” The results show that most companies consider a combination of factors when selecting activities to invest in (n=53), constituting about 49%. The differences among the other individual factors are very small (finance resources, 17%; fitness to strategy, 16%; stakeholders, 15%) showing that all the factors are important in the selection process.

Table 8: CSR selection factors

CSR selection factor	Frequency	Percentage
Finance resources	19	17%
Fitness to strategy	17	16%
Stakeholders	16	15%
Combination of factors	53	49%
Non response	4	4%
Total	109	100

4.3.6 CSR policy

Table 9 shows that the voluntary and mixed policies are more popular than the mandatory policies (n=39) constituting 35.8% each. These results imply that the mixed policy is also more skewed to the voluntary policy. It is surprising to note that companies themselves also accept that to some extent, mandatory policy can yield more CSR engagement (n=31) constituting 28.4%.

Table 9: CSR Policy

CSR Policy	Frequency	Percentage
Voluntary	39	35.8%
Mandatory	31	28.4%
Mixed	39	35.8%
Total	109	100

4.4 Reliability and Validity

The data was tested for reliability using the Cronbach's Alpha coefficient. Table 10 shows the reliability values of each variable and the overall reliability of 0.794.

Table 10: Reliability Statistics

Cronbach's Alpha	N of Items
.794	15

As shown in Table 11 below, all the variables should be retained because if the overall reliability of 0.794 is compared to the reliability is each of the 15 items is deleted; the reliability static does not change much. This shows that all the variables are reliable.

Table 11: Reliability of individual variables

Item-Total Statistics				
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
CSR Board Committee	221.85	561.881	.597	.805
Sector	219.29	624.079	.577	.816
Ownership	225.19	630.076	.684	.783
Company Size	225.04	640.619	.595	.787
EthicalImperative	222.96	612.302	.480	.776
FirmProtection	222.98	623.175	.617	.780
PRM	222.98	623.429	.678	.780
MktShareSeeking	223.28	615.688	.430	.777
MgrlEgoSat	223.50	624.895	.789	.781
Economic	223.33	607.112	.730	.774
Ethical	223.68	596.774	.776	.770
Legal	223.32	614.998	.483	.777
Environmental	223.96	595.216	.745	.770
Philanthropic	223.63	589.326	.607	.769
Earnings per share	224.06	631.870	.680	.786

To check for validity, the questionnaire was sent to subjects experts (4 CSR managers) for them to check the content validity. Their recommendations were effected in the questionnaire. A pilot study of 20 respondents was also carried out to check for completeness, errors and face validity. The results of the pilot study also resulted in some questions being adjusted to come up with the final questionnaire to be used in the study.

4.5 Normality Test

The data was subjected to normality testing so as to determine whether to use parametric or non-parametric tests. The Shapiro-Wilk test was used to determine if the data is normally distributed. The results in Table 12 indicate that data is not normally distributed because the p-value is less than 0.05 and also the statistic is less than 1.

Table 12: Normality Test

	Kolmogorov-Smirnov			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
EthicalImperative	.188	109	.000	.901	109	.000
FirmProtection	.171	109	.000	.923	109	.000
PRM	.258	109	.000	.755	109	.000
MktShareSeeking	.169	109	.000	.896	109	.000
MgrlEgoSat	.173	109	.000	.945	109	.000
Economic	.131	109	.000	.903	109	.000
Ethical	.132	109	.000	.931	109	.000
Legal	.173	109	.000	.902	109	.000
Environmental	.203	109	.000	.894	109	.000
Philanthropic	.182	109	.000	.807	109	.000
Earnings Per Share	.200	109	.000	.873	109	.000
CSR Board Committee	.223	109	.000	.888	109	.000
Company Size	.286	109	.000	.771	109	.000
Sector	.110	109	.003	.931	109	.000
Ownership	.371	109	.000	.631	109	.000

4.7 Tests of Association: Correlation Analysis

The Spearman's rank correlation (a non-parametric test) was used since the data was ranked and unevenly distributed. The correlation ranges from -1.0 indicating a perfect negative relationship to +1.0 for a perfect positive relationship. The strength of the relationship can be weak (0-0.29), moderate (0.3-0.49) or strong (0.5 and above). Spearman's correlation was carried out to examine if there is a relationship between CSR elements investment and financial performance.

4.7.1 Correlations among Motives and CSR Elements

The following five correlation tables present the results of the correlations among motives and the individual CSR elements.

Table 13: Motives and the economic CSR elements

		1	2	3	4	5	6
Ethical Imperative	1	Correlation Coefficient	1.000				
Firm Protection	2	Correlation Coefficient	-.303*	1.000			
Public relations	3	Correlation Coefficient	.203*	.180	1.000		
Market Share Seeking	4	Correlation Coefficient	.335	.232*	-.491*	1.000	
Managerial Ego Satisfaction	5	Correlation Coefficient	-.045	.079	.067	-.118	1.000
Economic	6	Correlation Coefficient	.151*	.573**	.161*	.225*	.425**
		Sig. (2-tailed)	.017	.000	.024	.019	.000

** Correlation is significant at 0.01

* Correlation is significant at 0.05

As shown in Table 13 above, there is a significant positive relationship between motives and the economic CSR elements. The motive with the highest correlation is the firm protection ($r=0.573$, $p=0.00$), which is strong; followed by managerial ego satisfaction ($r=0.425$, $p=0.00$), which is moderate; followed by market share seeking ($r=0.225$, $p=0.00$) which is weak; then public relations ($r=0.161$, $p=0.024$), which is weak and lastly, ethical imperative

($r=0.151$, $p=0.017$), which is weak. This implies that firms with a high firm protection motive and managers who want to fulfil their selfish needs would concentrate on the maximisation of the economic value of the firm.

Table 14: Motives and the ethical CSR elements

		1	2	3	4	5	6
Ethical Imperative	1	Correlation Coefficient	1.000				
Firm Protection	2	Correlation Coefficient	-.303**	1.000			
Public relations	3	Correlation Coefficient	.203 ⁺	.180	1.000		
Market Share Seeking	4	Correlation Coefficient	.335**	.232 ⁺	-.491**	1.000	
Managerial Ego Satisfaction	5	Correlation Coefficient	-.045	.079	.067	-.118	1.000
Ethical	6	Correlation Coefficient	.527**	-.034*	.300**	.164*	.285**
		Sig. (2-tailed)	.000	.028	.002	.038	.003

According to Table 14 above, the motives have significant positive correlation with the ethical CSR elements, except for the firm protection motive ($r = -0.034$). Naturally, the ethical imperative motives has the highest correlation ($r=0.527$, $p=0.00$), which is strong; followed by public relations ($r=0.300$, $p=0.002$), which is moderate; followed by managerial ego satisfaction ($r=0.285$, $p=0.003$), which is weak and then the market share seeking ($r=0.164$, $p=0.038$), which is weak. The firm protection motive has a significant weak negative correlation with the ethical CSR element ($r=0.164$, $p=0.038$). These results imply that firms that are driven by the need to be ethical would focus on the ethical activities, while those firms that value firm protection are conservative and would not focus on ethical activities.

Table 15: Motives and the legal CSR activities

		1	2	3	4	5	6
Ethical Imperative	1	Correlation Coefficient	1.000				
Firm Protection	2	Correlation Coefficient	-.303**	1.000			
Public relations	3	Correlation Coefficient	.203*	.180	1.000		
Market Share Seeking	4	Correlation Coefficient	.335**	.232*	-.491**	1.000	
Managerial Ego Satisfaction	5	Correlation Coefficient	-.045	.079	.067	-.118	1.000
Legal	6	Correlation Coefficient	.263**	.097*	-.368**	.676**	.047*
		Sig. (2-tailed)	.006	.016	.000	.000	.027

The results in Table 15 highlight that the market share seeking motive has the highest significant strong positive relationship with the legal CSR activities ($r=0.676$, $p=0.00$); followed by the ethical imperative motive with a significant weak positive correlation ($r=0.263$, $p=0.006$) and firm protection motive has a significant weak positive relationship ($r=0.097$, $p=0.016$). The public relation and managerial ego satisfaction both have significant weak negative relationship with the legal CSR activities. This implies that firms that have a drive for market share will strive to be legal as customers are may not want to be associated with an illegal firm. On the other hand, firms with a firm protection drive and managers seeking personal benefits may not be interested in much of legal elements.

Table 16: Motives and the environmental CSR elements

		1	2	3	4	5	6
Ethical Imperative	1	Correlation Coefficient	1.000				
Firm Protection	2	Correlation Coefficient	-.303**	1.000			
Public relations	3	Correlation Coefficient	.203*	.180	1.000		
Market Share Seeking	4	Correlation Coefficient	.335**	.232*	-.491**	1.000	
Managerial Ego Satisfaction	5	Correlation Coefficient	-.045	.079	.067	-.118	1.000
Environmental	6	Correlation Coefficient	.455**	.327**	-.04*	.469**	.023*
		Sig. (2-tailed)	.000	.001	.044	.000	.012

As shown in Table 16 above, the ethical imperative and market share seeking motives have significant strong positive relationship with the environmental CSR activities ($r=0.469$, $p=0.00$; $r=0.455$, $p=0.00$), respectively. The firm protection motive has a significant moderate positive relationship ($r=0.327$, $p=0.001$), while the managerial ego satisfaction motive has a significant weak positive relationship ($r=0.023$, $p=0.012$). The public relations motive has a significant weak negative relationship with the environmental CSR activities ($r= -0.45$, $p=0,044$). These results imply that firms driven by being ethical and the market share seeking strive to have a positive impact on the environment. On the other hand, firms driven by the public relations motive would not be much interested in being active in environmentalism.

Table 17: Motives and the philanthropic elements

			1	2	3	4	5	6
Ethical Imperative	1	Correlation Coefficient	1.000					
Firm Protection	2	Correlation Coefficient	-.303**	1.000				
Public relations	3	Correlation Coefficient	.203 ⁺	.180	1.000			
Market Share Seeking	4	Correlation Coefficient	.335**	.232 ⁺	-.491**	1.000		
Managerial Ego Satisfaction	5	Correlation Coefficient	-.045	.079	.067	-.118	1.000	
Philanthropic	6	Correlation Coefficient	.330**	-.146*	-.174*	.454**	.277**	1
		Sig. (2-tailed)	.000	.030	.021	.000	.003	.

According to Table 17 above, the market share seeking and ethical imperative motives have significant moderate positive relationship with the philanthropic CSR activities ($r=0.454$, $p=0.00$; $r=0.330$, $p=0.00$), respectively. The firm protection, public relations and managerial ego satisfaction motives have significant weak negative relationship with the philanthropic CSR activities ($r= -0.146$, $p=0.03$; $r= -0.174$, $p=0.021$; $r= -0.277$, $p=0.003$), respectively. The results suggest that firms driven by the market share seeking and ethics motives tend to focus on philanthropic activities. Conversely, firms driven by the firm protection, public relations and managerial ego satisfaction may not concentrate their CSR efforts to the philanthropic activities.

4.7.2 Correlations Among CSR Elements And Financial Performance

The following will present the results of the correlation between the CSR elements and the financial indicator, EPS.

The results in Table 18 below show that the philanthropic CSR activity has the highest significant positive correlation with EPS ($r=0.425$, $p=0.00$), which is moderate. This followed by the ethical activities with a significant weak positive relationship ($r=0.012$, $p=0.039$). The economic CSR category has a significant strong negative relationship with EPS ($r= -0.502$, $p=0.000$). The legal and environmental CSR activities both have significant weak negative relationship with EPS ($r= -0.049$, $p=0.015$; $r= -0.250$, $p=0.009$), respectively.

Table 18: Correlations among CSR elements and financial performance

		Economic	Ethical	Legal	Environment	Philanthropic	EPS
Economic	Correlation Coefficient	1.000					
Ethical	Correlation Coefficient	.589**	1.000				
Legal	Correlation Coefficient	.392**	.468**	1.000			
Environmental	Correlation Coefficient	.693**	.323**	.448**	1.000		
Philanthropic	Correlation Coefficient	.015	.345**	.491**	.273**	1.000	
EPS	Correlation Coefficient	-.502**	.012*	-.049*	-.250**	.425**	1.0
	Sig. (2-tailed)	.000	.039	.015	.009	.000	.

These results suggest that companies that intend to derive financial benefits from CSR investment should concentrate more on the philanthropic and ethical CSR activities. On the other hand, being conservative by just focusing on maximising economic value, compliance to legal and environmental regulation may not result in increased financial performance if the firm does not do more to the society.

4.8 Testing For Differences

A final analysis to test for differences of company characteristics on both financial performance and CSR elements was carried out. Such analysis for differences helps to assess if the results of the study can be inferred to the population. Considering that the data is not normally distributed, the Mann-Whitney and Kruskal Wallis tests were done. The Mann-Whitney test is for testing 2 samples and was used for CSR board committee (yes/no) and ownership (foreign/Zimbabwean). The Kruskal Wallis test is for testing more than 2 samples and was used for company size (big, small and medium) and sector (17 classifications). These tests will result in either accepting or rejecting H_0 which proposes that there is no statistically significant difference between or among the groups/samples. H_0 is accepted if the sig. value is less than 0.05 implying that the information cannot be generalised to the population.

4.8.1 CSR board committee

Table 19 shows that H_0 should be accepted ($p=0.000$) meaning that there is no difference between those companies with the CSR board committee from those that do not have it to both financial performance and CSR elements.

Table 19: CSR board committee

Test Statistics	Financial Performance	CSR Elements
Mann-Whitney U	202.000	47.000
Wilcoxon W	3943.000	3788.000
Z	-5.912	-7.022
Asymp. Sig. (2-tailed)	.000	.000

a. Grouping Variable: CSR Board Committee (yes or no)

It can be concluded that there is insufficient evidence to conclude that the two groups (those who have vs those who do not have CSR board committee) differ in their financial performance or CSR engagement. This implies that the information cannot be generalised to the population and hence more research is suggested in this area.

4.8.2 Ownership

The results in Table 20 show H_0 for financial performance should be rejected ($p=0.081$) meaning that there is sufficient evidence to conclude that the two groups of ownership differ in their financial performance.

Table 20: Ownership

Test Statistics	Financial Performance	CSR Elements
Mann-Whitney U	1181.500	1063.000
Wilcoxon W	3072.500	2954.000
Z	-1.744	-2.457
Asymp. Sig. (2-tailed)	.081	.014

a. Grouping Variable: Ownership (foreign and Zimbabwean)

This implies that the information can be generalised to the population. However H_0 for CSR elements should be accepted ($p=0.014$) and conclude that there is insufficient evidence to conclude that the two groups of ownership differ in their CSR elements and hence the results cannot be generalised to the population. Further study in this area is thus recommended.

4.8.3 Company size

The results in Table 21 reveal that H_0 should be accepted ($p=0.000$) and it can be concluded that there is insufficient evidence to conclude that the three groups/sizes of companies (big, medium, small) differ in their financial performance or CSR engagement. These results imply that the results cannot be generalised to the population and hence further study in this area is recommended.

Table 21: Company Size

Test Statistics	Financial Performance	CSR Elements
Chi-Square	49.634	46.180
df	2	2
Asymp. Sig.	.000	.000

a. Kruskal Wallis Test

b. Grouping Variable: Company Size (big , medium, small)

4.8.4 Sector

As shown in Table 22, H should be rejected for both financial performance ($p=0.179$) and CSR elements ($p=0.214$).

Table 22: Sector

Test Statistics	Financial Performance	CSR Elements
Chi-Square	18.641	17.849
df	14	14
Asymp. Sig.	.179	.214

a. Kruskal Wallis Test

b. Grouping Variable: Sector (17 sectors)

It can be concluded that there is insufficient evidence to conclude that the 17 sectors differ in their financial performance and CSR engagement. This implies that the results can be generalised to the population.

4.9 Hypothesis Testing

Hypothesis 1: Motives positively affect CSR engagement.

This was partly accepted since most of the motives had positive correlations with each of the CSR elements, although a few had weak negative correlations, for instance, the firm protection motive had weak negative correlation with the philanthropic element.

Hypothesis 2: CSR engagement has a positive impact on financial performance

This was also partly accepted because the economic, legal and environmental elements had a negative correlation with financial performance while the ethical and philanthropic elements had a positive impact on financial performance.

4.10 Presentation of Major Themes from Qualitative Statements

The following presents the results from the two qualitative statements in the questionnaire which will be discussed in Chapter 5 as recommendations.

4.10.1 How can companies be motivated to engage in more CSR?

- Government should be more flexible in policy concerning CSR; being more voluntary.
- Holding CSR awards
- CSR mobilisation workshops
- More tax incentives

4.10.2 How can companies engage in CSR without compromising financial performance?

- Proper management of CSR - a CSR board committee is ideal
- Careful selection of CSR activities that are consistent with overall company strategy
- Proper planning, budgeting and coordination of CSR initiatives.
- Communication of CSR engagement to stakeholders

4.11 Discussion of Findings

4.11.1 Motives and CSR Engagement

The results from correlation analysis highlight that motives indeed drive CSR engagement. However, an exegesis of the correlation results reveals that some motives are more correlated with and have more impact on some CSR elements than others. The *economic* CSR elements category is more influenced by the firm protection strategy and managerial ego satisfaction. This makes sense in that a firm that seriously pursue firm protection strategy will be very conservative and may not spend much on CSR, but will just strive to focus on Friedman's (1970) position that the business's sole existence is to be economic. Managers who also pursue self-motives focus on profit maximisation because this enables them to have discretionary resources to fulfil their esteem needs according to the agency theory.

The *ethical* CSR elements category is most driven by the ethical imperative motive, which comes naturally. This is in line with Porter and Kramer (2006) who argue that ethical firms are driven by the need to do what society expects. The *legal* CSR elements category is most influenced by the market share seeking motives. This is consistent with Yoon and Lam (2013), Bhartachaya (2001) and Mintzberg (2000) who assert that companies that seek to increase their market should appeal to customers by being legal because customers do not want to be associated with illegal firms. The *environmental* CSR elements category is driven more by the ethical imperative and firm protection motives. This coincides with Sanchez (2010) and Facio (2009) who found that environmentalism and sustainability are linked to firms that want to appear ethical and protect their image. This is particularly more visible in companies that have a negative impact on the environment as those in mining, manufacturing and tobacco industries. Yoon and Lam (2013) argues that such firms use environmentalism as a strategy to “green wash” their “smoke screens”. Finally, the *philanthropic* CSR elements are influenced more by the market share seeking and public relations motives. This is consistent with the findings of Frankental (2011); Porter and Kramer (2006) and McWilliams and Siegel (2001), who argue that companies use philanthropy as a strategy to increase market share as customers tend to reward those companies that are genuinely altruistic. Moir (2001) also argues that companies use philanthropy as a public relations posture.

4.11.2 CSR Elements and Financial Performance

An analysis that combines the results of correlation reveals that only two CSR elements (philanthropic and ethical) are positively correlated with and have a significant positive impact on financial performance. Such results are in line with Orlitzky (2011) and Porter and Krammer (2006) that CSR engagement has a positive impact on financial performance. The philanthropic activities have the most impact on financial performance. This can be explained by the argument by Bhartachaya (2001) that firms that focus much on the economic, legal and environmental CSR elements will be conservative and may not enjoy the full benefits that come with altruistic CSR engagement.

Being economic and compliance to legal requirements are the basics required by society, but firms that exceed these basics tend to achieve more in terms of financial performance (Carroll and Shabbana, 2010). This is consistent with McWilliams and Siegel (2001) who argue for a definition of CSR that excludes legal and economic CSR elements. Such results are also in

line with Baden (2013) who argues that ethical and philanthropic activities are more important than the economic and legal activities; claiming that “Carroll’s pyramid is upside down”. However, this contradicts Carroll’s (1991) total CSR elements that include economic and legal elements. These results also contradict the views of Husted and De Jesus Salazar (2006) that emphasise on profitability as the sole purpose of business.

4.12 Conclusion

A structured questionnaire was used to collect data to answer the research questions and achieve the objectives of the study. The returned questionnaires were 109 and these are the managers who participated in this study. The SPSS was used to process the data. The data was analysed using both descriptive and inferential statistics. The motives of CSR engagement emerged to have varying degrees of impact on the different CSR elements. The CSR elements that have the highest impact on financial performance were analysed as the philanthropic followed by the ethical category. Both Hypotheses were partially accepted.

CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

Empirical findings of the research and the discussions were presented in the previous chapter. This chapter now make conclusions and answers to the research questions and a discussion of the research objectives. The chapter also presents a validation of the research hypotheses. Finally, the chapter also makes policy recommendations as well as suggesting gaps in this study that can be areas for further research.

5.2 Conclusions

The research's main purpose was to investigate motives that affect CSR engagement of companies listed on the ZSE and also to analyse the impact of CSR on firm financial performance. The *first conclusion* drawn from this study is that motives drive CSR commitment; that some motives are more correlated with and have more impact on some CSR elements than others. The economic CSR elements category is more influenced by the firm protection strategy and managerial ego satisfaction; showing that a firm that seriously pursue firm protection strategy will be very conservative and may not spend much on CSR and also that managers who pursue self-motives focus on profit maximisation because this enables them to have discretionary resources to fulfil their esteem needs. The ethical CSR elements category is most driven by the ethical imperative motive, which comes naturally. The legal CSR elements category is most influenced by the market share seeking motive as companies that seek to increase their market should appeal to customers by being legal because customers do not want to be associated with illegal firms. The environmental CSR elements category is driven more by the ethical imperative and firm protection motives because environmentalism and sustainability are linked to firms that want to appear ethical and protect their image. Finally, the philanthropic CSR elements are influenced more by the market share seeking and public relations motives because companies use philanthropy as a strategy to increase market share as customers tend to reward those companies that are genuinely altruistic and also that companies use philanthropy as a public relations posture.

The *second conclusion* is that CSR engagement has an impact on firm financial performance; the philanthropic and the ethical activities having positive significant impact on financial performance. The economic, environmental and legal CSR categories have negative impact on financial performance. This can be explained by the argument that firms that focus much on the economic, legal and environmental CSR elements will be conservative and may not enjoy the full benefits that come with altruistic CSR engagement. Being economic and compliance to legal requirements are the basics required by society, but firms that exceed these basics (by being ethical and doing philanthropic activities) tend to achieve more in terms of financial performance.

5.3 Discussion of Objectives

The main objective of this study was to analyse if CSR contradicts the economic objective of every company of increasing firm value. The results of this study reveal that CSR supports the economic objective of increasing firm value by having a positive impact on financial performance through the philanthropic and ethical CSR elements.

The first sub-aim was to examine the most influencing motives of CSR engagement. The findings from this study show that the most influencing motives differ among the CSR elements: the economic category by firm protection and managerial ego satisfaction motive; environmental category by firm protection motive; ethical category by ethical imperative motive; legal category by market share seeking; philanthropic category by market share seeking and public relations motives.

The other sub-objective was to describe how companies choose CSR activities to engage in. The results of this study revealed that companies consider a combination of factors in their selection decisions. The five factors (finance resources available, fitness of the activity to company overall strategy, in response to stakeholder pressure, in line with the main products of the company and in line with the attitudes of management) were all considered important. The resources available as a factor is important in that CSR entails financial spending and a company cannot spend on CSR if it is in financial problems. The fitness to strategy factor is also very important because the ‘business case’ for CSR is that CSR can only produce

positive results on financial performance if it is strategic and hence should be in line with the overall strategic thrust of the company. Stakeholders like the Government, customers, suppliers and activists can exert pressure on companies to engage in CSR especially in Zimbabwe where there is high regulation of company activities. CSR activities can be aligned to the company's main products or services to display the company's core competences; for instance, a bank can donate money for community projects while a construction company can build houses for the poor. Finally, managers play a pivotal role in CSR selection because their attitudes and perceptions ultimately affect the choices of CSR initiatives to invest in.

The other sub-objective was to describe the CSR policy preferred by companies for effective CSR engagement. The results of the study highlight that companies prefer the policy that mixes both the mandatory and voluntary approaches. This implies that companies acknowledge and appreciate that there are certain activities that require regulation and laws; for instance, environmental protection. On the other hand, companies also prefer to be left to decide on what, where, how and how much to invest in CSR depending on factors like the resources available, overall strategy and the company's core competences. This implies that companies prefer a CSR policy that is mixed but has more voluntary than mandatory CSR policies.

Another sub-objective of the study was to examine the impact of CSR on firm financial performance. The study demonstrates that there is a positive relationship between CSR and firm financial performance. The study found a significant positive impact between the CSR elements (ethical and philanthropic) and financial performance. This implies that firms that want to realise more financial value from CSR should emphasise their efforts on ethical issues and altruistic giving. These two activities (being ethical and voluntary giving) tend to be appreciated and rewarded more by society and enhance the company's public image and reputation. On the contrary, companies which concentrate on the economic objective, compliance to legal requirements and environmental laws, just achieve the basics and do not enjoy the positive impact that CSR can bring to a company. Companies that focus on the economic, legal and environmental initiatives without going further to voluntarily care for communities, tend to be conservative and may not invest much in CSR. This implies that the

results of the study reveal that companies need to go beyond just complying with laws for CSR to reap positive financial benefits.

5.4 Validation of Research Hypotheses

Hypothesis	Accept/Reject
<i>Hypothesis 1: Motives positively affect CSR engagement.</i>	Partly accepted
<i>Hypothesis 2: CSR engagement has a positive impact on financial performance</i>	Partly accepted

5.5 Theoretical Contribution

This research adds to literature on the motives that drive CSR engagement and the impact of CSR on financial performance. The market share seeking and the public relations motives have been considered as having the most impact on CSR engagement. The ethical and philanthropic CSR activities have also been identified as having the most impact on financial performance.

The following is the revised conceptual model proposed after the research showing the most influencing motives for each CSR element and the CSR elements that have a positive impact on CSR.

Key: —————> Represents a positive and most influencing relationship
 - - - - -> Represents a negative impact

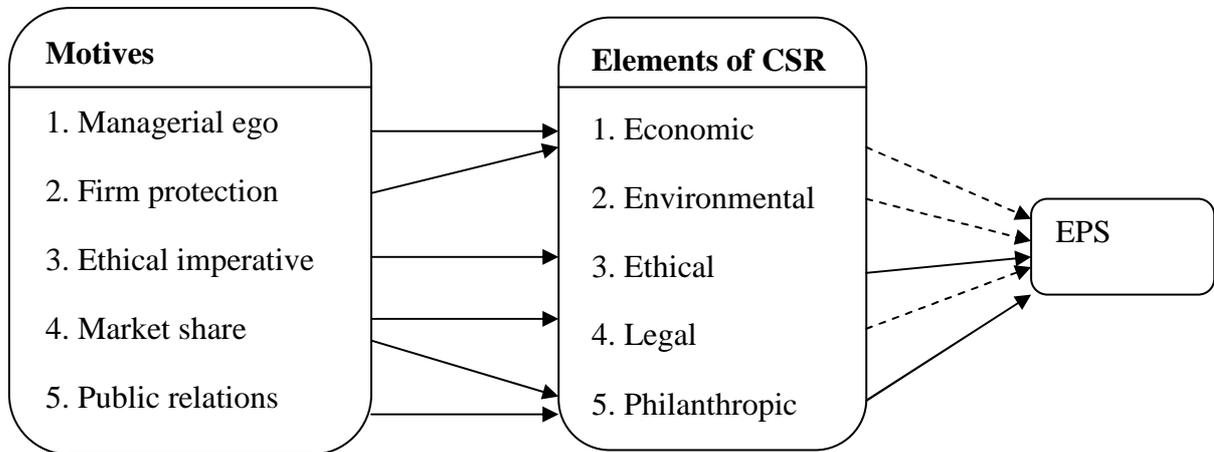


Figure 5: Proposed CSR Conceptual framework

5.6 Recommendations

5.6.1 Management Recommendations

The results of the study revealed that CSR indeed leads to better financial performance. It is then recommended that managers engage in CSR activities of their companies with enthusiasm knowing that proper management of CSR issues leads to improved financial performance. Managers should not be too conservative in their approach to CSR issues by just complying with laws and focusing on the economic objective because such a stance has been proved that it leads to low financial performance in relation to CSR issues. Companies that are sceptical about CSR engagement may not realise the full potential benefits that CSR can bring to firm financial performance.

This research recommends that companies should emphasise on the philanthropic and ethical activities as it has been proved that these result in improved financial performance. The ethical activities tend to improve customer relations, loyalty and public relations. Genuine and strategic donations (philanthropy) to society and community development can increase

the visibility and image of the company which will in turn lead superior financial performance.

For companies to reap the financial benefits that CSR can bring, this research recommends that managers make careful selection and mix of CSR activities. It is recommended that they select activities that are consistent with the company's overall strategy. CSR should be carefully engraved in the company's strategic thrust. It is also recommended that managers focus on CSR activities that are in line with the main products, services and core competences of the company. This careful selection enhances brand equity and company visibility.

This research also recommends proper planning and coordination of CSR initiatives through budgeting for the CSR expenditure. A coordinated management of CSR will ensure that such initiatives will not compromise the financial performance of the company. Periodic checks and reviews of CSR activities would be important to ensure that every activity is within the budget. A fragmented approach to CSR may not yield the desired benefits that CSR should bring to the company. A CSR board committee would be ideal for the proper oversight of CSR issues of companies.

Finally, this research recommends the effective communication of CSR engagement to stakeholders. Managers should devise means of making their CSR engagement known by the communities so that the intended benefits can be achieved. Stakeholders should know the company's CSR engagement so that the company achieves the intended visibility, image and customer loyalty.

5.6.2 Government Policy Recommendations

This research recommends a mixed approach to CSR where there are both mandatory and voluntary CSR programmes. The mixed approach should be more inclined to the voluntary approach for flexibility. The mandatory approach should be limited to environmental

concerns and the health and safety of workers. Community development, social welfare and all philanthropic initiatives should be left to the discretion of the companies.

The Government should take an active role in CSR awards so as to encourage companies to engage in more CSR activities. These awards should be well communicated to the general society so that companies that are doing exceptionally well in CSR are recognised and appreciated. These awards can help companies achieve their market share seeking and public relations motives. The Government should also hold CSR mobilisation workshops to encourage companies to engage in more CSR. It is also recommended that the Government devise more tax incentives to encourage companies to find CSR more beneficial.

5.7 Study Limitations and Suggestions for Further Study

This research was limited to companies listed on the ZSE with head offices of branches in Harare because of the time, cost and distance constraints. Private companies, partnerships and sole trader businesses are excluded. The main assumption of this study was that since all sectors of the economy, the results of the study can be used as a benchmark by other businesses in the same sectors. Taking into account that companies listed on the ZSE are relatively big compared to small and medium enterprises (SMEs), the generalisations of the results might need to be taken with caution. It is therefore suggested that other researches be done on other forms of business like private companies, partnerships and sole traders and see if the same conclusions can be drawn. Taking into account that this research was cross sectional, the results may be too general to be applied to individual sectors. It is thus suggested that specific researches be done that focus on particular sectors for in depth information.

The quantitative approach used in this research has a limitation that it lacks in depth information as compared to qualitative research. The policy issue tackled in this research of mandatory and voluntary approaches require a qualitative research that would bring out the attitudes of companies especially towards the Indigenisation and Empowerment policy in Zimbabwe. In depth interviews and focus groups would reveal more for policy recommendations. This research was cross sectional because of the cost and time limitations.

The cross sectional study has a limitation that it takes a snapshot of the variable. It is suggested that a longitudinal research be done to show CSR engagement over time. Longitudinal research has the advantage of establishing change in a variable over time to show patterns of change. The use of time series could be used to establish trends over time.

References

- Angus-Leppan, T., Metcalf, L., and Benn, S. (2010). Leadership styles and CSR practice: an examination of sense making, institutional drivers and CSR leadership. *Journal of Business Ethics*, 93(2), pp. 189-213.
- Baden, D. (2013). Carroll's pyramid of CSR is upside down! In *British Academy of Management Conference*, Liverpool.
- Baden, D., and Harwood, I. (2013). 'Terminology matters: a critical exploration of corporate social responsibility terms'. *Journal of Business Ethics*, 116(12), pp. 615-627.
- Baden, D., and Wilkinson, S. (2014). Socially responsible enterprise in Cuba: a positive role model for corporate social responsibility? *International Journal of Cuban Studies*, 6(1), pp. 55-85.
- Banerjee, S. (2008). Corporate social responsibility: the good, the bad and the ugly. *Critical Survey*, 34(1), pp. 51-79.
- Barnett, M. (2012). Why stakeholders ignore firm misconduct: a cognitive view. *Journal of Management*, 40(3), pp. 676-702.
- Barney, J. (1991). 'Firm resources and sustained competitive advantage'. *Journal of management*, Volume 17, pp. 99-120.
- Basu, K., and Palazzo, G. (2008). Corporate social responsibility: a process of sensemaking. *Academy Management Review*, 33(1), pp. 122-136.
- Berle, A. (1931). Corporate powers as powers in trust. *Harvard Review*, Volume 44, p. 1049.
- Berthon, P., Ewing, M., and Hah, L. (2005). 'Captivating company: dimensions of attractiveness in employer branding'. *International Journal of Advertising*, 24(2), pp. 151-172.
- Bhattacharya, S. (2001). Does doing good always lead to doing better?: customer reactions to corporate social responsibility. *American Marketing Association*, pp. 16-67.
- Bieri, F., and Boli, J. (2011). Trading diamonds responsibly: institutional explanations for corporate social responsibility. *Sociological Forum*, 26(3), pp. 502-526.
- Bir, C., and Suher, B. (2009). Corporate social responsibility orientation and employer attractiveness. *Journal of Yasar University*, 4(15), pp. 2303-2326.

- Brammer, S., and Millington, A.(2009). Does it pay to be different?: an analysis between corporate social responsibility and financial performance. *Strategic Management Journal*, Volume 29, pp. 1325-1343.
- Brammer, S., Millington, A., and Rayton, B.(2007). The contribution of corporate social responsibility to organisation commitment. *The International Journal of Human Resources Management*, 18(10), pp. 1710-1719.
- Branco, M., and Rodrigues, L.(2006). Corporate social responsibility and resource-based perspectives. *Journal of Business Ethics*, 69(5), pp. 111-132.
- Brickson, S. (2007). Organisational identity orientation: the genesis of the role of the firm and distinct forms of social value. *Academy of Management Review*, Volume 69, pp. 864-888.
- Campbell, J.(2006). Institutional analysis and the paradox of corporate social responsibility. *American Behavioural Scientist*, 49(7), pp. 925-938.
- Campbell, J.(2007). Why would corporations behave in socially responsible ways?: an institutional theory of corporate social responsibility. *Academy of Management Review*, 32(3), pp. 946-967.
- Carroll, A.(1979). A three dimensional model of corporate performance. *Academy of Management Review*, Volume 4, pp. 497-505.
- Cavalier, E. (2007). Ethics and corporate social responsibility. *Emerging Issues in Management*, Volume 2, pp 5-12.
- Chakarova, Y., and Karlsson, J.(2008). *Does corporate social responsibility pay off?: an event study of the impact of corporate entry and exit from the Dow Jones sustainability world index on market value of a company*. Unpublished thesis. Goteborg: Goteborg University.
- Chidavaenzi, P.(2014). MDGs: Zimbabwe way off target. *Newsday*, 21 August, pp. 8-9.
- Child, J.(2000). Theorizing about organisations cross-nationally. *Advances in International Comparative Management*, Volume 13, pp. 27-75.
- Choi, W., and Winterich, K.(2013). Can brands move in from the outside?: how moral identity enhances out-group brand attitudes. *Journal of Marketing*, 77(2), pp. 96-111.
- Christian, S., and Bornemann, L.(2013). Corporate social responsibility in business-to-business markets: how organisational customers account for supplier corporate social responsibility engagement. *Journal of Marketing*, 77(6), pp. 54-72.
- Cochran, P. (2007). The evolution of corporate social responsibility. *Business Horizon*, 50(5), pp. 449-454.

- Coldwell, D.(2000). Perception and expectations of corporate social responsibility: theoretical issues and empirical findings. *Journal of Business Managerial*, 2(1), pp. 49-54.
- Comiteau, J.(2003). Do do-gooders do better?. *Adweek*, 44(38), pp. 24-25.
- Crane, A., McWilliams, A., Matten, D.,and Siegel, D.(2008). *The Oxford handbook of CSR*. Oxford: Oxford University Press.
- Dodd, M.(1932). For whom are corporate managers trustees?.*Harvard Review*, Volume 45, p. 1148.
- Dunne, S.(2009). Corporate social responsibility and value of corporate moral pragmatism. *Culture and Organisation*, 14(2), pp. 135-149.
- Faccio, M.(2009). Politically connected firms. *American Economic Review*, Volume 96, pp. 369-386.
- Fleming, J. (2004). Corporate citizenship revisited. *AOM Newsletter*, 35 (1): 4
- Fombrum, C.,and Shanley, M.(2010). What is in a name?: reputation building and corporate strategy.*Academy of Management Journal*, 33(2), pp. 233-258.
- Frankental, P.(2011). Corporate social responsibility - a PR invention?*International Journal of Corporate Communications.*, 6(1), pp. 18-23.
- Frederiksen, C.(2010). The relationship between policies concerning corporate social responsibility and philosophical theories - an empirical investigation. *Journal of Business Ethics*, 93(3), pp. 357-371.
- Freeman, R., Harrison, J.,and Wicks, A.(2007). *Managing for stakeholders: survival, reputation and success*. New Haven: Yale University Press.
- Friedman, M.(1970). 'The social responsibility of business is to increase its profits'. *New York Times Magazine*, 1(33), pp. 122-126.
- Gapare, D.(2012). *Corporate social responsibility in the mining sector in Zimbabwe*. Harare, The Chamber of Mines of Zimbabwe.
- Garriga, E.,and Mele, D.(2004). Corporate social responsibility theories: mapping the territory. *Journal of Business Ethics*, Volume 53, pp. 51-71.
- Geoffrey, P.,and Simon, C.(2003). 'Corporate socialism unethically masquerades as CSR: the difference between being ethical, altruistic and strategic in business'. *Strategic Direction*, 19(6), pp. 31-35.
- Gill, A.(2008). Corporate governance as social responsibility: a research agenda. *Berkely Journal of International Law*, 26(2), pp. 452-478.

- Godfrey, P.(2011). The boundaries of strategic corporate social responsibility. *Journal of Consumer Marketing*, 18(7), pp. 595-632.
- Godfrey, P., Hatch, N.,and Mansen, J.(2010). Towards a general theory of CSR: the role of the beneficence, profitability, insurance and industry heterogeneity. *Business Society*, 49(2), pp. 316-344.
- Greening, W., Daniel, B.,and Turban, B.(2000). Corporate social performance as a competitive advantage in attracting a quality workforce. *Business and Society*, 39(3), pp. 254-280.
- Gulyas, A.(2011). Demons into angles?: corporate social responsibility and media organisations. *Critical Survey*, 23(2), pp. 56-74.
- Hall, M.(2003). Volunteers get a career boost. *Computer World*, 37(38), p. 444.
- Henderson, D.(2001). The case against corporate social responsibility. *Policy*, 17(2), pp. 28-32.
- Himley, M.(2013). Regularizing extraction in Andean Peru: mining and social mobilization in an age of corporate social responsibility. *Antipode*, 45(2), pp. 394-416.
- Hopkins, M.,and Crowe, R.(2003). Corporate social responsibility: is there a business case? *Strategic Management Journal*, Volume 25, pp. 752-761.
- Husted, B.,and De Jesus Salazar, J.(2006). Taking Friedman seriously: maximising profits and social performance. *Journal of Management Studies*, Volume 43, pp. 75-91.
- Ibrahim, N., Howard, D.,and Angelidis, J. (2008). The relationship between religiousness and corporate social responsibility orientation: are there differences between business managers and students? *Journal of Business Ethics*, 78(1), pp. 165-174.
- Idemudia, U.(2011). Corporate social responsibility and developing countries: moving the critical research agenda in Africa forward. *Progress in Development Studies* , 11(1), pp. 1-18.
- Jensen, M.(2002). Value maximisation, stakeholder theory and the corporate objective function. *Business Ethics Quartely*, Volume 12, pp. 235-256.
- Joyner, B., Payne, D.,and Raibom, C.(2002). Building values, business ethics and corporate social responsibility into the developing organisation. *Journal of Developmental Entrepreneurship*, Volume 7, pp. 113-131.

- Kasukuwere, S.(2012). *Mainstream corporate social responsibility business strategy*. Paper presented at Regional center for social responsibility (RCSR) conference. Harare, March.
- Katchin, T.(2003). Corporate social responsibility: a brand explanation. *Journal of Brand Management*, 10(4), pp. 312-326.
- Kiroyan, N.(2007). Corporate social responsibility now the law in Indonesia. *Jakarta Post*, 25 July, p. 2.
- Klein, D.(2007). Engaging employees through social responsibility. *Leader to Leader*, Volume 46, pp. 56-58.
- Kostova, T.,and Roth, K.(2002). Adoption of an organisational practice by subsidiaries of multinational corporations: institutional and relational effects. *Academy of Management Journal*, Volume 45, pp. 215-233.
- Kotler, P.,and Lee, N.(2006). *Corporate social responsibility: doing the most good for your company and cause*. Chicago: Kongam Page.
- Krippendorff, K.(2004). *Content analysis: an introduction to its methodology*. Newbury Park: Sage.
- Lamerts, K.,and Sirsey, C.(2010). When does corporate social responsibility initiative provide first mover advantages? *Business Society*, 47(3), pp. 343-369.
- Ludescher, J., and Mahsud, R.(2010). Opening the pandora box: corporate social responsibility exposed. *The Independent View*, 15(1), pp. 123-131.
- Mahroum, S.(2000). Highly skilled globetrotters: mapping the international migration of human capital. *R&D Management*, 30(1), pp. 23-31.
- Maltz, E., Thompson, F.,and Ringold, D.(2011). Assessing and maximising corporate social initiatives: a strategic view of corporate social responsibility. *Journal of Public Affairs*, 11(4), pp. 344-352.
- Marcoux, A.(2003). A fiduciary argument against stakeholder theory. *Business Ethics Quarterly*, Volume 13, pp. 1-24.
- Matten, D.,and Crane, A.(2004). Corporate citizenship: toward an extended theoretical conceptualisation. *Academy of Management Review*, Volume 30, pp. 66-179.
- Matten, D., and Moon, J.(2005). Corporate social responsibility education in Europe. *Journal of Business Ethics*, Volume 54, pp. 323-337.
- McWilliams, A.,and Siegel, D.(2000). Corporate social responsibility and financial performance: correlation or misspecification? *Strategic Management Journal*, Volume 21, pp. 603-609.

McWilliams, A., and Siegel, D. (2001). Corporate social responsibility: a theory of the firm perspective. *Academy of Management Review*, Volume 26, pp. 117-127.

McWilliams, A., Siegel, D., and Wright, P. (2006). Corporate social responsibility strategic implications. *Journal of Management Studies*, Volume 43, pp. 1-18.

Mintzberg, H. (2000). The case for corporate social responsibility. *Journal of Business Strategy*, pp. 3-15.

Mirvis, P., and Googins, B. (2006). Stages of corporate citizenship. *California Management Review*, 48(2), pp. 104-126.

Mohr, P., Webb, D., and Harris, K. (2011). Do consumers expect companies to be socially responsible?: the impact of corporate social responsibility on buying behaviour. *Journal of Consumer Affairs*, Volume 35, pp. 45-72.

Moir, L. (2001). What do we mean by corporate social responsibility? *Corporate Governance*, 1(2), pp. 16-22.

Orlitzky, M. (2011). Institutional logistics in the study of organisations: the social construction of the relationship between corporate social and financial performance. *Business Ethics Quarterly*, Volume 21, pp. 409-444.

Oury, C. (2007). *A guide to corporate social responsibility*. London: British Standard Institution.

Owazuaka, W., and Obinna, I. (2014). Corporate social responsibility: the marketing implications. *Journal of Academic Research*, 6(4), pp. 221-226.

Parker, C. (2002). The open corporation: effective self regulation and meta-regulation. *Law and Policy*, Volume 363, pp. 16-46.

Phillips, E. (2006). Corporate social responsibility in the aviation. *Journal of Air Transportation*, 11(1), pp. 66-87.

Piercy, N., and Lane, N. (2009). Corporate social responsibility: impacts on strategic marketing and customer value. *The Marketing Review*, 8(4), pp. 335-360.

Pless, N., Maak, T., and Waldman, D. (2012). Different approaches toward doing the right thing: mapping the responsibility orientations of leaders. *Academy of Management Perspectives*, 26(4), pp. 51-65.

Ponte, S., Richley, K., and Baab, M. (2009). Bono's product initiative: corporate social responsibility that solves the problems of 'distant others'. *Third World Quarterly*, 30(2), pp. 301-317.

Porter, M., and Kramer, M. (2006). Strategy and society: the link between competitive advantage and social responsibility. *Harvard Business Review*, 84(12), pp. 78-92.

- Poverty reduction forum trust.(2012). *Poverty in mining communities: where are the mining companies' priorities?*, Harare: PRFT.
- Prahalad, C.,and Hammond, K.(2002). Serving the world's poor, profitably. *Harvard Business Review*, 80(9), pp. 48-57.
- Prahalad, M.,and Hammond, K.(2005). *The fortune at the bottom of the pyramid: eradicating poverty through profits*. Upper Saddle River: Wharton School Publishing.
- Rosser, A.,and Edwin,D.(2010). The politics of CSR in Indonesia. *The Pacific Review*, 23(1), pp. 1-22.
- Sanchez, C.(2010). Motives of corporate philanthropy in El Salvador: altruism and political legitimacy. *Journal of Business Ethics*, Volume 27, pp. 363-375.
- Saunders, M., Lewis, P.,and Thornhill, A.(2007). *Research methods for business studies*. Prentice-hall: Harlow.
- Siegel, D.,and Vitaliano, D.(2007). An empirical analysis of the strategic use of corporate social responsibility. *Journal of Economics and Management Strategy*, Volume 16, pp. 773-792.
- Siegel, D.(2009). Green management matters only if it yields more green: an economic/strategic perspective. *Academy of Management Perspectives*, Volume 23, pp. 5-16.
- Spitzer, R.(2010). Is social responsibility good?*Journal of Quality and Participation*, 33(3), pp. 13-17.
- Stiglitz, J.(2003). *The roaring nineties: why we are paying the price for the greediest decade in history*. London: Penguin Books.
- Sushmita, G.(2013). Corporate social responsibility: current scenario. *Research Journal of Management Sciences*, 2(12), pp. 12-14.
- Vaaland, T., Heide, M.,and Gronhaug, K.(2009). Corporate social responsibility: investigating theory and research in the marketing context. *European Journal of Marketing*, 42(9), pp. 927-953.
- Waldman, D.,and Siegel, D.(2008). Theoretical and practitioner letters: defining the socially responsible leader. *Leadership Quarterly*, Volume 19, pp. 117-131.
- Waldman, D.(2011). Moving forward with the concept of responsible leadership: three caveats to guide theory and research. *Journal of Business Ethics*, Volume 98, pp. 75-83.
- Wang, H., Choi, J.,and Li, J.(2009). Too little or too much?: untangling the relationship between corporate philanthropy and the firm financial performance. *Organisation Science*, Volume 19, pp. 143-159.

Wan-Jan, W.(2006). Defining corporate social responsibility. *Journal of Public Affairs*, 6(3), pp. 176-184.

Werner, W.,and Chandler, D.(2011). *Strategic corporate social responsibility*. California: Sage.

Wilson, C.,and Wilson, P.(2006). *Make poverty business: increase profits and reduce risk by engaging with the poor*. Sheffield: Greenleaf Publishing.

Xueming, L.,and Bhattacharya,S. (2006). Corporate social responsibility, customer satisfaction and market value. *Journal of Marketing*, 70(4), pp. 1-18.

Yoon, S.,and Lam, T.(2013). The illusion of righteousness: corporate social responsibility practices of the alcohol industry. *Public Health*, Volume 13, pp. 630-641.

Yoon, S., Gurhan-Canli, Z.,and Schwartz, N.(2006). The effect of corporate social responsibility activities on companies with bad reputations. *Journal of Consumer Psychology*, 16(4), pp. 377-390.

Zimbabwe United Nations Development Framework (ZUNDF).(2012). *Millenium development goals report*, Harare: ZUNDF.

Appendices

A. Sample size calculation

Insert picture

B. Questionnaire

University of Zimbabwe

Dissertation Topic: “The purpose of business is business”. Is Corporate Social Responsibility (CSR) a contradiction of this view?: A Critical Examination of the Motives that drive CSREngagement by Companies listed on the Zimbabwe Stock Exchange (ZSE) and the Impact of CSR on Financial Performance.

Dear Respondent

Thank you for accepting to participate in this study which seeks to find out the motives of CSR engagement by companies and the impact of CSR on financial performance as a partial fulfilment of my Masters in Business Administration (MBA) at the University of Zimbabwe. The questionnaire will take 5-10 minutes of your time.

As with any research work, there are no right or wrong answers and as such, your whole input is considered very important. I commit myself to uphold all research ethics which include among others, assuring confidentiality and anonymity in handling your responses. Your responses will be used only for this research and nowhere else.

Once again, thank you for your valuable participation in this questionnaire.

Yours faithfully

Tsitsi Sanyanga (MBA Graduate Student) 0775 607 360 madzivanyikat@gmail.com

Section A: General information about your company

1. Do you have a CSR board committee in your company?

- Yes
- No

2. Where do you classify your company by sector?

- Agriculture
- Automotives and transport
- Banking and financials
- Beverages
- Building materials and construction
- Engineering
- Food
- Industrial holding
- Insurance
- Mining
- Paper, printing, forestry and publishing
- Pharmaceuticals and chemicals
- Property and real estate
- Retail and wholesale
- Telecommunications
- Tobacco
- Tourism

3. What is the ownership of your company?

- Foreign owned (major shareholder is foreign)
- Zimbabwean owned (major shareholder is Zimbabwean)

4. How do you classify your company in terms of size?

- Big
- Medium
- Small

Section B: Motives of CSR engagement

Please indicate your view *of each* of the following motivation statements

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
<u>Ethical imperative</u>					
1. Business has an obligation to the welfare of the need in society.					
2. Companies should contribute funds for community development.					
3. Companies should not compromise ethical norms of the society in order to achieve corporate gains.					
4. A publicly owned company must live up to social expectations.					
<u>Firm protection</u>					
5. Firms use CSR as a risk mitigation strategy.					
6. Companies with good reputations strive to comply with all Government laws and regulations.					
7. CSR engagement protects the firm from societal riots and regulation cost.					
8. A firm can protect its image through CSR involvement.					
<u>Public relations and marketing</u>					
9. Firms undertake CSR activities as public relations and brand marketing strategy.					
10. CSR involvement can be used as a cheap marketing tool.					
11. CSR engagement can repair past negative publicity of a firm.					
12. Through CSR engagement, a firm can improve its publicity in terms of attracting quality workers.					
<u>Market share seeking</u>					
13. A company can increase market share through CSR engagement.					
14. Social outreach and sponsorship of arts and culture is a tactic to enter new markets.					
15. Customers can switch to a brand associated with a socially responsible company.					
16. CSR engagement can be a means of achieving product differentiation.					
<u>Managerial ego satisfaction</u>					
17. Through CSR engagement, managers gain fame and prestige.					
18. Managers use CSR to advance their careers.					
19. CSR engagement is controlled by managers and shareholders are powerless					
20. Managers can commit organisational resources to CSR projects to satisfy their esteem needs.					

Section C: How does the company select CSR activities?

1. For the year ended 2013, which of the following CSR activities did your company engage in and what was your level of involvement compared to other activities?

	Very Low	Low	Moderate	High	Very High
<u>Economic</u>					
1. Workers salaries, training and welfare					
2. Being profitable					
3. Quality products and services					
4. Provision of jobs to local community					
5. Being efficient					
<u>Ethical</u>					
1. Non-discrimination of workers by gender, tribe or nationality.					
2. Protecting stakeholder moral rights.					
3. Fair practices including pricing.					
4. Supporting cultural activities					
5. Anticipating risks of the company's activities					
<u>Legal</u>					
1. Compliance with the Indigenisation and empowerment laws.					
2. Compliance with the Environment Management Authority regulations.					
3. Compliance with the International Labour Organisation requirements.					
4. Compliance with the Zimbabwe Revenue Authority Requirements					
5. Compliance with the Reserve Bank of Zimbabwe regulations.					
<u>Environmental</u>					
1. Pollution prevention and control.					
2. Protection of the natural environment.					
3. Tree planting.					
4. Recycling products.					
5. Cleaning the environment.					
<u>Philanthropic</u>					
1. Health care of communities					
2. Education of communities					
3. Infrastructure development for communities					
4. Donations to charity organisations					
5. Response to natural disasters					
6. Supporting community entrepreneurship					
7. Donations to arts and sports.					

2. How does your company select CSR activities to engage in? You can select more than one.

- Finance resources available
- Fitness of the activity to company overall strategy
- In response to the pressures of the stakeholders
- In line with the main products and services of the company
- In line with the attitudes of management to CSR
- Other (*please specify*)

.....

3. Which CSR policy do you think produces more involvement of business in society?

- Voluntary
- Mandatory
- Mixed

Section D: CSR and firm financial performance

1. For the year ended 2013, please indicate your financial performance in terms of EPS:

Earnings per share (cents)	negative	0-50 cents	51-100 cents	101-150 cents	Above 150 cents
----------------------------	----------	------------	--------------	---------------	-----------------

2. Please explain how companies can be motivated to engage in more CSR.

.....

.....

.....

.....

.....

.....

3. Please explain how a firm can engage in CSR without compromising financial performance.

.....

.....

.....

.....

.....

THANK YOU

