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The Impact of Corporate Social Responsibility on Growth of Companies

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Abstract

There is an upsurge of crave for ethical practices and corporate social responsibility in both policy and actions of business organizations in recent times by society and social administrators globally. This is indicative of how crucial the subject is to the very existence of mankind and the universe as a whole and calls for a further assessment of the correlation between the concept and corporate bodies. Our write-up discusses the position of corporate social responsibility in relation to core business functions of companies and whether it has an influence on the growth of organizations. Social commentators and society unambiguously agree that the main causative factors for social problems like global warming, epidemics, wild fires, flooding and environmental degradation are the repercussions of organizational activities and therefore expect that organizations should be at the fore-front in the effort to combat these multifaceted issues. Companies have however maintained the view that corporate social responsibility is not relevant to their main mandate and only see it as a favor done to society. Our study debunks this misconception and demonstrate that the place of corporate social responsibility and ethical practices in business organizations is not just a philanthropic phenomenon but has relevance to core business functions and impacts on performance and growth. Our study also discovered that going beyond ethics in the operations of a company to engage in direct community development activities increases the effect of social responsibility on the fortunes of the company.

Keywords: Corporate Social Responsibility; Growth; Corporate Responsiveness; Corporate Ethics; Philanthropic Phenomenon

1. Introduction:

Corporate social responsibility (CSR) and its relationship with business organizations, has engaged the attention of stakeholders and society as a whole for decades now. The center of controversy is whether it is incumbent on organizations to have social involvement? From the budding stage of this raging debate, business enterprises have argued that CSR is unimportant to core business activities. Great thinkers and authorities in economics and finance like Adam Smith and Milton Friedman have all declared CSR as irrelevant and subversive to business (Kotler and Keller, 2012 pg.629; Wood and Sangster, 2005 Pg. 482). Society and other stakeholders on the other hand argue that CSR should be factored into the actions and decisions of organizations. The fact however is that corporate business is conducted within the social certain and remains a component part of social existence. This symbiotic relationship is what stirs the debate on and pits Freidman and his proponents against the stands of the larger society.

The major question that has therefore preoccupied the study of corporate ethical behavior and social responsibility is: what then is the right way, for humans to act? (Klimsza, 2013 pg.14). This is because humans as individuals or groups affect each other negatively or positively. All business organizations regardless of their nature, size or site therefore affect people and other living things that come into contact with their activities (Koontz,Heinz and Weihrich, 2014 pg. 41; Bowen et al, 2013). This unsolicited effect is what economist term as externalities (thus, the effect of one party's action on the well-being of another party without exchange of consideration or prior agreement). Additionally, all organizations are made of people who own and use other corporate resources to perform organizational tasks (Brealey, Myers and Allen, 2010 pg.15; Koontz, Heinz and Weihrich 2010 pg.3). This imply that the owners and constituents of organizations are members of both the company and society which makes the activities of business organizations somehow inseparable from societal conditions such as ethical practices and community development. Suffix to say that the operations and goals of companies should be in tandem with the common interest of society.

Societies all over the world are grappling with multifaceted issues that are global in nature. Climate change, conflicts, epidemics, starvation and pollution are problems that affect the entire global village and these are mainly the repercussions of organizational activities. Global warming statistics shows an increasing trend of the earth's surface temperature due to over emission of greenhouse gases like carbon dioxide. The sea level has risen globally by 8 inches since 1970 due to the melting of mountain and sea ice caused by increase in temperature of the earth. The Arctic Sea Ice has decrease by 15% over the period influencing floods and landslides in various societies of the world. The world is currently experiencing about 15 million lightning strikes per year, causing wild fires around the globe and scientists predict that every degree rise in global temperature will lead to 12% increase in lightning. The threat of extinction to living things on the surface of the earth including human beings who are the core resource of every organization is fast racing towards its disastrous reality. The increasing occurrence of natural and artificial disasters all over the world, are pointers to this fact. As at 1989, the golden toad was totally extinct from the surface of the earth. (bing.com/search? q =global + warming +facts news.nationalgeographic.com/12/1206_041206_gobal-warming.html).

Disaster does not discriminate between producers, consumers, owners or employees. It is a phenomenon that affects all living creature on earth and the effort to avert it should be the responsibility of all, including companies. The solutions to these problems therefore require the combined effort of both the "have" and "have-not". Organizations being the "have" with huge resources at their disposal do have a duty to be involved in the quest to find solutions to these issues that will directly or indirectly affect their operational efficiency in the long run. Ironically, social commentary and literature appears to concur with the assertion that companies owe society only a moral duty of ethics and social involvement and that CSR is voluntarism (Koontz, Heinz and Weihrich, 2014 pg.42; Hill and Jones,2013 pg.397; Green Paper 2010; Shah, 2007; Carroll, 1999). Archie Carroll in determining CSR only succeeded in entrenching the general notion that CSR has no direct relationship with core corporate functions and further enhanced the existing controversy on the place of CSR in corporate business (Shah, 2007). In fairness to the larger society however, the relationship is intertwined and each side stands to gain from ethical business practice and CSR.

The phase of business is however changing since the 1990s and the concept of CSR is equally receiving due transformation and attention. As depicted in the writings of Tracey Keys et al, business executives view CSR as a source of pressure but the importance which customers, employees, suppliers and society at large places on it has made some executives to start seeing social responsibility as a creative opportunity to strengthen business (2009). In today's competitive market space, stakeholders and the investing community are affiliating to companies that are perceived to be ethical and socially responsible in their operations and policy. All stakeholders in the current business world are drifting towards John Elkington's "triple bottom line" of business (people, planet and profit). These stakeholders own and control the resources which are crucial to the existence and survival of organizations. Therefore, operating in line with stakeholder expectations can be the medium of attracting stakeholder-interest and resources to aide organizational effectiveness and performance (Gras-Gil, 2016). Investors want to understand the mission and values of a company to justify why they should invest in it. Consumers and labor in the modern society prefer to buy and work for companies that are socially responsible. A study by Cones LLC (a Strategy Communications Agency of CSR professionals globally), shows that about 84% of consumers in the USA are of the opinion that they will always prefer to buy products from socially responsible companies whenever possible (www.businessnewsdaily.com/4679-corporate-social-responsibility.html).

Globalization and information technology are increasing social consciousness and with the new trend of doing business, companies are not only aiming to produce and distribute products to satisfy their customers but also to establish a lasting relationship with them (Willman-livarinen, 2017; Akmese, Cetin and Akmese, 2016; Kadlubek, 2016;; Chadegani and Jari, 2016; Koontz,Heinz and Weihrich, 2o13). As a result of these current trends, policy makers and some business organizations are beginning to realign their regulations, policies and actions to reflect social responsibility. Examples are the European Union's International Standard Organization (ISO) 14001 and other related ISOs, Starbucks Coffee And Farmers Equity (C.A.F.E) practice guidelines and Toyota's Vision in 2011 with its heavy weighting of CSR Initiatives.

Despite this affirmative reaction by some companies, there is still a divergence between the business world and the rest of society on what benefits a company can derive from being socially responsible. The two divides have still not been able to find any clear compromise (Kadlubek, 2016; Doh et al. 2009; Park and Lee, 2009). Secondly, the severe impact of negative externalities like pollution, environmental degradation, global warming, rising sea levels and the increasing occurrence of disasters such as land-slides, flooding and various diseases which are all believed to be caused by operational activities of companies are what makes CSR a more serious concern that calls for a reassessment of its relationship with business organizations (Koontz, Heinz and Weihrich 2010).

Also, the strong connectivity between company and society stemming from the fact that companies are made and controlled by humans who are members of society, creates the condition for a common interest for both parties but what this common interest is and the magnitude of it, is what has still not been determined. Some researchers suggest the Smart Partnering method where business and society agree on key impact areas and develop actions that draws on the capabilities of both parties to address challenges that affect the two divides (Tracey Keys et al. 2009). It is important therefore to conduct further verification to clearly determine how CSR practices contribute to core organizational activities and purpose of existence in order to make the concept relevant to all. The aim of our study is to determine the degree of influence that CSR has on the growth of companies and their core functions.

This paper is organized into six sections as follows. Section one of the study is the introduction. Section two is the literature review of previous studies on the subject, followed by section three which presents the research methodology. Section four involves the profile of selected companies whiles section five entails data analysis and discussion of results. Conclusion is the last section, which comprises opinions and recommendations with suffixes of list of abbreviations and references.

2. Literature Review:

There are many approaches to the concept of CSR but the theoretical framework for this research is in the spirit of the European Foundation's Quality Management (EFQM) Excellence Model, the Legitimacy Theory, Stakeholder Theory and the three ethical theories of utilitarian, rights and justice as well as the Euro-American moral value system of freedom, justice, responsibility, trust, progress, prosperity, rationality and sustainability. The Legitimacy theory is the legal obligation, which requires that organizational actions conform to established social norms, values and regulatory framework that set parameters for doing business in that particular social certain. The Stakeholder theory states that managers of companies must give consideration to the interest of all stakeholders of the company in their decisions and actions. In the ethical theories, the Utilitarian theory states that the plans and actions of people should produce maximum good for the greatest number of people. The theory of rights says that all persons have basic rights such as freedom of conscience, speech and due process of law. Most of these rights are also enshrined in United Nations (UN) Charter and constitutions of all democratic states. The theory of justice also asserts that decision makers should be guided by the principles of fairness and equity (Koontz, Heinz and Weihrich, 2014 pg.44; Klimsza,2013 pg.52/23; Webster's New Collegiate Dictionary). CSR itself is based on the reactive and proactive theories. Proponents of the reactive theory say that the impact of a company's actions on society should be the yardstick by which its level of responsibility towards society is measured. The proactive theory asserts that the ability of an organization to relate its policies and actions in ways that are mutually beneficial to both the organization and society should be the measure of its level social responsibility.

The most striking deduction from existing literature on CSR is the problem of indeterminate definition (Chadegani and Jari, 2016; Taysir and Pasarcik, 2013; Bowen et al. 2013). Since Haward Bowen's definition of CSR as the "commitment of entrepreneurs to seek strategies, to make such decisions or carry out such actions, which are desirable in terms of the goals and values of our society" (Bowen et al. 2013), various researchers and scholars have given varying definitions to the concept. Archie Carroll described CSR as a brilliant term that does not always mean the same thing to everybody. That, to some people it means legal liability; to some it is socially or ethically responsible behavior and to some it means charitable contribution whiles those who fervently embrace it sees it as being legitimate, proper or valid and yet still some see it as a fiduciary duty on businessmen (1999). The European Union in an attempt to standardize what CSR represents, identified seven core areas; corporate governance, human rights, labor practices, environment, fair operations, community development and consumer interest as the scope of CSR and defined it as the condition where companies voluntarily take into consideration social and ecological issues as well as the interest of other stakeholders in their actions and decisions (Green Paper, 2010).

Though literature concurs that the ISO standards are valuable, some criticized the ISOs for being too focused on stakeholder management and ethical behavior to the neglect of CSR as management function for value creation and thus, making the standards not comprehensive enough for effective CSR (Shah, 2007; Dahlsrud, 2006). Perhaps the most ethical of the numerous definitions of CSR is the one by Keith Davis and Robert Blomstrom in their book business and its environment, which describes CSR as the obligation of a person to consider the impact of his actions on the entire social structure (1966). In his study "How corporate social responsibility is defined", Dahlsrud reviewed over 37 definitions after which he concluded that there is no common line that would guide application of the concept. He identified five main dimensions of Economic, Social, Stakeholders, Environment and Voluntariness as the scope that comprehensively describes CSR.

Other researchers have argued that the dilemma in the meaning of CSR is what has generated the debate and that the very bases of CSR are neither clear nor universally accepted. They believe that this difficulty of finding a generally accepted definition explains why there are diverse opinions on the extent to which CSR can be measured and the degree of its incorporation by business organizations (Frederick, 2006). If we do not know what exactly CSR represents then how do we even ask for it? As a social phenomenon with so much opaqueness and diverse theoretical underpinnings of ethics, philanthropy, ecology and political backgrounds, the different schools of thought on the real meaning of CSR would likely persist for a long time until the concept is crystalized into a business function.

The many empirical works on CSR can be categorized into two major Groups of economic and social relationships. The first group of researchers are the proponents that ethics and CSR have influence on organizational performance, corporate governance as well as strategy and that it adds value to organizations (Garcia-Jimenez, Ruis-de-Maya and Lopez-Lopez, 2017; Bernal-Conesa, Briones-Penalver and Nieves-Nieto, 2016; Boubakary, 2016; Gras-Gil et al. 2016; Gupta and Krishnamurti, 2016; Madugba and Okafor, 2016; Kadlubek, 2015; Ohene-Asare and Asmild, 2012; Brammer et al. 2007). In two separate empirical studies on the influence of CSR on efficiency and financial performance of companies using the banking sector of Ghana, both studies found out that CSR engagement is regarded as a strategic tool by the banks. The two empirical works also established that CSR has a significant positive relationship with efficiency and profitability of companies (Ohene-Asare and Asmild, 2016; Ofori et al. 2014).

Hypothesis (HP) 1: CSR is directly related to the core functions of business organizations

Similarly, research works of Boubakary and Bernal-Conesta, Briones-Penalver and Nieves-Nieto on the influence of CSR on business strategy and whether standardized company policy on CSR creates improvement in organizations, all established that there is significant positive correlation between CSR and innovation, performance, economic benefits and internal improvement of the company (2016).

HP 2: CSR engagements has a positive relationship with the value of companies

Other studies on CSR and its relationship with firm performance, value, efficiency and profitability shows mixed outcomes. Hossain et al in their research in the correlation between corporate financial performance and CSR, discovered that using return on assets and equity as units of measure shows a significant positive relationship but using the Tobin's Q Ratio as the unit of measure shows an insignificant relationship (2015). Another study that investigated how CSR affect firm financial performance in the Nigerian banking sector established that return on capital employed has a direct or positive relationship with CSR practices whiles earnings per share and dividend per share has a negative relationship (Madugba and Okafor, 2016). The findings of this particular empirical work is a revelation that CSR may have an unfavorable short term effect on the investor but its positive influence on the operating capital implies a positive effect on shareholders' wealth in the long-run.

HP 3: CSR has a short-run inverse but long-run positive relationships with shareholders' wealth

HP 4: CSR has a positive influence on the growth of companies.

The second group comprises the numerous literature that argue for various ethical, environmental and moral reasons why companies must be socially responsive and ethical in their policies and actions (Chadegani and Jari, 2016; Akin and Yilmaz, 2016; Jankalova, 2016; Goel and Ramanathan, 2014; Ashokkumar, 2014; Woodand Sangster, 2013; Klimpza, 2013; Bichta, 2003). The focus of this group is not on the quest to project CSR as a value creation activity of business organizations but to justify the logical and moral persuasive reasons why companies should be socially responsible. Ashhokkumar in his work on ethics and CSR from Vedic Literature point of view, used religious and moral principles to argue out the need for organizations to embark on CSR. The study identified four staging areas of Nature, Human, Society and the Individual which scripture implores companies to engage in CSR because companies are the largest users of natural resources and ironically, the largest destroyers of the ecosystem (2014). Some other researches in this category using the stakeholder and legitimacy theories propound that CSR is a component part of ethics which therefore places moral responsibility on organizations to inculcate CSR in their policies and actions and that the engagement of a company in CSR may serve as a risk mitigation factor or a source of sympathetic favor from stakeholders in times of distress (Gupta and Krishnamurti, 2016; Goel and Ramanathan, 2014).

Though there is enough evidence of earlier empirical works pointing to the fact that ethical practices and CSR creates business opportunities for companies, the concept has still not been wholly embraced by business enterprises. The missing link is that previous research works may not have adequately shown in specific measure or realistically demonstrated the magnitude to which CSR affect core company business operations. This makes our study critical because despite the fact that lot of research has been done on this subject, previous works have not adequately substantiated the direct effect of CSR on company intrinsic mandates such as strategy, growth and general performance. Against this background, this paper intends to establish that ethical practices and CSR positively influence growth of business organizations. Secondly, our study would identify factors that make CSR a composite part of the core functions of business organizations and as result, contribute to the quest to make CSR a subject of common interest to both companies and society.

3. Research Methodology:

Our study uses the case of two multinational manufacturing companies to determine how CSR engagement influences the growth of organizations. Our model company has higher CSR engagement initiatives in both policy and action, relative to the other company that is contrasting in this regard. Selection of the two companies was by a simple review of company profiles and level of their CSR activities from company websites. Our data was collected mainly from the annual financial statements of the two companies from the period of fiscal year (FY) 2011 to FY2017, Financial Times Stock Exchange (FTSE) 100, Google scholar and related websites on the Internet. The data is deemed credible because all the information was gathered from company websites and other trusted sites such as the FTSE100. Ideally, a wider period of coverage would have been preferred but our study leaned heavily towards the present and future of business hence the limitation of our study to a more recent period to make it relevant to contemporary policy and decision makers.

3.1 Dependent variable:

Our dependent variable is firm growth and the growth of any phenomenon with organizations inclusive, can be referred to as its increase in size or value. In previous research works, various methods have been used to measure firm growth, which can be categorized into financial and non-financial methods. The financial measures such as sales or revenue and total assets though objective, are said to be historical in nature and time lagged and could also have subjectivity due to manipulations for tax and regulatory considerations (Fowowe, 2017; Chang, 2008) The non-financial measures are also perceived to be subjective (Szanto and Bristo, 2012). It has therefore become common practice for researchers to adopt the hybrid method of combining both approaches (Fowowe, 2017; Dint et al. 2012). Most of the existing literature tried to overcome the subjectivity problem by using the non-financial measure of number of employees of the company instead of the financial method of sales with the argument that sales is prone to volatility and reporting biases (Fowowe, 2017, Dint et al. 2012; Aterido et al. 2011). Our study employs both the number of firm employees and sales for two separate measures of firm growth to be analyzed against CSR in order to achieve a more robust diverse analysis that overcomes the demerits associated with the single measure approach. Following the approaches of Dint et al and Fowowe (2012; 2017), we calculate firm growth (FGit) as the log of current number of permanent employees minus number of employee a year before the survey years divided by the difference between the pre-data year and the survey year. Same model is used for firm growth measurement using sales. Thus:

FGit = Log(Lit - Lit – 1)/1 (1)

FGit = Log(Sit – Sit – 1/1 (2)

Where:

Lit = Number of permanent employees Sit = Annual sales

3.2. Independent Variables:

The independent variable is Corporate Social Responsibility (CSR), which has even more controversy about its measure just as much as it has on its definition. Earlier researchers employed varying methods of measure for CSR but these could be broadly classified into three major areas of economic, social and environment

(Elkington, 1994). Currently, the measure of CSR has become a bone of contention with various proposed measuring methods and guidelines like FTSE4Good, Dow Jones and other market sustainability indexes, ISOs, UN global impact principles and guidelines of other international sustainability organizations as well as the excellence business models such as EFQM and Malcolm Baldrige. The controversy stems from the fact that none of these methods and guidelines can as a single approach measure CSR adequately. The indexes for instance, are judged to be subjective because the method of data collection is based on questionnaire responses from respondents and the appraisal methods are dependent on the institutions providing the indexes (Jankalova, 2016). However, Alexander Dahlsrud after reviewing 37 definitions of CSR in his work "how corporate social responsibility is defined", identified the five main areas of environment, economic, social, stakeholders and voluntariness as the pillars of CSR measure (2006).

In line with previous empirical studies (Jankalova, 2026), our paper measures CSR based on the five dimensions of Dahlsrud and the EFQM Excellence Model of the European Foundation. The Dahlsrud five dimensions of Economic, Social, Stakeholders, Environment and Voluntariness, adequately fit into contemporary business spectrum as follows; Companies vying for traction in today's highly competitive market place must meet their socio-economic obligations such as ethical reporting standards that reveals CSR in company operations (Economic), ensuring safe working conditions by companies and care for its people (Social), embracing all partners in their considerations (Stakeholders), adopting ecologically friendly products and production methods (Environment) and engaging in community development activities beyond regulatory requirements (Voluntariness). The EFQM model on the other hand, identifies eight pillars of excellence in organizations and six of them hinges on CSR engagement as follows.

1. Adding Value to Customers: For excellence, a company must understand its customers, anticipate their needs, fulfill those needs and deduce future opportunities from these needs.
2. Creating Sustainable Future: Excellent companies must positively impact on their environment by working to improve the social, economic and environmental conditions of the community.
3. Developing Organizational Capabilities: Companies can enhance excellence by managing well the changing conditions within and beyond its internal boundaries and that involves the entire environment in which the company operates.
4. Harnessing Creativity and Innovation: Excellence can also be achieved by drawing on the potentials and capabilities of all stakeholders.
5. Succeeding through the Talent of People: To achieve excellence companies must value its people and create an enabling atmosphere for realization of both company and individual goals
6. Sustaining Outstanding Results: Excellent companies are able to maintain high viability to meet the short-term and long-term expectations of all its stakeholders within the context of the environment in which it operates.

The other two pillars of EFQM are related to quality leadership and management capabilities (EFQM, 2012). The enumerated six CSR related pillars of the EFQM Excellence Model conveniently fit into Dahlsrud's five dimensions and this makes our method of measuring CSR unambiguous. Adding value to costumers and sustenance of outstanding results are economic considerations and therefore fit into Dahlsrud's first dimension of Economic. Developing organizational capabilities by taking advantage of internal and external conditions and harnessing creativity and innovation by drawing on the potential of all, are stakeholder issues. Creating a sustainable future and succeeding through the talent of people are environment and social issues respectively. The EFQM scope of CSR is therefore encompassed in the five dimensions of Dahlsrud. Table 1 shows the five dimensions and the indicators used in measuring the level of CSR in the operations of our selected companies.

Table 1: Measurement of Dahlsrud's Dimensions

Item	Definitions	Measurements
Economic	The obligation to ensure value addition to shareholders wealth as well as full disclosure	➢ Increasing shareholders wealth ➢ Ensuring value for customers ➢ Full disclosure and transparent operations ➢ Reporting on CSR activities
Social	The relationship between organizations and society	➢ Coded policy on CSR ➢ Gender in employment ➢ Employment of disabled persons ➢ History of scandals ➢ CSR rating by environmental organizations
Stakeholder	The responsibility of organizations towards all other parties with Interest in the business of the Organizations	➢ Remuneration ➢ Fair competition ➢ Welfare and self-improvement programs ➢ Regulatory compliance
Environment	Organizational relationship with the natural environment or ecosystem	➢ Ecofriendly methods of production ➢ Ecofriendly products ➢ Reclamation initiatives ➢ Disposal policy ➢ Product impact mitigation
Voluntarism	Contribution towards the physical improvement of the community beyond what is required by law	➢ Community development activities ➢ Global nature of initiatives ➢ Response to disaster ➢ Empowerment initiative

In the table, we used information from the annual reports of the selected companies and other sources such as the FTSE stock Market, FTSE4Good and Malcolm Baldrige indexes as well as general financial and business management principles to derive measurements for the weighting of the five dimensions. Each of the dimensions were weighted per the number of identified measurements. The company that met all the measurements of a dimension was given the highest weight of (*) and (**…….n*) in accordance with the number of measurements met. The definitions to the various dimensions were derived from Dahlsrud's work on corporate social responsibility and environmental management (2006).

4. Brief Profile of our Selected Companies:

4.1 Company A:

Our model company (Company A) began operations in the 1930s and as a new company in the industry, it sent personnel during the early years of its operations to our contrasting company (Company B) to study the new technology in the industry. From the very inception of the company, a firm foundation was laid down on five principles of Faithfulness, Creativity, Home-atmosphere for workers, Respect for Norms and Practical Disposition to make the company CSR focused. By the late 1950s, the company had its first international subsidiary. In the 1990s, our CSR focused company revised the five principles of CSR on two occasions within the decade so as to realign its operations with the changing social, environmental and business structures. With this concerted policy to ensure social responsiveness, the company launched its global vision into the 2050s that hinged heavily on CSR engagements.

The company's roadmap on CSR in the global vision clearly stated policy guidelines on employees, customers, safe quality products, shareholders, partners, stable business, the global society and enriching lives of communities, which adequately cover all the Dahlsrud's five dimensions. Our model company currently has over 25 CSR programs at continental and regional levels and about 6 major global CSR engagements exclusive of CSR engagement activities in its home country. The company is also doing a lot to draw public awareness to the numerous social, environmental and community development activities that are being embarked upon globally. It is currently the company with highest capitalization in the industry on major stock markets such as FTSE100 and the highest in sales revenue as at 2017.

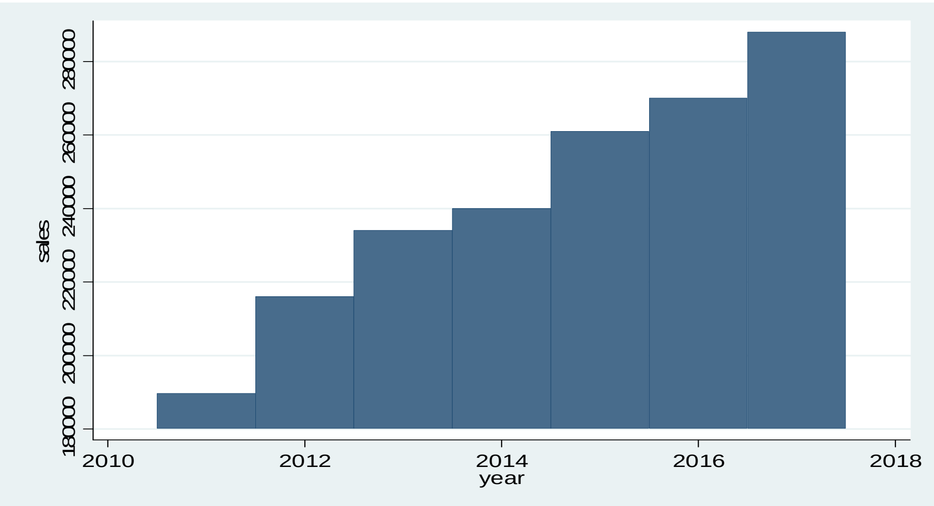
4.2 Company B:

Company B which we identified as not doing enough of CSR in comparison with company A, existed for decades before the incorporation of our model company and even served as a tutorial ground for the company A in the early years of its operations. One time the largest in the industry, our contrasting organization has since lost that position though still remains among the top companies within the industry. The company has been bedeviled with several ethical issues ranging from bad employee treatment, exploitation and corporate scandals for the greater part of its existence until policy action was taken in early 2000s address these ethical issues. The company therefore embarked on policy and operational reforms since the early 2000s to address both business and social problems and is now seen as one the most ethical companies in the world. Though a lot has been achieved in terms of ethics, the company is not getting the full benefits of CSR that should accrue to organizations because its performance in terms of community development and ecological replenishment is very marginal. The company has just about 2 global CSR initiatives with the rest of its CSR activities staged only in its home country and this is probably why it is less visible globally with regards to CSR engagements.

5. Data Analysis and Discussion:

Data for annual sales revenue and the numbers of permanent employees were taken from the annual reports of the selected companies and selected indexes from FTSE100 and FTSE4Good for our analysis.

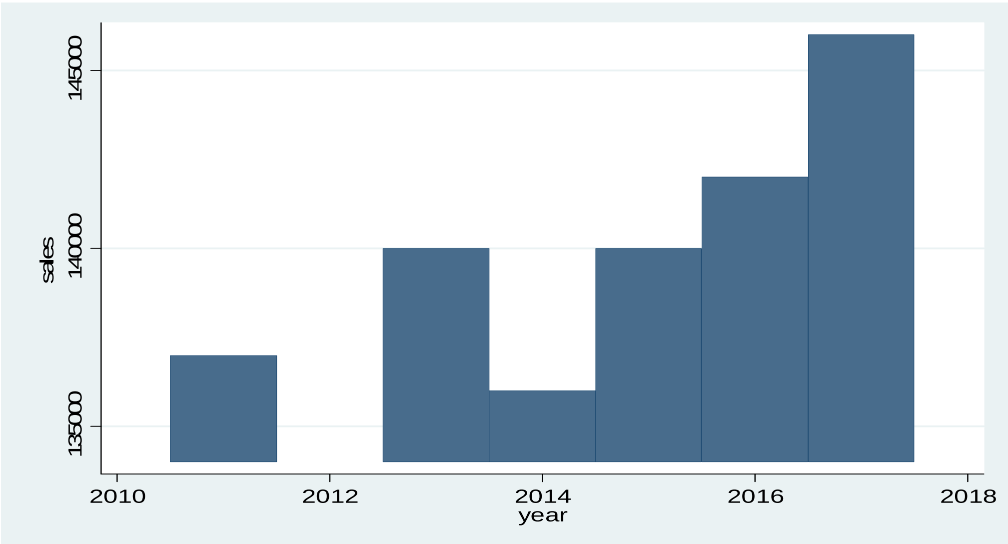
Figure 1: Annual Sales of Company A



Legend: *Figure 1 ranges from 100,000 to 300,000 in billions of United States Dollars for a period of seven years: 2011-2017*

The aim for using both revenue and number of permanent employees is to give our analysis a diverse approach by using both financial and non-financial measures. Figures 1 above is the annual sales revenue of company A whiles Figure 2 below, shows annual sales revenue of company B from the period 2011 to 2017. Figure 1 indicate a steady and rapid growth in the sale revenue of company A whiles figure 2 indicate fluctuation in the sales revenue growth trend of company B. Though company B seems to have maintained some stability in sales in the last 3 years, the revelation is that its sale revenue level is far too low from that of company A, which is relatively younger and the rate of growth is equally too slow as compared to company A. The figures show that company A is now over 2 times bigger in size if sales revenue is used as the unit of measure. Given the fact that company B was in the industry for long before company A, means that there is something that is missing in the contrasting company and is present in our model company. Information from the profile of both companies show that in recent years, company B has taken measures to ensure ethical operations as well as churning out ecofriendly products that would have minimal impact on the environment. Yet, the rate of growth in the company is slower, fluctuating and almost stagnant in the later years of our observation. What this outcome is depicting is that corporate ethical practices are very necessary for protection of consumers and other stakeholders but it may not be an end in itself.

Figure 2: Annual Sales of Company B

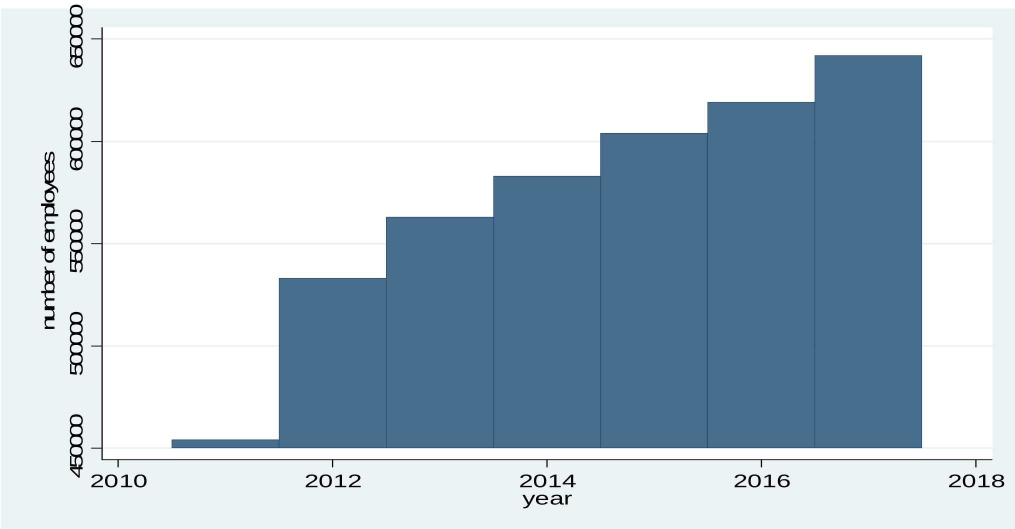


***Legend**: Figure 2 ranges from 100,000 to 200,000 in billions of United States Dollars for a period of seven years: 2011-2017*

The ethical practices of company B within the scope of our period of study, has been very good but its circumstances has not really change as company A, is still outperforming it in all spheres of business. Corporate ethics must necessarily transcend beyond the endogenous actions of product quality, working conditions and corporate culture to directly touch society through community development and global environmental programs to be able to create the needed impact on the fortunes of the company. The difference between our model company and the contrasting company is social responsibility engagements. It is no more enough to just be ethical policy and operation which endogenous in nature but to go beyond that and practically make positive impact on the global society.

Figures 3 and 4 are illustrations of the number of employees for the selected companies. Figure 3 shows the number of permanent employees for company A whiles Figure 4 depicts that for company B.

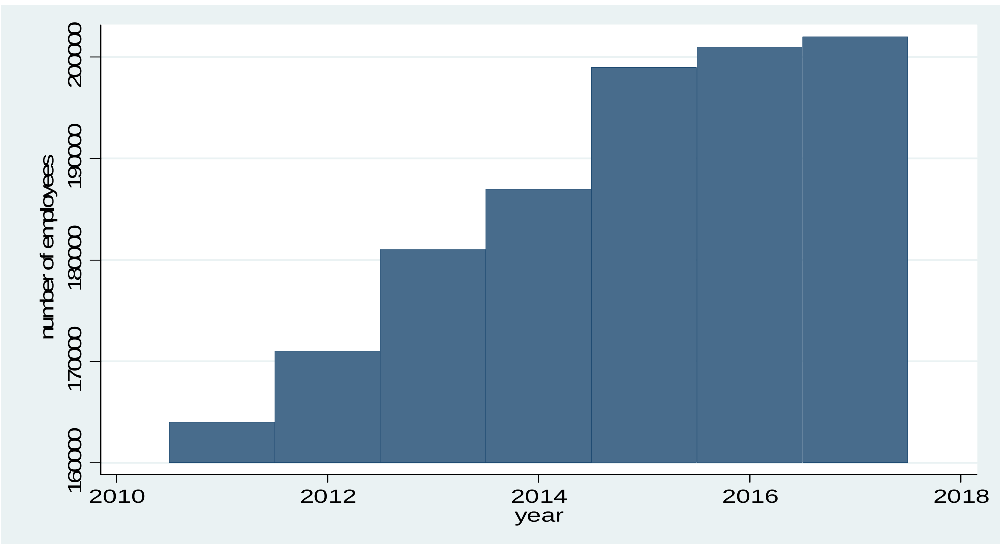
Figure 3: Number of Employees for Company A



***Legend**: Figure 3 ranges from 400,000 to 600,000 in thousands of employees for a period of seven years: 2011-2017*

These illustrations also show a significant difference in the size of the two companies, using the number of employees as the unit of measure. The number of permanent employees for company A as shown in figure 3 is about 3 times the employee base of company B as shown in figure 4. This result positively correlates with the measure of growth using sales revenue. It is therefore an affirmation that our model company has grown far bigger than the contrasting company.

Figure 4: Number of Employees for Company B

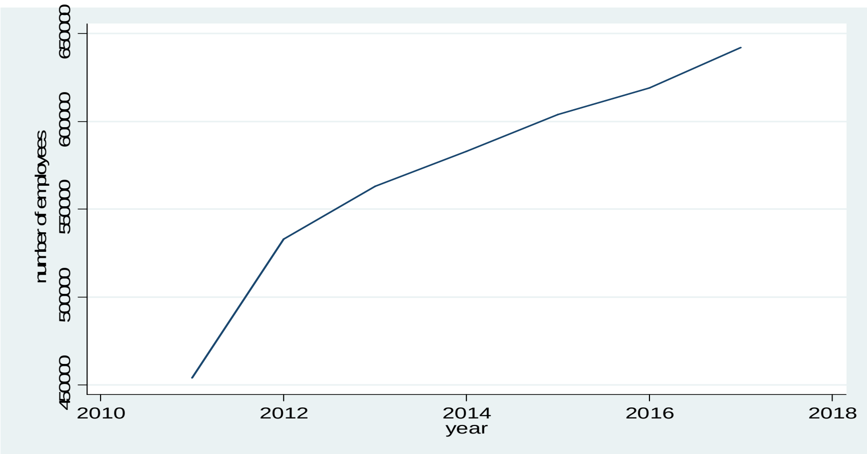


***Legend**: Figure 4 ranges from 100,000 to 300,000 in thousands of employees for a period of seven years: 2011-2017*

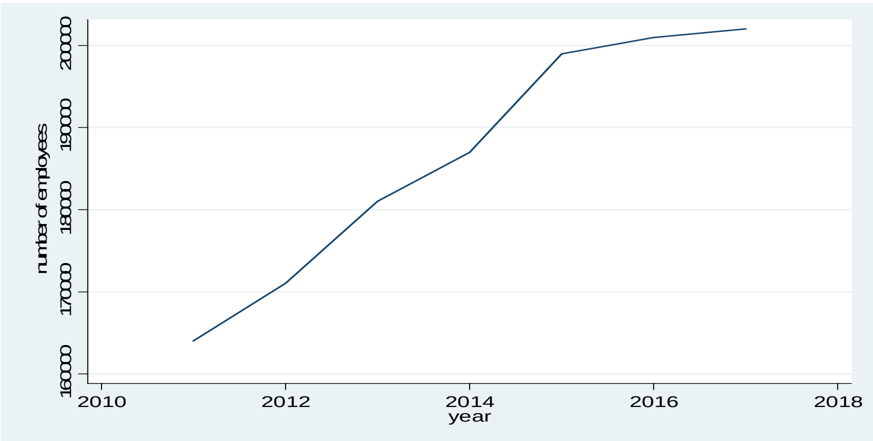
Companies that respond to the needs of the global community and impress its image in the minds of the wider population of the world stands to gain a competitive advantage in the global market space. Our model company is have better performance than the contrasting company because of the worldwide nature of its social responsibility initiatives, relative to that of company B, that mostly country based in nature.

The graphical presentation in Graph I and Graph II are to further illustrate the degree and trend of change in the size of workforce for the two companies. Graph I shows that the employee base of our model company maintained a study trend that is increasing at a fast rate whiles in Graph II, company B's workforce showed increases at a fast rate initially but stagnated and began increasing at a very slow rate over the period.

Graph I: Number of Employees for Company A



Graph II: Number of Employees for Company B



Legend: *Graph I* and *Graph II* are graphical presentations of the number of employees for Company A and B. *Graph I* have the same range and measure as Figure 3 whiles *Graph II* have the same range and measure as Figure 4.

This trend shown in the employee base of company B could account for the unstable nature of the company's sales that could be engineered by output fluctuations. It also indicates that growth of the company is sporadic and very slow sometimes, which is not good for planning and decision-making. The results of the figures and illustrations indicate that our model company has clearly out-performed the contrasting company in growth by both the financial and non-financial measure.

It is clear from the results and deductions that CSR is not a favor that the business world gives to society but a new discovery in the methods of running modern business. CSR engagements have a positive impact on the fortunes of contemporary business organizations and should no more be regarded as moral considerations given by the businessman.

6. Conclusion:

The trends shown in our comparative analysis is a reinforcement that CSR is now an inevitable commitment that companies must meet. The argument that CSR is unnecessary source of pressure on business and a waste of shareholders wealth is untenable in contemporary global business spectrum where the stiff market competition makes it incumbent on companies not only to produce for satisfaction of customer wants but to also establish a lasting relationship with consumers and other stakeholders.

The performance of our model company in terms of growth in size and financial base is indicative that CSR is a positive contribution to the good of business and not just an ancillary socio-business philosophy. It is an integral part of core business activities and must be imbibed by any company that wants to achieve market traction and survive the current global competitive market. The outcomes of our analysis also indicate that the symbiosis in the relationship between society and organizations is not a parallel duality but an interdependent and unified existence. Both sides need each other because society need companies to provide goods and services to satisfy their wants and companies also need society to provide the required investment resources, skill and demand for the goods and services produced. The relationship is therefore mutual and not a benefactor and beneficiary situation.

The position that CSR may negatively impact on profits and dividends is also not a good assertion in contemporary business because higher volume of production, sales and general operations of the company are the positive drivers of corporate profit. Ability of a company to increase its customer base is therefore a key determinant of these core company activities that leads to higher profits and dividends. With the strong correlation we found between CSR and sales, implies that CSR is a huge strategic marketing tool and can influence the customer base of the organization. A wider customer base means potential increase in the level of demand which will naturally impact on sales and prices of the company’s products. Optimal prices for company products would increase the probability of higher profit margin as well as increases in dividends and therefore better returns on shareholder’s investment.

It is therefore imperative in the way forward, to explore ways of redefining the business management function to encompass CSR as a main managerial activity. The role of CSR in present day business management is as prominent as the coordination function in management because it is not tied to a specific managerial activity or a specific stage of the management process but permeates every phase of the functions of management just like the coordination function. It is therefore imperative for companies to incorporate CSR as a functional activity for value creation. This functional value of CSR is what we recommend for future researchers to determine how CSR can be appropriately fitted within the functions of management.

List of Abbreviation:

CSR – Corporate Social Responsibility

LLC – Limited Liability Company

ISO – International Standards Organization

USA – United States pf America

UN – United Nations

C.A.F.E – Coffee And Farmers Equity

EFQM – European Foundation Quality Management

HP – Hypothesis

FY – Fiscal Year

FTSE – Financial Times Stock Exchange

FTSE4Good – Financial Times Stock Exchange for Good

Endnotes:

The data for Figure1 was taken at source in Euros and converted to United States Dollars at the rate of 0.83 Euros to 1 Dollar as at April 2018 when data was collected. The rate was accessed at www.morningstar.com/funds.html. Conversion to same currency is important to ensure equity and fair comparative analysis between the two companies.

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