



**ST. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES
DEPARTMENT OF GENERAL MBA**

**THE PRACTICE OF CORPORATE SOCIAL
RESPONSIBILITY ON COMPETITIVENESS: THE CASE
OF COMMERCIAL BANK OF ETHIOPIA**

**BY:
BEFEKADU BERHANU ADALE
ID: SGS/0133/2011A**

**JUNE, 2020
ADDIS ABABA, ETHIOPIA**

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**A THESIS SUBMITTED TO ST. MARY'S UNIVERSITY, SCHOOL OF
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DECLARATION

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of Taye Amogn (Ph.D.). All sources of materials used for the thesis have been dully acknowledge. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

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June, 2020

ENDORSEMENT

This thesis has been submitted to St. Mary's University, School of Graduate Studies for examination with my approval as a research advisor.

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June, 2020

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LIST OF ABBREVIATIONS/ACRONYMS

Abbreviation	Explanation
A	Agree
CBE	Commercial Bank of Ethiopia
CSR	Corporate Social Responsibility
DS	Disagree
DRBV	Dynamic Resource-based-view
EIA	Environmental Impact Assessment
EPI	Environmental Performance Indicators
IFC	International Finance Corporation
ISO	International Organization for Standardization
GRI	Global Reporting Initiative
NGO	Non-Governmental Organization
MBA	Master of Business Administration
MNE	Multinational enterprises
RBV	Resource based view
RV	Relational View
SA	Strongly Agree
SD	Strongly Disagree
SPSS	Statistical Package for the Social Sciences
STDIV	Standard Deviation
USA	United States of America
UNEPFI	United Nations Environment Programed Finance Initiative
WBCSD	World Business Council for Sustainable Development

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ABSTRACT

Corporate Social Responsibility (CSR) refers to operating a business in a manner that accounts for the economic, social, legal and environmental impact created by the business. Strategic decisions of large companies involve social as well as economic consequences, which are intimately connected. CSR programs are applicable to all organizations and banks are more sensitive to these programs as they have to strive to satisfy a multiplicity of stakeholders. The objective of this study is to determine the practices of CSR on the Competitive Advantage in commercial bank of Ethiopia. This study uses Causal research design. The population of this study is comprised of customers of the bank, employees and branches located in Addis Ababa and participants are selected using a three stage multi-stage sampling technique. The study uses primary and secondary data. Primary data is collected using a semi structured questionnaire and interview questions; the questionnaires are administered to Corporate Affairs Managers and selected employees and customers of the bank. Quantitative data, that is collected, is analyzed by the use of SPSS and presented through percentages, means, standard deviations and frequencies and by using nominal measuring instruments. And finally, based on the findings from the respondents and the output of analyzed data, a discussion of findings, conclusion and recommendation like CBE should adhere to the need for Corporate Social Responsibility requires more for the bank to pay special attention to design and built forth programs and policies to enrich wealth knowledge of banking, and CBE put in place a CSR communication strategy is suggested by the researcher.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

With the significant impact of large organizations on the economies of the developed societies and their access to the various components and aspects of the lives of these communities (Viachos, 2009) the need to develop controllers has increased to make sure that these organizations respond to the public interest. Hence, the concept of social responsibility emerged with the conviction of the organizations that the deterioration of the level of social development leads to efflux and adversely affects domestic and foreign investment (Servas & Tamayo, 2012).

According to Crowther & Aras, 2008, corporate social responsibility is a concept which has become dominant in business reporting. Every corporation has a policy concerning CSR and produces a report annually detailing its activity. And of course different authors claims to be able to recognize corporate activity which is socially responsible and activity which is not socially responsible. There are two interesting points about this: firstly, the authors do not necessarily agree with each other about what is socially responsible; and although they claim to recognize what it is or is not when they were asked to define it. Then the researcher finds this impossibly difficult.

CSR is practiced because customers as well as governments today are demanding more ethical behaviors from organizations. In response, corporations are volunteering themselves to incorporate CSR as part of their business strategies, mission statement and values in multiple domains, respecting labor and environmental laws, while taking care of the contradictory interest of various stakeholders according to Kashyap et al, 2006.

The justification of business going beyond their prime responsibility of making profit to providing towards the welfare of the society has been a long time debate over the centuries. The inception of social responsibility which has become the modern Corporate Social Responsibility (CSR) can be traced back to the World War II. But its significance was not much felt until the 1960's and beyond. CSR refers to the commitment of the firm to the community or society through provisions of welfare of

the society by using corporate resources well as promoting economic development which improves the quality of life of the work force, families, local community and society at large. In Kotler and Lee's book (2005 p3) corporate social responsibility is a commitment to improve community well-being through discretionary business practices and contributing of corporate resources. Fulck & Hoblich, 2007, defines CSR as voluntary corporate commitment to exceed the explicit and implicit obligation imposed on a company by society's expectations of conventional corporate behavior. According to N.V Badi (2012) CSR is an organization obligation to benefit society in ways that transcend the primary business objectives of maximizing profit. The EU Commission 2002) CSR is a concept whereby company integrate social and environment concerns in their operations and in their stakeholders on a voluntary basis. Friedman's, 1962 classical economic argument against CSR that, company's directors have a single duty of maximizing profits for investors sparked subsequent debates. Admirers of CSR from all ages argues that, most of the societal problems such as pollution, destruction of natural beauty, accident, diseases are caused by companies, hence there cannot be any better panacea than companies themselves contributing to the welfare of the people. They further argue on natural grounds that, companies are corporate citizens or artificial persons and they should contribute to the welfare of their fellow citizen in good faith. These and other related arguments for CSR stems from the fact that, contributing to the social welfare of people is a charitable act. Making CSR mandatory defeat the natural laws of donation thereby shifting CSR as a charitable act to new realm of increasing the tax burden of companies.

In less monetized countries, like Ethiopia, whilst financial sector is dominated by banking industry, effective and efficient functioning of the banking industry has significant role in accelerating and boosting economic growth. To enhance the role of banks in an economy, competition is an important driving force; without competition, it is improbable to bring about efficiency and foster financial sector development. In other words, insufficient banking services may result in substantial social losses on account of higher price, higher transaction cost, lower credit supply, lack of innovation and poor service quality.

The Ethiopian banking sector is believed to be growing in recent times as the number of banks escalates and branch outreach also diversified. One among those banks with

more significant contribution to the financial sector is Commercial Bank of Ethiopia (CBE). Banks being part of business community need to work with social responsibility beside the profit motive and it will benefit all stakeholders. However, CSR practice in Ethiopia are very limited. In her comparative case study Diana, 2009, wrote that CSR in Ethiopia is a concept known in the academics only, not well understood by the rest of the society. This connotes that the subject need to be studied and be well understood by all stakeholders of business.

CBE mainly participates in CSR activities on occasions or up-on request form the government or the general public. Since the major benefit of incorporating CSR strategies is to exercise the 3P's (People, planet and profit). By doing so, an organization can gain acceptance or being considered as part of the environment and people they operate in, which in the long run will drive-in more customers and as a result profitability. the major contribution of the study would be finding an answer to the “how question” and explaining the mechanism through which an organization is able to outperform its competitors by using its CSR-related activities for development of intangible resources considered indispensable for a sustained competitive advantage position in today's highly competitive business environment.

1.2 Statement of the Problem

Corporate social responsibility is an upcoming topic in industries since the eighties. Since a few decades firms engage in CSR. Some firms engage in CSR voluntary and other firms engage in CSR pressured by governments (Garriga & Mele, 2004). In (academic) literature it is also an interesting and much-discussed topic. More and more news articles, on both television and in the written media, appeared in the last few years. As a basis for the study, the researcher identified the problem to be threefold.

Firstly, CSR is a concept that is being developed through ongoing debate to be accepted and practiced as the bases for gaining competitive advantage over competitors of the same business sector. The aim of this research is to study the impact of CSR practices implemented in the Commercial bank of Ethiopia to gain competitive advantage over its competitors.

Secondly, since CSR practices involve expenditure of organizational profits and laws and regulations differ from nation to nation, CSR is a concept rarely practiced in developing countries such as Ethiopia.

Finally, CSR practices requires organizations to invest on employee training and motivation, creating a conducive working environment for employees, staff retention and development, protecting the environment, safeguarding the wellness of the society, and improving the quality of life of the society. The current problem might be unwillingness of stakeholders to invest on CSR, having no or little understanding on the benefit and concept of CSR practices on competitiveness, lack of binding legal proclamation CSR law, lack of potential competitors in the same business sector.

Hence the research focus is to find out the effect of CSR on organization competitiveness. So, the researcher emphasized on identifying the certain impact of corporate social responsibility on organizational competitiveness. Therefore, the researcher set some vital questions as follows:

- What is the relationship between CSR and competitiveness?
- How can CBE gain competitive advantage through CSR?
- How well are CSR practices perceived by the stakeholders of CBE and society?
- What type of competitive advantage can CBE gain through the practice of CSR?

1.3 Objective of the Study

1.3.1 General objectives

The general objective of the research is to examine the practices of Corporate Social Responsibility on the competitiveness of CBE.

1.3.2 Specific objectives

The specific objectives are therefore:

- To identify the relationship between CSR and competitiveness.
- Identifying which type of CSR practices and methods can best help CBE to gain Competitiveness.
- Identifying methods to appraise and create awareness of CSR practices to stakeholder and general public.
- Identifying the different type of benefits and advantages CBE can gain by involving in CSR practices.

1.4 Significance of the Study

Findings of this research would add to the knowledge and understanding of the area of CSR and its linkage to building social capital and reputational capital by organization. Particularly, the study focuses on investigation the role that CSR practices and activities play in yielding better organizational competitiveness through development of intangible organizational resources.

This study will contribute to the academic literature of strategic management by explaining how CSR strategies and activities can be helpful in developing intangible organizational resources, which subsequently results in better organizational outcomes.

Apart from theoretical and contextual contributions, the study is going to be equally important from an applied perspective. In today's highly dynamic business landscape, where managers are finding it hard to achieve and sustain a competitive advantageous position, the results of the study can certainly work as a major guiding force by clearly identifying the relationship between CSR and Competitive advantage and allowing managers to view it from different perspective.

1.5 Scope and Limitations of the Study

1.5.1 Scope of the Study

The scope of this paper is limited on the analysis of CRS practices of Commercial Bank of Ethiopia and do not cover all other governmental or privately owned Banking sectors of Ethiopia.

Moreover, the scope of the study is delimited to examining the influence of CSR and the role it plays in an organizations to achieve advantage over its competitors by analyzing the different orientations, implementations and output gained by the organization under study. The researcher makes a secondary data assessments of the reports and documents and analyze the current trend of CSR in the organization. In addition, how can CSR strategies and activities better enhance its competition status for the future in the case of Commercial bank of Ethiopia?

1.5.2 Limitation of the Study

The major limitation of the study is that, it would have been better to include all the dimensions and drivers of CSR that can influence competitive advantage. But due to time, and finance the study focused on economic and social dimensions.

Data collected and analyzed for this study is one time from a larger sample size. This shows that the findings (conclusions) and recommendation are best suited only for the period of time the study was conducted and can only be used as a source or referral document for future studies.

Another limitation of this study is that, it is only based on CBE and doesn't include any other commercial or private banks. This indicates that the research is open for further study and the findings may not be adequate to generalize the influence of CSR in the selected business sector.

The study of CSR activities of this company is based mostly on its website and CSR reports. The chosen method allows for comparing and contrasting theoretical assumptions with business practice, but a single case study may be an insufficient basis for making generalizations, which should be considered as a limitation of the study.

In addition, results need to be expanded and confirmed with other national banks from different economic sectors that are managing corporate social responsibility.

1.6 Organization of the Paper

This paper is organized and presented in five chapters. Chapter one covers the background information to the study, Statement of the problem, Research questions, Objective of the study, General Objectives, Specific Objectives, Significance of the study, Scope and Limitation of the study.. Chapter two looks at the review of literature on the subject. The review include assessment of books, papers, publications of earlier researchers on the topic or similar to that. This chapter did also an appraisal what relationship do CSR and competitiveness contains, and also what motivates and triggers CSR commitment. Chapter three discusses the methodology of this study and include data collection and analysis methods used in analysis including hypothesis of the study. Chapter four contains the presented, analyzed, and discussed report of the data collected for the study. Finally, chapter five discusses the findings, conclusions and recommendations for addressing the problems identified in the study.

CHAPTER TWO: LITERATURE REVIEW

CSR is one of those areas that have been extensively written on. For the purpose of this study few books, sites, article, journals, local and International guidelines selected are reviewed for understanding the basic issues related to CSR and competitive advantage. These include those written by scholars and documents published by different researchers, authors and government's proclamations and directives pertaining to CSR and Competitive Advantage, which are indicated in the reference section of this document, are used where deemed necessary for this paper.

2.1 The Debate on CSR

2.1.1 The concept of CSR

Corporate Social Responsibility (CSR) which was seen as corporate "Philanthropy" till 1990s is considered as a strategy today to gain competitive advantage. Also turbulent, complex and competitive business environment urged business bodies to dive into CSR. Today CSR is seen as a key to long term success, reputation and brand image. Corporate books have understood that without healthy and prosperous society the business bodies cannot excel. One of the main objectives of any business activity is to serve the society apart from making profits. A business serves the society by providing employment, raising the standard of living, playing role in civic affairs, providing basic amenities like healthcare and education facilities.

Effective use of resources and applying appropriate strategies isn't the only way to determine the development of a modern enterprise, but also business firms should also consider the concepts and activities of CSR in management processes. Because without CSR activities a business may lose its potential staff, value for employees and its attractiveness or image to the society.

According to Mullerat, 2010, though CSR, a company may improve its corporate performance by retaining talented employees, consumer and brand loyalty, reduces risk and build good will. This relates to not only to global corporations but also to small and

medium size companies, operating in developed and developing countries and the different sectors the business operates in.

CSR is primarily identifying the effects of a firm's operations and taking responsibilities and corrective actions. CSR involves sacrificing short term benefits of a business operations in order to safeguard and respect the society around its operations.

Wolowiec, 2004:3, defines CSR as a philosophy of doing business, taking into account the establishment of stable transparent relationship with all partners. According to this definition of CSR, the proper implementation of CSR strategies by providing sustainable value to stakeholders will lead to competitive advantage.

Analysis of the strategic implications of CSR is hampered by cross-country/cultural differences in the institutions that regulate market activity, including business, labor and social agencies. Institutional differences lead to different expectations and different returns to activity. For firms operating in multiple countries/cultures this complicates the process of determining which activities to engage in and how much to invest. As the knowledge base of CSR develops world-wide, it will be better to analyze and advise on CSR.

2.1.2 The Supporters of the Concept of CSR

Supporters of CSR concept, also known as Socio-Economic trend, believe that the aim of a business firm is to serve the interest of the public interest in addition of maximizing firm's profit. They also argue that, if an argument arises between firm's interest and public interest, it is the manager's responsibility to act in the public interest because they believe that primarily the firm is a social institution rather than an economic institution. Therefore, a company's goal shouldn't only be maximizing, short-term benefit but also safeguarding the wellness and security of the society it operates in even if it means reduction in short-term benefit of the company.

According to Stiglitz, 2004; Korten, 2003, companies operating on an international scale are expected to take more social responsibility, which is not surprising as the effect of their activities involve many countries and are often global in nature. The proponents of the liberal vision of globalization see the main instrument of bringing

global prosperity in multinational corporations, and critics- a major cause of destabilization of the growing inequality.

R. Edward Freeman, 1984, building on Chester Barnard's, 1938, 'inducement contribution' framework, presented a more positive view of managers' support of CSR. Freeman's stakeholder theory asserts that managers must satisfy a variety of constituents (e.g. workers, customers, suppliers, local community organizations) who can influence firm outcomes. According to this view, it is not sufficient for managers to focus exclusively on the needs of stockholders, or the owners of the corporation. Stakeholder theory implies that it can be beneficial for the firm to engage in certain CSR activities that non-financial stakeholders perceive to be important, because, absent this, these groups might withdraw their support for the firm. Stakeholder theory was expanded by Donaldson and Preston, 1995, who stressed the moral and ethical dimensions of CSR, as well as the business case for engaging in such activity. Another perspective, stewardship theory, Donaldson and Davis, 1991, is based on the idea that there is a moral imperative for managers to 'do the right thing', without regard to how such decisions affect firm financial performance.

Institutional theory and classical economic theory have also been applied to CSR in a paper by, Jones, 1995. The author concludes that companies involved in repeated transactions with stakeholders on the basis of trust and cooperation are motivated to be honest, trustworthy, and ethical because the returns to such behavior are high. Institutional approaches have also been used to analyze environmental social responsibility. More specifically, Jennings and Zandbergen, 1995, analyze the role of institutions in shaping the consensus within a firm regarding the establishment of an 'ecologically sustainable' organization. Finally, a recent paper by Waldman et al., 2004, applies strategic leadership theory to CSR. These authors conjecture that certain aspects of transformational leadership will be positively correlated with the propensity of firms to engage in CSR and that these leaders will employ CSR activities strategically.

2.1.3 The Opponents of the Concept of CSR

The most famous representative of these trends is Friedman, 1970, who believed in free-market economy and that the managers of a firm or business are only obliged to

take advantage of available resources and maximize the profit of the business. He also believed that engaging in CSR activities means allocating the funds of shareholders for charity.

The essence of Friedman's objection (1993:127) to CSR has two main arguments:

- I. "The argument of Proxy", which uses the legal concept of a proxy. Managers should only do what is in the interest of shareholders, which is the most money possible. The role of a manager is proxies, therefore, excludes the objectives associated with social responsibility.
- II. "Tax argument", assumes that tax liabilities can make only financial losses means that shareholders receive less dividend, customers will pay higher prices and that employees will receive a lower salary.

Friedman considers the concept of CSR from both economic aspect and as a threat to democracy. From the democracy view point of Friedman, he believes that it undermines the concept of free enterprise. He considers it to be subversive doctrine, leading to a situation in which managers are beginning to deal with issues that do not face with in their competencies. He also argues that if managers are supposed to deal with public interest or CSR they should be officials. Taking initiatives by enterprises by taking social and environmental problems also creates the danger of excessive control over society, especially in developing countries.

Another supporter of Friedman is Henderson, 2001, who defines CSR as a "misguided virtue". He criticizes that the fact that companies are imposed with new responsibilities and objectives related to the implementation of CSR principles.

The opponents of CSR also criticize the attempts to introduce the universal principles of CSR on a global scale, which is seen as ignoring differences between different economies. It is also unacceptable for them to create fashion for global salvation, which forces companies to engage in activities to solve global social problems. This means increasing company's operating costs because managers have to take into account the opinions of stakeholders when making decisions. An argument that corporate social responsibility is an attempt to re - pair imperfections is also rejected. The fact that is

emphasized is that it is the supporters of CSR that demand laws which lead to distorting healthy rules of the market game, not improving them. Many supporters of the concept of CSR do not understand the rationality of a market economy and the role of profit.

The concept of corporate social responsibility is not entirely rejected by the representatives of the conservative trend. They see the economic potential in it through the self-regulation of activities, which are not subject to legal regime, as well as the marketing potential by creating the new foundations of company's reputation and image and thus attracting new customer groups and strengthening the loyalty of existing customers. CSR activities, therefore, may be considered a long-term investment.

The arguers of the conservative trend do not entirely reject the concept of CSR. They believe the economic potential of CSR through self-regulation of activities, which are not subject to legal regime, as well as marketing potential by creating the new foundations of companies reputation and image thus strengthening current customers and attracting new ones.

2.1.4 CSR today

Today, textbooks, magazines, journals, newspapers, websites, and books consistently mention CSR. An emphasis on CSR permeates higher education. One cannot open many business textbooks that do not flaunt the benefits of this exalted concept. CSR has become popular throughout the world. For instance, the Asia-Pacific CSR group was founded in July 2004. This group was founded to promote favorable environmental and human resource regulations across the region, Gautam and Singh, 2010.

CSR can differentiate a company from its competitors by endangering consumer and employee good will, McWilliams and Siegle, 2001. Proper or successful implementation of CSR policies will force competitors or rivals to be engaged in CSR activities well because not involving in CSR may endanger of losing loyal customers of rivalry firms.

Some firms are involved in CSR simply because they believe it is the right thing to do. Regardless of the underlying reasons, CSR has become a commonly used term in the business arena, Lindgreen, Swaen, and Maon, 2009. N. Craig Smith, 2003b, a former

professor at Harvard Business School, argued that “The impression created overall is that the debate about CSR has shifted: it is no longer about whether to make substantial commitments to CSR, but how”.

2.1.5 Theories of CSR

- Stakeholder theory

On one side of the argument are those who believe in providing for society’s discretionary expectations. In addition to making a profit and obeying the law, a company should attempt to alleviate or solve social problems. This view is commonly advocated through stakeholder theory. This theory maintains that corporations should consider the effects of their actions upon the customers, suppliers, general public, employees, and others who have a stake or interest in the corporation, Jensen, 2002; Smith, 2003a; Freeman, Wicks, and Parmar, 2004; Lee, 2008; Schaefer, 2008. Supporters reason that by providing for the needs of stakeholders, corporations ensure their continued success. A renowned company that exhibits the stakeholder view is Johnson and Johnson. Their credo lists the corporation’s responsibilities in the following order: customers, employees, management, communities, and stockholders, Seglin, 2000/2002.

Proponents of stakeholder theory maintain that increasing shareholder wealth is too myopic a view. According to stakeholder theory, increased CSR makes firms more attractive to consumers. Therefore, CSR should be undertaken by all firms.

This theory believes that in addition to making profit and obeying the law, a firm should also try to advocate or solve the problems of the society or societal problems. This theory also maintains that firms should be responsible for their actions upon stakeholders, customers, employees or concerned parties to ensure continued and sustainable success.

According to these theory, highly involving in CSR activities makes firms more acceptable to customers. Hence all firms should consider implementation of CSR.

Problems with Stakeholder Theory

- **Denies Fiduciary Responsibility:** Stakeholder theory has some significant disadvantages. For instance, stakeholder theory runs directly counter to corporate governance. Since shareholders are owners of the firm, the firm should be operated to maximize their returns. Stakeholder theory transfers the corporation's focus from shareholders to the needs of stakeholders. By implementing unprofitable CSR programs, firms are denying their fiduciary responsibility to shareholders.
- **Oversimplification:** Society has numerous problems that have existed for many years such as poverty and pollution. If these problems were as simple to solve as stakeholder theory advocates maintain, they would have been remedied long ago by profit-seeking firms focused on benefiting society, Karnani, 2010. Many businesses have discovered, however, that the pursuit of society's welfare often leads to a reduction in profits. If managers pursued CSR activities that hampered profits they would likely be out of a job. The owners of a firm desire a return on their investment, and would likely fire a manager that purposely opposed this objective. Social problems are more complex than stakeholder theorists' claim.
- **Overregulation:** Another critical argument voiced against stakeholder theory is the overregulation argument. This argument maintains that the pursuit of CSR would lead to more rigorous environmental and social regulations for businesses across the world. These regulations would then make it more difficult for undeveloped nations to keep pace with developed nations. David Henderson, 2009, a Visiting Professor at the Westminster Business School and the London School of Economics asserted, "When conditions differ widely between countries, as they do, prescribing and enforcing such common standards restricts the scope for mutually beneficial trade and investment flows. It holds back the development of poor countries by suppressing employment opportunities within them". The potential for overregulation strikes a formidable blow to stakeholder theory.
- **Competing Interests:** One of the core problems of stakeholder theory is the presence of competing interests within and outside a firm. Supporters of stakeholder theory argue for a multi-fiduciary relationship between managers of a corporation and all of a firm's stakeholders. By definition a fiduciary relationship involves promoting the interests of one group above others; however, "as most everyone recognizes, the

interests of shareholders, customers, suppliers, employees, and communities in the management of a firm's assets are conflicting”, Marcoux, 2003, p. 4. Shareholders want the highest return possible through capital gains and/or dividends at the lowest possible risk. Customers desire quality products, low prices, and excellent service. Employees crave high wages, excellent working conditions, and a handsome benefits package. These competing demands from stakeholders make stakeholder theory untenable. It would be difficult to balance these desires in practice. Some stakeholders would be satisfied while others would be disgruntled, Jensen, 2002.

The implementation of CSR would likely cause significant disagreement among shareholders as well. Some of the shareholders would promote CSR. On the other hand, some shareholders would support the sole pursuit of profit. Even if shareholders agreed that CSR were beneficial, they may differ as to where it should be directed. Furthermore, the stakeholders would be competing for the implementation of various CSR programs. How could a business manager discern which program(s) would be the best to pursue?

- **Competitive Disadvantage:** Another argument against stakeholder theory is the competitive disadvantage argument. This argument is that “because social action will have a price for the firm it also entails a competitive disadvantage”, Smith, 2002, p. 232. Therefore, advocates of this argument deem that social actions should not be initiated by businesses. The problem with this argument is that social actions may actually foster public support of a corporation. The ethical action of Johnson and Johnson executive David Collins serves as a prominent example. In 1982, Collins recalled the entire Tylenol product line after cyanide-laced capsules of the brand had caused several deaths in Chicago. As an article in *Workforce*, a popular human resource magazine, proclaimed, “To this day, Collins’ response is cited as the textbook example of how decisive action, grounded in sound ethical values, can avert a crisis, and even bolster a company’s support over the long run”, Fandray, 2000, pp. 75-76.

Contrary to the argument, social responsibility may actually provide a competitive advantage. Even if social responsibility results in short-term losses; it can engender loyal employees and communities and consequently reap long-term dividends: “CSR

is also proving to benefit companies. The most commonly identified corporate advantages include maintaining and improving reputation or brand image, government relations, brand differentiation, customer loyalty and employee recruitment and retention”, Walton, 2010, p. 10. However, proponents of stakeholder theory go too far in their support of discretionary social expenditures. The benefits of profitable CSR initiatives must be balanced with the fact that unprofitable CSR initiatives may put a firm at a competitive disadvantage.

- **Green-washing:** Another problem with stakeholder theory is that it is reactive instead of proactive. Some corporations engage in CSR solely in response to crises. In other cases, the primary CSR action for firms is merely reporting. This reporting is usually in the form of feel-good stories with a lack of concrete social action: “The content of CR very often is misleadingly substantial: the reports are thick and seemingly contain much information, but the actual extent of what is done beyond legal requirements remains limited, Fougere and Solitander, 2009, pp. 221-224. Although many companies advocate CSR in theory, they would not in practice increase stakeholder welfare at the expense of shareholder wealth, Karnani, 2010. These firms may promote their reputation in the community through rhetoric and advertisements related to their CSR efforts. However, they do this to shift the focus from their flaws or to increase business. This is a practice known as “green-washing.” These firms are not pursuing CSR to benefit society. They are pursuing CSR to take advantage of consumers who are sold out to the concept of CSR.
- **Destroys Pluralism:** Friedman and Levitt feared the usurping of the authority of political institutions by businesses as a result of CSR. Such a combination of governmental and corporate authority would result in a fusing of the two institutions into a powerful, unified entity. Friedman and Levitt were concerned about the potential socialistic consequences of this fusing. They firmly believed in the concept of pluralism. Pluralism requires the separation of power between the various institutions of society. Friedman and Levitt did not desire to see an oppressive centralized government. As Levitt, 1958/ 1979, stated in his article “The Dangers of Social Responsibility,” “Government’s job is not business, and business’s job is not government. And unless these functions are absolutely separated in all respects, they are eventually combined in every respect” (p. 139).

- Legitimacy theory

This theory, which is an extension of the stakeholder's theory, believes that corporations have implicit contracts with stakeholders to provide for their long-term needs and wants. By providing for the desire of stakeholders, the corporation legitimizes its existence (Guthrie & Parker, 1989)

Because society provides important benefits to the corporation, the corporation is obligated to promote society's interests in return. The theory in effect claims that because corporations have the resources, they should engage in social ventures. In addition, legitimacy theory maintains that larger firms have a greater responsibility than smaller firms.

The theory also suggests that because corporations have the resources, they should engage in social ventures and that larger corporations have a greater responsibility than smaller ones.

- Let business try

According to Davis, 2001, an argument raised for stakeholder's theory is that the society should let businesses attempt to solve society's problems because other institutions have clearly failed to do so. In order for business as an institution to retain its social authority, business must meet the needs of society. Proponents of the argument, which is also known as the Iron Law of Responsibility, contend that, "society ultimately acts to reduce the power of those who have not used it responsibly" (Davis, 2001, p. 314). However, opponents of stakeholder theory disagree. How can businesses that are not specialized or elected to serve in social areas do a better job than political institutions?

Though there are many arguments of the stakeholder's theory, the researcher tries to mention the one that is related to the study. That is, the argument of "Competitive Disadvantage". According to Smith, 2002, P. 232, "because social actions will have a price for the firm it also entails a competitive disadvantage." These argument advocates that social actions should not be initiated by business firms. Contrary to the argument, social responsibility may actually provide a competitive advantage. Even if social

responsibility results in short-term losses; it can engender loyal employees and communities and consequently reap long-term dividends: “CSR is also proving to benefit companies. The most commonly identified corporate advantages include maintaining and improving reputation or brand image, government relations, brand differentiation, customer loyalty and employee recruitment and retention” (Walton, 2010, p. 10). However, proponents of stakeholder theory go too far in their support of discretionary social expenditures. The benefits of profitable CSR initiatives must be balanced with the fact that unprofitable CSR initiatives may put a firm at a competitive disadvantage.

- Shareholder theory

On the other side of the debate, shareholder theory proposes that the corporation should legally maximize long-term shareholder wealth, Jensen, 2002; Smith, 2003a; Schaefer, 2008. By providing a necessary product or service at a reasonable price, a business is benefiting society. In financial language, shareholder theory advocates that a firm should maximize the present value of all future cash flows, Danielson, Heck, and Shaffer, 2008. It is unnecessary and unwise to spend shareholder money for unprofitable social causes. The shareholders have made an investment and are dependent on the firm to provide them with a return. Steve Milloy, a mutual fund manager and critic of CSR, proclaimed the following: “Shareholders do not hire CEOs to be the U.N., to act like a government or to be a charity. They were hired to make money for shareholders. Business is society's “wealth-creation machine”, as quoted in Weiss, Kirdahy, and Kneale, 2008, para. 5. Milloy’s argument is similar to the reasoning of Adam Smith and Milton Friedman. The business of business is to make money. By serving the needs of shareholders, businesses generate wealth that benefits society. If CSR initiatives increase the bottom line, then shareholder theory advocates recommend implementing such initiatives. However, using shareholder money in an unprofitable manner is wrong. No matter how noble the cause, it is inappropriate to be generous with another’s money.

2.2 CSR Initiatives or Dimensions

Although the concept has been developing since the early 1970s, there is no single, commonly accepted definition of “Corporate Social Responsibility” (CSR). There are different perceptions of the concept among the private sector, governments and civil society organizations. Depending on the perspective, CSR may cover:

- A. A company running its business responsibly in relation to internal stakeholders (shareholders, employees, customers and suppliers);
- B. The role of business in relationship to the state, locally and nationally, as well as to inter-state institutions or standards; and
- C. Business performance as a responsible member of the society in which it operates and the global community.

The first perspective includes ensuring good corporate governance, product responsibility, employment conditions, workers’ rights, training and education. The second includes corporate compliance with relevant legislation, and the company’s responsibility as a taxpayer, ensuring that the state can function effectively. The third perspective is multi-layered and may involve the company’s relations with the people and environment in the communities in which it operates, and those to which it exports. Too often, attaining CSR is understood from the perspective of business generosity to community projects and charitable donations, but this fails to capture the most valuable contributions that a company has to make, Reyes, 2002.

Since the 1980s, there has been a considerable shift in thinking with regard to how to improve the social and environmental performance of companies (UNRISD, 2002). An earlier emphasis on strict governmental regulation has ceded ground to corporate self-regulation and voluntary initiatives.

So far there have been over 300 CSR codes, principles and performance standards, management standards developed by governments, business associations, or academia, not mentioning a huge number of individual companies’ codes of conduct or reporting initiatives. This “richness” of approaches creates confusions, among businesses, governments or consumers.

However, a closer collaboration of initiatives, addressing specific aspects of the implementation of the CSR agenda: what has to be done (codes, standards, governance principles), how to be done (management and assurance standards), and how to measure progress (reporting) on a global scale could lead to emergence of the global commonly accepted CSR framework. This seems to be inevitable if the CSR agenda is going to succeed.

2.2.1 Social or Ethical Dimensions

Ethical responsibilities involve activities and practices that are expected by the society and done by firms voluntarily reading fair, justice and the respect for or protection of stakeholders' moral rights. Ethical responsibilities are voluntary choices of firms, since they are not codified in to any law or regulation. These responsibilities reflect social norms, expectations and concerns of consumers, employees, shareholders and the community. Ethical responsibilities go further than legal responsibilities because they involve newly emerging values and norms that the public expects a firm to comply with and are at a higher standard of business practices than that current legal system required. However, ethical responsibilities are not easy to deal with for firms because new expectations from the public keep emerging and this makes the legitimacy of ethical responsibilities continually under debate. Business performance can be determined by the corporation's consistency in promoting moral and ethical standards. If a corporation practices good corporate citizenship, the activities of the corporation are trusted. Ethical responsibility also recognizes that corporate integrity and ethical behavior should go beyond the requirements of laws and regulations. Balancing economic, legal and ethical responsibilities is important. If the corporation does something that is appropriately economic and legal, it must also be appropriately ethical.

2.2.2 Environmental Dimensions

Environmental CSR activities cause additional expenses for companies and financial benefits of them are not immediately visible and easy measurable. A large number of researches have a goal to investigate connections between environmental CSR activities and their economic performance and public opinion. Some results show that, business environment trade-offs has positive impact on economical results in companies. Other

authors criticize these results because they find that companies do not sacrifice their profit for environment protection on voluntary basis, because there is no positive connection between present expenses and later gains. External stakeholders insist that companies apply the environmental standards in their operation. They are expected to take responsibility for current activities and do not jeopardize the needs of future generations. Porter and Linde suggest that in a broader sense, CSR environmental activities can trigger innovation, reduce costs, save resources thus making competitive advantage and loyal consumers. Aside from pollution prevention, companies must think about environmental improvements in order to achieve higher resource productivity. Resource productivity means energy savings, labor improvements and efficiency in the use of raw materials as well as control and reduction of waste. If investment in environmental protection actually increases profitability, is it necessary to have regulations? Regulations should be enacted and improved by companies, governments, different organizations and international counterparts.

Multinational enterprises (MNE) are a special area of concern due to the transfers of their old and dirty technologies in "pollution havens", countries where regulatory standards are weaker and they can use old equipment that are no longer environmentally acceptable in developed countries with strong environmental regulations.

A lot of questions arise regarding this topic. Whether MNE should stick to standards they use in their own countries and establish environmental CSR practice globally? The gains in this case would be quality of products that can have better prices, positive environmental and social performance, higher market values and ameliorative effects on reputation. Many new technologies, which are in accordance with the Porter's theory, can lower operational cost and increase employee morale and efficiency.

Results show that, even in developing countries, companies who adopt higher environmental standards than prescribed have higher market values than those who do not do that. The reporting in companies has been moved from tracking financial indicators of success to new forms of reporting, adopting triple bottom line approach that includes observations concerning financial, social and environmental performances. Some initiatives provide guidelines and forms for CSR reporting. One

of them is OECD Guidelines for Multinational Enterprises, which recommends companies to disclose financial as well as non-financial information.

The Global Reporting Initiative (GRI) offers Sustainability Reporting Guidelines which aim at providing globally applicable guidelines for reporting on economic, environmental, and social performance. Regulations are needed to set measurable goals. They should give the standards, but companies have to find a way to achieve them. Companies are obliged to collect data, establish reporting systems and provide reporting results to interested stakeholders. Companies very often conceal the reports about ecological incidents and real impacts of their business actions and reluctantly admit responsibility for ecological impact. Regulations force companies to limit their unfair or destructive practice. On the other hand companies try to gain some benefits of CSR engagements such as good reputation, consumers loyalty, brand recognition, so they need to communicate with their stakeholders. They usually publish reports about CSR commitments on web pages, in their strategies, and in sustainability reports. Four the most often used types of communication between companies and consumers are:

- A. Certification and labeling,
- B. Reporting,
- C. Consumer guides and
- D. Marketing strategies.

2.2.3 Financial or Economic Dimensions

The impact on the company's finances is achieved through the economic dimension of corporate social responsibility. Companies should be motivated by profit and put the company's business in hand of consumers, investors and other stakeholders. From the aforementioned, it follows that the only business world and the community can work together for the benefit of society and the environment from altruistic motives. Enterprises are aware that their survival in today's market depends on sacrifice short-term profits due to the positive effects in the future, which satisfy the owners and managers, not just as they used to maximize profits, Slavić, 2015. A corporation has to meet its economic responsibilities referring to returning money to investors,

achievement of leadership position in the market, obtaining maximum possible profits, guaranteeing the customer's satisfaction and loyalty, gives fair compensation to employees, gives goods at fair prices to customers, promoting their products/services through advertising campaigns, Gonzalez-Rodriguez, 2015.

The economic responsibilities are the fundamental layer of Carrolls CSR pyramid. It involve being profitable. The primary motive for business organization is to produce goods and services to the society at reasonable price and to make profit in the process. Profits from selling goods and services go to shareholders and other investors to keep a company survive and grow. In addition, they also need to pay their employees, increase value for their shareholders, and take care of the other stakeholders' interest. Economic responsibility is seen as the basic obligation of corporations. The economy is influenced by the ways in which the corporation relates to its stakeholders, community, and eve the natural environment. Economic responsibility lies in maximizing not only shareholders' interests but also other stakeholders' interests as well.

Economic value assumes responsibility of the company that it will strive for long-term sustainable business, to adequately respond to business risks and to create the necessary security, how to its shareholders, investors and workers, and thus society in general. This dimension provides follow economic indicators including, most importantly: direct and indirect economic impact on communities through spending power and geographic, economic impact; economic impact through business process; outsourcing, knowledge, innovation, social investments in employees and consumers; and taxes, tax incentives, wages, pensions and other benefits paid to employees, Nasrullah & Rahim, 2014.

2.2.4 Governmental or Legal Dimensions

Governments have a strong interest in promoting CSR initiatives as a complement to their ongoing environmental and social programs to serve long term national interests, Mazurkiewicz, 2004. Often with the support of international institutions, and/or international/local NGOs, governments are beginning to play a significant role in building framework for CSR, through managed, goal-driven approach. For example,

the authorities often prefer voluntary approach because they involve both lower transaction and abatement cost. Moreover, governments may see their interest in achieving improved environmental management in a less conflictive manner, at less cost and with more impact on job creation, while improving the national image, competitive positions in respect to trade, and ultimately making economic and social gains. Assistance from governments can be planned and programmed as a component in a national environmental program. Usually, governments would plan a three-part approach to the problem:

- (i) inform, sensitize and engage business in dialogue and negotiations concerning voluntary initiatives, and institutionalize this process;
- (ii) Offer incentives for and assistance to firms seeking to adopt more environmentally responsible business models; and
- (iii) Re-enforce monitoring of environmental conditions and enforce sanctions. More precisely they can stimulate the private sector by providing funding for research, or by leading campaigns, collecting and disseminating information, training, and raising awareness, Mazurkiewicz, 2003. Public bodies can develop or support appropriate management tools and mechanisms, including environmental agreements, voluntary product labeling schemes, benchmarks, and guidelines for company management and reporting systems. They can also create incentives and by apply their public procurement and investment leverage. The other crucial role the public sector can play is partnering in environmental initiatives, WB, 2002.

Narrative	Indicators	Critical Assumptions and Risks
1. National goals		
Poverty reduction (equity)	Poverty mappings	
Income Growth	GDP indicators	
Environmental sustainability	Natural resource surveys	
2. Development Objectives		

Business investment made respecting the norms for environmental compatibility	Percentage of foreign and domestic productive investment decisions respecting environmentally sound parameters	Companion environmental regulations respected Macroeconomic regime favorable to investment Adequate companion social and poverty reduction policies applied
3. Output of components		
Social Legitimacy of CSR		
Effective incentive framework		
Effective sanctions framework		
4. Inputs/ Budgets		
Legal and regulatory framework adaption		

Table 2.2.4: Environmental initiatives

2.2.5 Recent Trends in CSR

Modern CSR was born during the 1992 Earth Summit in Rio de Janeiro, as an explicit endorsement of voluntary approaches rather than mandatory regulation, Christian Aid, 2004. CSR can be defined as “situations where the firm goes beyond compliance and engages in actions that appear to further some social good, beyond the interests of the firm and that which is required by law”, McWilliams et al., 2006. CSR is regarded as voluntary corporate commitment to exceed the explicit and implicit obligations imposed on a company by society's expectations of conventional corporate behavior. Hence, CSR is a way of promoting social trends in order to enhance society's basic order, which can be defined as consistency of obligations that cover both the legal framework and social conventions, Falck et al., 2007.

The core idea of the CSR concept is that the business sector should play a deeper (non-economic) role in society than only producing goods and making profits. This includes

society and environmentally driven actions, meaning that the business sector is supposed to go beyond its profit-oriented commercial activities and increase the well-being of the community, thereby making the world a better place. Malovics et al., 2008, the sustainable business theorist, has suggested 'triple bottom line', which has been used in corporations as a tool for balancing economic goals with a view to 'do better by the environment'. However, it seems that the concept tends to yield strategies that try to meet the triple bottom line by minimizing environmental and social liabilities. In 2006, Porter and Kramer take the definition of CSR one step further by creating a corporate social agenda which "looks beyond community expectations to opportunities to achieve social and economic benefits simultaneously". It moves from acting as good corporate citizens and mitigating harm from current business practices, to finding ways to reinforce corporate strategy by advancing social conditions, Lodge et al., 2009.

A key point to note is that CSR is an evolving concept that currently does not have a universally accepted definition. Generally, CSR is understood to be the way firms integrate social, environmental and economic concerns into their values, culture, decision making, strategy and operations in a transparent and accountable manner and thereby establish better practices within the firm, create wealth and improve society.

The practice of corporate social responsibility has evolved significantly over the past several decades to a point where it is becoming an important part of corporate strategy and evolved into a new paradigm of "corporate community involvement." Firms are increasingly devoting more resources to their social initiatives and making them a key factor in establishing a competitive advantage.

Corporate community involvement that entails a significant use of firm resources related to the organization's core competencies, Hess, D et al., 2002, termed these programs "corporate social initiatives" or "corporate social integration" (CSI). The characteristics of corporate social integration distinguish them from their predecessors. First, CSI programs are connected to the core values of the firm. By their nature, they reflect corporate recognition of specific community problems or needs as expressed by relevant stakeholder groups. Second, CSI programs are linked with the core competencies of the firm which provide a greater benefit to corporate reputation assets

than traditional corporate philanthropy. While wide-spread the appropriateness of corporations' philanthropic contributions, remains controversial, Hess, D et al., 2002.

CSI is a long- lasting community involvement program which is more likely to improve the image of the corporation than after-profit cash contributions. This is a reflection of the basic sentiment that people need help solving their problems, not just money. Through socially integrated firms take a proactive role in shaping their reputations and demonstrate commitment to their espoused values, it requires the firm to look at the expectations of the consumer, labor, and capital markets, and most importantly, of the entire local community. Being responsive to these expectations is the key to the success of any corporate social initiative, Hess, D et al., 2002.

Concerns as to a more sustainable development, in terms of realizing economic growth 'that is forceful and at the same time socially and environmentally sustainable', have been expressed more than 20 years ago already by the Brundtland commission, WCED, 1987. In the past decade, the term triple P (People, Planet, and Profit) has been coined to likewise point to the need for businesses to focus concurrently on the social, environmental and economic dimensions of corporate activity, in order to help shape the sustainable future of societies worldwide.

Thus the rethinking of the role of business in the pursuit of sustainable development objectives since the mid-1990s has also meant business has had to respond to this changing societal expectation by increasingly redefining and justifying its involvement in developmental issues in terms of corporate social responsibility. Rather than traditional CSR practices, strategic approaches to CSR can be more useful in this regards.

2.3 Relationship between CSR and Competitive Advantage

Advocates of CSR point out the following benefits of corporate social responsibility: the increased engagement and retention, stronger relationships with the community, enhanced reputation and brand image, competitive advantage, stronger financial performance and profitability and improved access to capital. CSR is one of the key means of achieving sustainable competitive advantage in the turbulent global environment. According to Porter & Kramer, 2006, there is a lack of success with the

company's efforts related to CSR in improving business results. Better connectivity of CSR with key business source allows employers to recognize that it can be a source of: opportunities, innovation and competitive advantage. CSR is related to the incorporation of reasonable policies in corporate strategy, culture and daily decision-making, in order to meet the needs of stakeholders. This is related to the creation of company strategy and successful brands, Wether & Chandler, 2004.

Competitiveness

A competitive advantage exists when the firm is able to deliver the same benefits as competitors but at a lower cost (cost advantage), or deliver benefits that exceed those of competing products (differentiation advantage). Competitive advantage is a theory that seeks to address some of the criticisms of comparative advantage. Competitive advantage theory suggests that states and businesses should pursue policies that create high-quality goods to sell at high prices in the market. Porter, 1995, emphasizes productivity growth as the focus of national strategies. Competitive advantage rests on the notion that cheap labor is ubiquitous and natural resources are not necessary for a good economy. Competitive advantage is necessary for satisfied customers who will receive higher value in delivered products for higher income what the owners request from management and such requirements can be fulfilled with organization of production, higher application and as low as possible production costs, Ranko, Berislav ,and Antun, 2008. Barney, 1991, suggested that the resources that are scarce and valuable at the same time can create competitive advantage, and if these resources are also difficult to duplicate, substitute and hard to deliver, they can sustain the advantage. Competitive advantage occurs when an organization acquires or develops an attribute or combination of attributes that allows it to outperform its competitors. These attributes can include access to natural resources, such as high grade ores or inexpensive power, or access to highly trained and skilled personnel human resources.

Above writings signify competitive advantage as the ability to stay ahead of present or potential competition, thus superior performance reached through competitive advantage will ensure market leadership. Also it provides the understanding that resources held by a firm and the business strategy will have a profound impact on generating competitive advantage. Differentiation strategy is usually developed around

many characteristics such as product quality, technology and innovativeness, reliability, brand image, firm reputation, durability, and customer service, which must be difficult for rivals to imitate, Mose, 2010. A firm implementing a differentiation strategy is able to achieve a competitive advantage over its rivals because of its ability to create entry barriers to potential entrants by building customer and brand loyalty through quality offerings, advertising and marketing techniques. Thus, a firm that implements a differentiation strategy enjoys the benefit of price-inelastic demand for its product or service. In addition, Barney, 1991, emphasized the ability of firms to establish entry obstruction in order to prevent imitation from its competitors and take advantage of their resource for the purpose of sustaining the international competitive advantage.

The three forms of generic competitive strategy

Michael Porter wrote a book in 1985 which identified three strategies that businesses can use to tackle competition. These approaches can be applied to all businesses whether they are product-based or service-based. He called these approaches generic strategies. They include cost leadership, differentiation, and focus. These strategies have been created to improve and gain a competitive advantage over competitors. These strategies can also be recognized as the comparative advantage and the differential advantage.

- **Cost leadership strategy:** Cost leadership is a business's ability to produce a product or service that will be at a lower cost than other competitors. If the business is able to produce the same quality product but sell it for less, this gives them a competitive advantage over other businesses. Therefore, this provides a price value to the customers. Lower costs will result in higher profits as businesses are still making a reasonable profit on each good or service sold. If businesses are not making a large enough profit, Porter recommends finding a lower-cost base such as labor, materials, and facilities. This gives businesses a lower manufacturing cost over those of other competitors. The company can add value to the customer via transfer of the cost benefit to them.
- **Differential strategy:** A differential advantage is gained when a business's products or services are different from its competitors. In his book, Michael Porter recommended making those goods or services attractive to stand out from their

competitors. The business will need strong research, development, and design thinking to create innovative ideas. These improvements to the goods or service could include delivering high quality to customers. If customers see a product or service as being different from other products, consumers are willing to pay more to receive these benefits.

- Focus strategy: Focus strategy ideally tries to get businesses to aim at a few target markets rather than trying to target everyone. This strategy is often used for smaller businesses since they may not have the appropriate resources or ability to target everyone. Businesses that use this method usually focus on the needs of the customer and how their products or services could improve their daily lives. In this method, some firms may even let consumers give their inputs for their product or service.

This strategy can also be called the segmentation strategy, which includes geographic, demographic, behavioral, and physical segmentation. By narrowing the market down to smaller segments, businesses are able to meet the needs of the consumer. Porter believes that once businesses have decided what groups they will target, it is essential to decide if they will take the cost leadership approach or differentiation approach. Focus strategy will not make a business successful. Porter mentions that it is important to not use all 3 generic strategies because there is a high chance that companies will come out achieving no strategies instead of achieving success. This can be called "stuck in the middle", and the business won't be able to have a competitive advantage.

When businesses can find the perfect balance between price and quality, it usually leads to a successful product or service. A product or service must offer value through price or quality to ensure the business is successful in the market. To succeed, it's not enough to be "just as good as" another business. Success comes to firms that can deliver a product or service in a manner that is different, meaningful, and based on their customers' needs and desires. Deciding on the appropriate price and quality depends on the business's brand image and what they hope to achieve in relation to their competition.

CSR and Competitiveness

The question of whether firms can use CSR to achieve a sustainable competitive advantage is another important question. A paper, by Reinhardt, 1998, finds that, a firm engaging in a CSR-based strategy can only generate an abnormal return, if it can prevent competitors from imitating its strategy. In competitive markets this is unlikely, since CSR is highly transparent, with little causal ambiguity. Other theoretical studies, Dutta et al., 1995; Hoppe and Lehmann-Grube, 2001, show that any early mover advantages that might be gained by offering higher quality products (recall that CSR is modeled as a 'quality improvement' in McWilliams and Siegel, 2001) are eroded when competitive strategies are observable.

The link between CSR and competitive advantage is often viewed as promising if social needs, environmental limits and corporate interests are well coordinated within it. It provides a mutual value for the company and the society, Porter and Kramer, 2011. If responsibility were proved to be cost-effective, more firms might be pressurized into applying it in practice. CSR and competitiveness are linked through three management processes: strategy, stakeholder and responsibility. In other words, adoption of CSR practices directly affects competitiveness because the latter enhances the sustainable development of a corporate vision through a corporate strategy, expands the understanding of CSR complex surrounding and improves the relationship with the main stakeholders through stakeholder management. It also expands the transparency of organization through responsibilities for managing processes.

There are many attempts to define the relationship between CSR and competitiveness.

Hillman & Keim, 2001, identify the activities of CSR as a corporate form of differentiation that generates competitive advantage, for example in the provision of investment capital. In a study of stock prices of companies from 1995 to 2003. It has been noted the evidence of a link between CSR and competitiveness, Derwal et al., Smith, 2003, points out, that reputation contributes to a sustainable competitive advantage because the reputation of socially responsible companies has a significant positive impact on the value of the shares.

The Porter and Kramer Proposition: Shared Value: The last step of the evolution of Porter and Kramer thought on the relationships between corporations and society is the

concept of shared value. The corporation centered value creation perspective gives way to a corporation - stakeholders' perspective. The basis of this new approach is to recognize that societal needs, not just conventional economic needs, define markets. Ultimately corporations, by assuming shared-value strategies, have the opportunity to turn capitalism into an environmentally, socially and financially sustainable economic system. In the long run, shared value leads to a stronger and more sustainable value chain, but, in the short run it faces the capital markets pressure for short term profits.

At this point, it is worth remembering that common stock prices reflect available information (Fama), although they can be distorted by noise (Black), anomalies, and bubbles (Malkiel). Long term sustainability can be assimilated to information and pressures for short term profits to noise. For this reason, a central goal of corporate communication policy is to make investors aware of the fact that long term sustainability deserves a greater weight than short term profits in any sensible stock value estimation. To sum up, the evolution of the theoretical thought on CSR can be synthesized in three stages: philanthropy, evolution from philanthropy to value creation, and shared value. The latter can be regarded as the whole integration of CSR into corporate strategy. The problem with regarding and managing CSR as a policy exclusively aimed at returning profits to society is that, in the end, shares value would become a decreasing function of CSR, and; thus, CSR would not be financially sustainable. The managerial challenge with respect to CSR is to turn it from an expense into an investment (Husted & Allen, 2007), to create value through it and to make shareholders aware of this value creation.

Branco & Rodrigues, 2006, lead CSR in connection with the company's commitment to contribute to corporate sustainability. Dyllick & Hockerts, 2002, defined corporate sustainability as meeting the needs of direct and indirect stakeholders of the firm. Kemp, 2005, has defined five dimensions of Sustainability: ethical, social, natural-philosophical, economic and legal dimensions. These five dimensions represent a deeper reflection on sustainable development than triple bottom line approach of economic, social and environmental aspects does. When discusses the important factors for sustainable competitive advantage they are reflected in key relationships, innovation, reputation and strategic asset.

2.4 Why every Business need CSR

Given the enormous tug towards CSR, without the accompanying discipline, the question for corporations is not whether to engage in CSR, but what the best way forward is for crafting CSR programs that reflect a company's business values, while addressing social, humanitarian and environmental challenges. Considering the many disparate drivers of CSR within a company, and the many different motivations underlying the various initiatives, it is naive to expect a company to somehow weave all this together and incorporate it as part of business strategy. Some CSR programs will lend themselves to such an exercise, but many other elements will not. Instead of attempting that futile exercise, the call is to bring discipline and structure to the many fragmented components. Its components will in some cases support the core strategy and in some others may appear adjacent and discretionary. The fundamental problem with CSR practice is that companies usually don't have a CSR practices, but rather numerous disparate CSR programs and initiatives.

These CSR programs and initiatives can be compacted in to three theatres of CSR: In Theatre 1, activities that are primarily motivated by charitable instincts, even though they may have potential business benefits. Theatre 2 can represent CSR activities that are symbiotic and intended to benefit the company's bottom line, as well as the environmental or social impacts of one or more of their value chain partners, including the supply chain, distribution channels, or production operations. In Theatre 3 programs that are aimed at fundamentally change the business's ecosystem. This transformation is intended to enhance the company's long term business position, but frequently entails short-terms risks in order to create societal value.

Theatre 1: Philanthropic giving

The first CSR theatre focuses on philanthropy, either in the form of direct funding to nonprofit and community service organizations, employee community service projects, or in kind donations of products and services to nonprofits and underserved populations. Corporate philanthropy may be characterized as the "soul" of a company, expressing the social and environmental priorities of its founders, executive management and employees, exclusive of any profit or direct benefit to the company. Within privately

held companies, the values of the controlling owners often determine the company's philanthropic priorities, while charitable endeavors for publicly held companies may be influenced by boards of directors and executive management. Within this theatre a business engages in CSR, because it is a good thing to do, being motivated by the logic, that since the corporation is an integral part of society, it has an obligation to contribute to community needs. While it may be challenging for corporate leaders to make a coherent argument for how philanthropic activities contribute to a company's business strategy, in general these activities enhance a firm's reputation in the local community and provide a degree of insulation from unanticipated risks.

The larger a corporation's size and revenues, the greater the diversity of decision makers and the more fragmented its philanthropic activity may become. Whether privately or publicly held, as a business grows and expands into national and global markets, its organizational structure tends to become more complex. This may result from the company's integration into new cultural and socioeconomic environments, as well as the geographic dispersion of executives in various product areas and management functions. The addition of executive committee members and boards of directors creates multiple corporate decision makers who may be personally committed to a wide range of charitable social and environmental priorities. These executive leaders in turn are responsible for balancing shareholder interests with the corporation's social responsibility to the community upon which it depends. In this context, it is typical for corporations to operate a broad array of philanthropic activities in Theatre 1 reflecting the individual giving priorities of multiple corporate decision makers.

As corporate philanthropy evolves, it may become more strategic and integrate more closely with a company's business priorities. In strategic corporate philanthropy initiatives, funding for social or environmental programs reflects a corporation's philanthropic priorities as an extension of its business interests.

Theatre 2: Reengineering the value chain

The priority in this realm of CSR is increasing business opportunities and profitability, while also creating social and environmental benefits, by improving operational effectiveness throughout the value chain be it upstream in the supply chain or

downstream in the distribution chain. This CSR approach, which has become increasingly popular among both academics and corporate leaders, may be considered roughly analogous to the “shared value” framework, in which the corporation seeks to co-create economic and social value.

Initiatives in this CSR domain are typically managed or co-managed by an operational manager on the supply side or a marketing manager on the demand side of the value chain, reflecting the focus on enhancing operational efficiency and/or building revenue. In some cases, a community affairs or CSR manager may be involved in devising and overseeing supply chain initiatives, and may assist the marketing department in branding initiatives. Unlike philanthropic giving, which is evaluated by its social and environmental return, initiatives in the second CSR domain are predicated on their ability to improve the corporate bottom line while simultaneously returning social value. The most comprehensive CSR strategies in this domain seek to reengineer a corporation’s entire value chain, including natural resource extraction and sourcing, manufacturing, shipping and product delivery.

In contrast to philanthropic CSR programs, CSR enterprises in the second domain have the potential for much more pervasive social and environmental benefits than programs in the first domain, since they are implemented throughout the company’s value chain. The logic of the CSR programs’ impact on the corporation’s bottom line is much clearer with supply chain initiatives.

Theatre 3: Transforming the ecosystem

The third CSR domain is emblematic of wide scale and disruptive change to a corporation’s business model that puts the priority first on crafting a solution to a societal problem, which would then lead to financial returns in the longer run. This is a fundamental departure from the incremental and self-interested change of Theatre 2 initiatives that are focused primarily on increasing profits. In this third theatre, the company attempts to create societal value by significantly addressing a critical social or environmental need that is within its business reach, but that may not return immediate business profits. Unlike the first and second CSR domains, corporate endeavors within the third domain may not emerge from the company’s core

competencies, but may require the corporation to fundamentally change its business model and develop new skills and strategies.

Within this third domain the corporation creates a radically new ecosystem solution that may be outside its core business interests, and that is fundamentally disruptive to the existing value chain. CSR efforts in this domain are not incremental or cautious, but require strategic risk-taking and a focus on long-range rather than short-term economic gains. For this reason, third domain CSR is most effectively undertaken by companies who have scale, diversified product lines, and significant financial resources to absorb the uncertainties of a delayed financial payoff. But there are exceptions to this rule. Smaller companies with innovative technologies or business processes may find it advantageous to mount an effort that disrupts the ecosystem away from the incumbents to something that is more conducive to its unique business offering. Initiatives in the Theatre 3 CSR domain are typically led by a company’s CEO or senior management, who can spearhead long-range business strategies that require broad change throughout the organization.

Theatre 1	Theatre 2	Theatre 3
Social value at times (will seem to be) created at the cost of economic value creation	Economic, social, environmental value designed to be co-created	Economic, environmental and social value converge, but only in the long run
But much (some) of it is likely to be the necessary cost of doing business	If the economic engine is calibrated to provide proportional social, environmental value, then measuring economic success is equivalent to measuring social success	There has to be a compelling logic of how creating the environmental/social value will lead to economic value (with a well-architected strategy)
Hard to measure much more than social inputs. But you need to construct and constantly evaluate a	Businesses have to be careful not to over-claim the social, environmental value they have created	It is often handled as risk management, but at times is better handled as seizing an opportunity

logic model connecting inputs to outputs		
Without some activities and experimenting in this domain		

Table 2.2.5.1: Different Motivations and Measures

Source: “Why Every Business need CSR strategy and how to build it”, By Kash Rangan, Lisa A. Chase, Sohel Karim, Harvard Business School, April 5, 2012

	Theatre 1	Theatre 2	Theatre 3
Business perspective			Strategy leaders
Functional perspective		Operations leaders	
Community perspective	CSR Leaders		

Table 2.2.5.2: Differing Roles and Responsibilities

Source: “Why Every Business need CSR strategy and how to build it”, By Kash Rangan, Lisa A. Chase, Sohel Karim, Harvard Business School, April 5, 2012

	Theatre 1	Theatre 2	Theatre 3
Business perspective			Strategy leaders
Functional perspective		Operations leaders	
Community perspective	CSR Leaders		

Figure 2.2.5.1: Developing a CSR Strategy

Source: “Why Every Business need CSR strategy and how to build it”, By Kash Rangan, Lisa A. Chase, Sohel Karim, Harvard Business School, April 5, 2012

In his classical scientific work, Carroll, 1979, considers CSR through a four-sided, comprehensive typology of economic, legal, ethical and discretionary responsibilities. In accordance with the indicated CSR levels and depending on the degree of reaction to the requests of stakeholders the scientist identified four types of CSR strategies: reactive, protective, accommodation (adaptive), proactive. Various forms of response within each strategy include:

1. Reactive - the company abandons all types of CSR and does not implement what stakeholders expect. Application of this strategy often leads to dangerous consequences and negative events occurring in society.
2. Protective - adopts the idea of CSR, but defines and implements only the minimum number of stakeholder requests. This strategy is often used by companies that define CSR as unnecessary and costly in their work.
3. Accommodative (adaptive) - management implements CSR principles in the company's activities and tries to carry out what is expected by stakeholders. Socially responsible practices meet the standardized ethical codes.
4. Proactive - an integrative type of strategy when company predicts the requirements and expectations of stakeholders, defines goals and implements actions that go beyond required by participants.

In order to implement a proactive strategy community involvement is expected when corporate management and strategic stakeholders regularly take part in the formation of socially responsible policies to determine the best direction for all aspects of development.

The use of CSR proactive strategy is considered as a complex of value-oriented actions through which the achievement and maintenance of competitive advantages is ensured. Resource based view (RBV) explains the mechanism of influence of proactive CSR on the formation of competitive advantages. Proactive stakeholder management involving the acquisition of unique resources as well as their integration and subsequent implementation in the company's activity, forming the basis for value creation is the source of their origin. When a company has motives for value creation there are two

ways to get benefits of managing stakeholder relationships, either aggressively affect the stakeholder expectations or respond to their demands for greater opportunities for a win-win situation, Oliver C. & Holzinger I, 2008.

Resource-based view states the company's resources stem from the organizational capabilities providing basis for the successful strategy formation. To implement a proactive CSR strategy the following organizational capabilities are used: shared vision, stakeholder management and strategic proactiveness, Aragon-Correa J, 2008.

Shared vision embodies collective goals and shared responsibility for achieving them which allows to integrate CSR principles into business activities. Companies successfully developing shared vision can accumulate and use resources and skills needed to develop proactive CSR faster by engaging employees in socially responsible initiatives. According to Freeman, 1984, stakeholder theory sees the company as a series of relationships with stakeholders. Through managing relationships it can achieve a competitive advantage.

Stakeholder management capabilities are related to the establishment of cooperative, mutually beneficial relationships with different stakeholders, even those with conflicting goals and priorities. The proactive type of CSR strategy is often chosen by companies that in the process of establishing corporate goals rely on the interests of a wide range of stakeholders rather than on their narrow groups, which allows them to effectively manage and reduce the severity of CSR issues.

Strategic proactivity is seen as a tendency for firms to initiate changes in various strategic policies, and not just react to events, Aragon-Correa, 2008. Companies that develop strategic proactive capabilities are often actively involved in CSR-driven innovation, which accelerates the process of generating competitive advantages.

Dynamic resource-based-view (DRBV) focuses on dynamic opportunities, including models and processes for the formation of various bundles of key resources that contribute to the creation of strategic capabilities within networks, Liu J, 2009. The success of proactive strategic actions from the perspective of a dynamic resource-based-view can be explained by the deployment of specific dynamic capabilities that enable organizations to respond to inquiries or change their methods in managing relationships

with stakeholders when stakeholders' requirements and organization's expectations become more and more complex and active. In the case of a dynamic environmental change, proactive strategic management plays a key role in ensuring adaptation to such changes through the integration and restructuring of internal and external organizational resources.

Relational view (RV) is based on the thesis that relationships between subjects generate relative rents which are the important means of creating economic value. The founders of this approach D. Dyer and H. Singh define the relationship rent as “supernormal profit jointly generated in an exchange relationship that cannot be generated by either firm in isolation and can only be created through exclusive joint contributions of specific alliance partners”, Dyer J. H, 1998. Principles of the resource-based and relational view form a unified basis for understanding the source of value creation while ensuring the company's interaction with stakeholder groups, since stakeholder relations themselves are recognized as an important strategic resource. According to the author's view, the latter contributes to formation and development of a special kind of potential for which a new economic category "relational potential" is proposed. Relational potential is the enterprise's ability to benefit from the effective use of relational assets, based on the system of relationships between the enterprise and stakeholder groups, which contributes to the growth of its competitive advantages.

2.4.1 What triggers the Expenditure on CSR

Many citizens, environmental organizations and leadership companies define corporate environmental responsibility as the duty to cover the environmental implications of the company's operations, products and facilities; eliminate waste and emissions; maximize the efficiency and productivity of its resources; and minimize practices that might adversely affect the enjoyment of the country's resources by future generations. In the emerging global economy, where the Internet, the news media and the information revolution shine light on business practices around the world, companies are more and more frequently judged on the basis of their environmental stewardship. Partners in business and consumers want to know what is inside a company. They want to do business with companies in which they can trust and believe. This transparency of business practices means that for many companies, corporate social responsibility,

CSR, is no longer a luxury but a requirement. However, the challenge is to create a commonly respected CSR framework that would allow on detailed assessment of business practices.

Basically, the drivers of CSR are the mix of incentives and risks directed at companies to improve standards. These drivers are market-based, usually beginning when a firm anticipates or responds to a risk associated with the social, labor or environmental impact of a specific business practice.

Economic drivers	Social Drivers	Political drivers
Company image/reputation	Pressure from NGO/CSOs	Improved standing with government
Improved risk management	License to operate	Legal, regulatory drivers
Competitive advantage	Pressure from local communities	Political pressure
Pressure from business partners	Research	License to operate
Pressure from costumers		
Pressure from investors		
Competitiveness		

Table 2.4.1: Drivers of CSR

Source from: Plotr Mazurkiewicz, corporate environmental responsibility: is a common CSR framework Possible,

Many companies have found that CSR has often had a positive impact on corporate profits. Of all the topics related to corporate social responsibility, it is environmental initiatives that have produced, so far, the greatest amount of quantifiable data linking proactive companies with positive financial results. Business for Social Responsibility (BSR), for example, emphasizes that investment in CSR has promoted product differentiation at the product and firm levels. Some firms now produce goods and services with attributes or characteristics that signal to the consumer that this particular company is concerned about certain social and environmental issues.

The International Financial Corporation, in its report “Developing Value” (IFC 2002), reaches the conclusion, based on the experiences of over 170 companies, that many businesses in emerging markets have been involved in areas such as social development or environmental improvements, and have achieved cost savings, revenue growth and other business benefits. In doing so they have established a socially responsible corporate image and have facilitated market penetration. Firms have also found savings in input costs. Waste disposal costs, labor costs through reduced absenteeism and increased loyalty, reduced costs of compliance with regulation and other real but more intangible benefits such as attracting quality investors. Firms also benefit from realizing greater cooperation from their communities, and from building political capital that has been useful when community decisions may affect the enterprise.

2.5 Conceptual Framework

As already established from literature, Contrary to the argument, social responsibility may actually provide a competitive advantage. Even if social responsibility results in short-term losses; it can engender loyal employees and communities and consequently reap long-term dividends: “CSR is also proving to benefit companies. The most commonly identified corporate advantages include maintaining and improving reputation or brand image, government relations, brand differentiation, customer loyalty and employee recruitment and retention”, according to Walton, 2010, p. 10.

The framework in Figure below captures what has been discussed from literature in this study; where CSR has been found relate to competitive advantage.

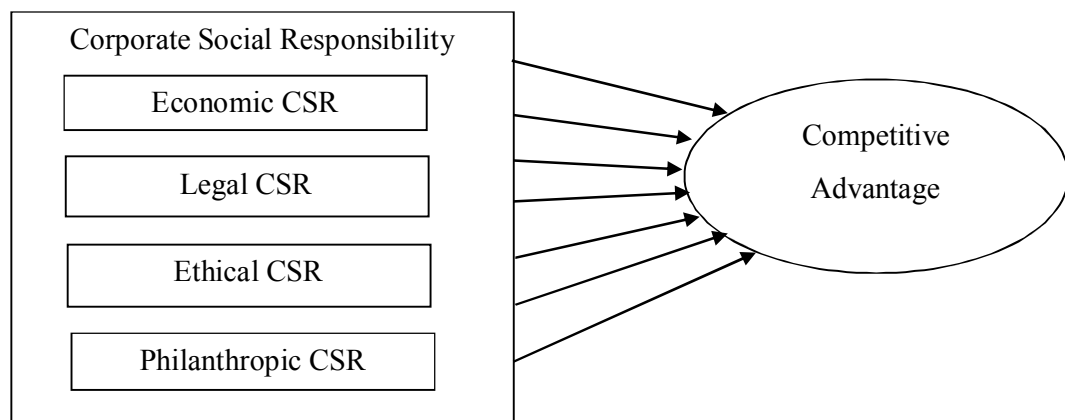


Figure 2.5.: Conceptual Framework of CSR and Competitive Advantage

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design and Approach

The research design for this study is a Cross-sectional field survey method to identify the relationship between corporate social responsibility and its influence in gaining competitive advantage in commercial bank of Ethiopia. A cross-sectional design can only measure differences between or from among a variety of people, subjects, or phenomena rather than a process of change. As a result cross-sectional design provides a clear snapshot of the outcome and the characteristics associated with it, at a specific point in time. This design was used to explore to what extent the commercial banks of Ethiopia apply CSR practices, and measures the influence of these practices on achieving competitive advantage. This approach contributes to the improvement of banking sector strategies concerning CSR practices where the result of research are reflected and generalized.

In addition the study is said to be causal in design because there is the intent to establish the relationship between dependent and independent variable of the study. As causal design is concerned with understanding the connection between the cause and effect, the researcher tries to identify CSR activities effect on competitiveness by analyzing primary and secondary documents and also designing questionnaires that can best help to identify or create the relationship between CSR and competitiveness.

3.2 Population and Sources of Data

The population of this study is composed of employees and customers of the bank located in different districts and branches of CBE in Addis Ababa.

Primary and secondary data is collected for this study. The data source for primary data is collected from the participants (employees and customers of the bank) using survey questionnaire. Questionnaires can be administered personally, mailed to the respondents, or even electronically distributed depending on the situation, Sekaran, 2001. The instrument that is used in this study is a close-ended questionnaire that is developed through the adaptation and modification of a questionnaire from previous

studies of Walton's QWL questionnaire, 1974 and Allen- Meyer's organizational commitment questionnaire, 1990.

The source of secondary data is obtained from different books, publications, article reviews, different websites and company publications and reports.

3.3 Sample and Sampling procedures

The sampling technique for the research is multistage sampling technique. The objective of this type of sampling technique is to choose a limited number of clusters, branches and participants in which simple or systematic random sampling can be conducted. It is therefore a multi-stage sampling method. For this study, the researcher used 3 stages for sampling.

- **First stage = random selection of clusters:** the entire population of CBE was divided into four small distinct geographic areas, such as North, South, East and West.
- **Second stage = random selection of branches within clusters:** using the distinct geographic area division, the researcher randomly selected participating branches from each cluster.
- **Third stage = random selection of employees and customers:** employees and customers are chosen randomly within each cluster using the appropriate sampling techniques. To select participating employees, the researcher used simple random selection technique. To select participating customers, the researcher adopted time location analysis technique.

Based on the above sampling stages, the researcher identified the general population (employees, customers and branches) required to conduct the study. To do these, the researcher considered the population size of CBE in terms of branches and employees, confidence level: this is the level of certainty with which the researcher estimated the true population value, and precision rate: this is the standard error expressed as a percentage of the estimate. These is a useful measure of accuracy, as it gives an indication of the percentage errors likely to have occurred due to sampling.

Therefore, the general population of branches, employees and customers of the bank in Addis Ababa are 463, 34879 and 18 Million respectively. The confidence level considered for the study is 99% and the precision rate is 0.05. By using these statistics and sample size calculator (SSC) software, the sample size needed for the study is 284 for branches, 719 for employees and 734 for customers.

3.4 Data Collection Methods

A questionnaire is a systematic compilation of questions. It is an important instrument being used to gather information from widely scattered sources. Normally used where one cannot see personally all of the people from whom response is desired or where there is no particular reason to see respondents personally. Accordingly, primary data is collected from the participants using survey questionnaire with employees and customers of the bank.

Another source of primary data was through face-to-face semi-structured in depth interviews. Since CSR communication is highly individual to a specific company (Crane and Glozer, 2016), it was important to keep the questions open-ended so that the individual views could be detected in the interviews (Yin, 2015). The open-ended questionnaires were assisted with an interview guide, which was prepared based on the theoretical framework and the four themes, mentioned earlier, and can be viewed in the appendix. Open-ended questionnaires are suitable for discovering opinions, since it lets the respondents express themselves more freely (Yin, 2015). That is why semi-structured interview guides were chosen, as they aid in keeping direction on the research topic (Johannessen, Tufte and Kristoffersen, 2010), but do not restrict addition of related or otherwise interesting elements that might come up during the interviews (Ringdal, 2013).

Since physical face-to-face interviews were possible, it seemed as an appropriate method for the data collection and allowed for introduction meetings prior actual interviews, enabling to get in touch with the right respondents (Mehmetoglu, 2004). The introduction meetings began with broad CSR questions that enabled the company to present the factual material on their own terms. Specific prompts helped induce greater insights into specific lines of inquiry, such as details about potential themes and

respondents. The respondents were also available for additional questions after the first interview, but further interviews were not conducted. An introduction of the study with few key points was sent over to the chosen companies before the interview took place.

Secondary data was gathered from the companies' reports to support and add to the information from the interviews. Another secondary source was gathered from the corporate websites. Another source of secondary data used for the study includes technical publications such as manuals, handbooks, data sheets, and standards, books and journals, official publications of the Central government, state governments, local bodies, private data services and computer data base, company publications and reports.

3.5 Data Analysis Method

While in quantitative research there are certain standardized ways of analyzing quantitative data, for qualitative research the situation is quite different. Although there are a wide variety of analysis strategies, there are no clear rules for how the data should be analyzed in qualitative research, which requires the researcher to be engaged in the design of his own method of analysis (Mehmetoglu, 2004). However, Mehmetoglu (2004) states that there are two different perspectives regarding the latter, namely data processing and data transformation. In the former perspective, the analysis is based on encoding, indexing, sorting, retrieving, or manipulating the data (Mehmetoglu, 2004). This can be done either manually or using a computer software tools (Friese, 2012). In the latter, the researcher primarily uses his interpretation of the data, and uses secondary data processing in advance of the interpretation (Mehmetoglu, 2004). There is however no standard data processing or data transformation method (Mehmetoglu, 2004; Yin, 2015). There are as many different analytical approaches to data processing methods for analyzing qualitative data, as there are analytical approaches to data transformation methods (Mehmetoglu, 2004; Yin, 2015). But, while analysis is structured and unstructured in empirical theory and ethnography, analysis in case study is regarded as semi-structured (Mehmetoglu, 2004). In other words, case study analysis has elements from both empirical theory and ethnography.

Therefore, the collected data is analyzed using statistical analysis such as (tables, frequencies, mean, and percentages) and by using nominal measuring instruments. The

inference is made based on statistical analysis results. And prediction is made based on the analysis result of independent variables with dependent variables. In this case SPSS is used in the analysis of the data.

CHAPTER FOUR: RESULT AND DISCUSSION

This chapter deals with the analysis and interpretation of the data collected from the employees and customers of commercial Bank of Ethiopia through the distribution of questionnaires and interviews sessions arranged with the concerned official of Commercial Bank of Ethiopia. It involves making sense out of text and image data. Qualitative and quantitative data analyses as well as descriptive and statistical tools are considered in this section.

Thus, this section mainly include descriptive statistics which provides CSR practices of Commercial bank of Ethiopia in gaining competitive advantage by corresponding to seven competitiveness measuring dimensions namely Labour practices (employee training and development), fair operating practices, organizational governance, customer issues, community involvement and development, environment protection and human right. Therefore, descriptive statistics tools such as frequencies, percentage, mean, and standard deviation are employed in this regard.

Qualitative analysis is developed using data which have been collected using interview. This is used to assist or/and to seal the gap of the questionnaire as well as the quantitative analysis. With respect to this, the administrative head of different branches in different districts were interviewed. Quantitative analysis, however, focused on the results of the questionnaire, which is the main instrument of the study. 1453 Questionnaires were distributed to 284 randomly selected branches employees and customers. Among these questionnaires 1226 questionnaires are qualified (84.38%) and analyzed in this chapter. From 1453 questionnaires 227 questionnaires are not included because the respondents of the questionnaires' didn't respond correctly and neatly.

4.1. Demographic Characteristics of Respondents

Table 4.1 below displays the results of sample distribution of demographic characteristics of respondents from the descriptive statistics information. As stated from the introduction, a total of 1453 questionnaires were distributed to employees and

customers of CBE and 1226 were properly responded and 227 were not correctly filled or neat, which represented a 84.38% response rate. Below is a summary of demographic characteristics of respondents represented by Table 4.1.

<i>Demographic Variables</i>	<i>Categories</i>	<i>Frequency</i>	<i>Percentage%</i>
<i>Gender</i>	Male	789	64.4
	Female	437	35.6
	Subtotal	1226	100
<i>Age</i>	20-29	661	53.9
	30-39	316	25.8
	40-49	178	14.5
	50-59	71	5.8
	60+	0	0
	Subtotal	1226	100
<i>Academic Qualification</i>	Diploma	27	2.2
	First Degree	695	56.7
	Masters	504	41.1
	Other	0	0
	Subtotal	1226	100
<i>Work Experience</i>	<2 Years	181	14.8
	2-5 Years	377	30.8
	6-10 Years	501	40.9
	11-15 Years	113	9.2
	16- 20 Years	54	4.4
	20+ Years	-	-
	Subtotal	1226	100

Table 4.1: Demographic Characteristics of Respondents

Gender of respondents

Results from Table 4.1 above shows that the majority of the respondents were males (789, representing 64.4%) with the others being females (437, 35.6%). This distribution reflects the current employment statistics in Ethiopia, where there are more males in employment in the formal sector as opposed to females.

Age of Respondents

In relation to age, the majority of the respondents were within 20-29 age category, which represented 53.9% of the total respondents. They were closely followed by individuals between the ages of 30-39 and 40-49, which represented 25.8% and 14.5% respondents respectively. These three age groups forms a total majority of respondents for the age groups used in the study. They constitute an overall 94.2% of the total respondent who took part in the study. This age bracket (that is, 20-29, 30-39 and 40-49) represent employees who are within the prime of their active services towards their organization. The other 5.8% or 71 respondents fell in the age group range from 50-59.

Academic Qualification

With respect to academic qualification of the respondents, the majority of the employees who participated in the study were individuals with university degree or higher. 695 out of the 1226 respondents, representing 56.7% were first degree holders. They were followed by employees that had acquired a master's degree (504, 41.1%). A few of the employees were Diploma holders, 27 constituting 2.2% of the total respondent.

Work Experience

From the Table 4.1 above, employees who had worked for the period between 6-10 years with their respective organizations were the highest number of respondents used in the study (501, 40.9%), followed by those who had worked with the respective companies for the period between 2-5 years with their respective organizations were the second highest number of respondents used in the study which constitutes 377, 30.8% respondents. Respondent who has a work experience of less than 2 years (181, 14.8%) takes the next position. Moreover, employees who had been with their respective organization for 11-15 years and 16-20 years, with, 113 of 9.2% and 54 of 4.4% respondents respectively, takes the last two positions of the respondents used in the study.

4.2.Descriptive Statistics Results

In this section, CSR practices in terms of Labour practices (employee training and development), fair operating practices, organizational governance, customer issues, community involvement and development, environment protection and human right are described using various statistical tools. Regarding the descriptive interpretations for variables or dimensions used on Likert scale; the measurement was used on the basis of the survey; 5 = strongly agree; 4 = Agree; 3 = Neutral; 2 = Disagree; 1 = strongly disagree. The mean level of agreement between the group or of the group is categorized on the scale; SA = Strongly Agree (4.51 or greater); A = Agree (3.51 – 4.50); N = Neutral (2.51 – 3.50); D = Disagree (1.51 – 2.50); and, SD = Strongly Disagree (1.49 or less). And, to make more comfortable for analysis three base scale is used, Agree (3.51 and above), Neutral (2.51 to 3.50), and Disagree (less than 2.50) (Dane B. 2007). The means and standard deviations of the responses are described in study (Appendix B).The mean indicates that to what level of agreement the response of all respondents is approached. It also measures CSR practices of companies with regard to the samples. Standard deviation, however measures the mean difference between responses. In other words, it measures variation of responses with respect to the mean. It show us whether respondents are highly deviated one another in their responses. Thus, the means and standard deviations of variables are described as request as the analysis.

4.2.1 Labour Practices (employee training and development)

Questions	Degree of Assignment	Frequency	%	Mean	Standard Deviation
Employees' and customers of the bank are well aware that the practices of CSR can gain competitive advantage	SD	56	4.6	2.38	1.106
	D	304	24.8		
	N	122	10.0		
	A	611	49.8		
	SA	133	10.0		
	TOTAL	1226	100.0		
	SD	-	-	2.65	.701

Managers are informed about relevant CSR laws and proclamations	D	114	9.3		
	N	250	20.4		
	A	815	66.5		
	SA	47	3.8		
	TOTAL	1226	100.0		
The bank encourages freedom of association of workers	SD	1	1	2.15	1.040
	D	467	38.1		
	N	225	18.4		
	A	417	34.0		
	SA	116	9.5		
	TOTAL	1226	100.0		
The bank has suitable arrangements for health and safety to provide sufficient protection for its employees	SD	104	8.5	1.99	1.057
	D	375	30.6		
	N	172	14.0		
	A	574	46.8		
	SA	1	1		
	TOTAL	1226	100.0		

Table 4.2.1: Labour Practices

In another dimension that the customers and employees of the bank are aware that the practices of CSR can gain competitive advantage, 29.4% of the respondents disagree, about 60.6% agree and the rest 10% are neutral. Similarly, out of the total number of respondent 70.3% agree about the awareness of managers about relevant laws and proclamations of CSR, while about 20.4% and 9.3% are neutral and disagree, respectively, on the issue.

Regarding whether the bank encourages freedom of association of workers or not, 38.2% of the respondent disagree, while 43.5% agree and the remaining 18.4% remain neutral. In arranging health and safety protection for its employees, 39.1% of the respondents disagree, 46.9% agree and the remaining 14% are neutral.

. To sum up, majority of the respondents agree that the employees of the bank are well informed about laws and proclamations regarding CSR and that both employees

and customers of the bank are well aware that CSR practices can gain competitive advantage. In addition, majority of the respondents agree that the bank has suitable arrangement in providing health and safety protection and that the bank also encourages association of workers.

4.2.2 Fair Operating Practices

Questions	Degree of Assignment	Frequency	%	Mean	STDEV
CBE facilitates equal and fair working environment to all employees	SD	129	10.5	2.03	1.106
	D	284	23.2		
	N	300	24.5		
	A	451	36.8		
	SA	62	5.1		
	TOTAL	1226	100.0		
CBE continually improves the quality of its services.	SD	-	-	2.38	1.216
	D	464	37.8		
	N	126	10.3		
	A	339	27.7		
	SA	297	24.2		
	TOTAL	1226	100.0		
Fairness toward co-workers, business partners and customers is an integral part of CBE's employee evaluation process.	SD	-	-	2.56	.806
	D	181	14.8		
	N	248	20.2		
	A	731	59.6		
	SA	66	5.4		
	TOTAL	1226	100.0		
	SD	51	4.2		

A confidential procedure is in place for employees to report any misconduct at work (such as stealing, sexual harassment and corruption).	D	222	18.1		
	N	419	34.2		
	A	468	38.2		
	SA	66	5.4		
	TOTAL	1226	100.0		

Table 4.2.2: Fair Operating Practices

According to the data collected from employees of CBE, in facilitating equal and fair working environment to all employees, 33.7% disagree and 41.9% agree that the bank facilitates equal and fair working environment, while the other 24.5% remain neutral. In the concept of continuously improving the quality of its service 10.3% are neutral while 51.9% agree and 37.8% disagree.

In regarding being fair to co-workers, partners and customers as an employee evaluation process, 14.8% disagree and 65% of the respondents agree while the other 20.2% remain neutral. 22.3% disagree, 34.2% remain neutral while 43.6% agree that there is a confidential procedure in place for employees to report misconduct at work.

Based on these descriptions, we can conclude that CBE is practicing CSR in terms of fair operation.

4.2.3 Organizational governance

Organizational governance is the most crucial factor in enabling an organization to take responsibility for the impacts of its decisions and activities and to integrate social responsibility throughout the organization and its relationships.

Questions	Degree of Assignm ent	Frequency	%	Mean	STDIV
CSR budget allocation by CBE is fair	SD	111	9.1	2.12	1.011
	D	159	13.0		

	N	492	40.1		
	A	396	32.3		
	SA	68	5.5		
	TOTAL	1226	100.0		
CBE implements CSR as a means of gaining advantage over competitors	SD	-	-	2.46	1.042
	D	331	27.0		
	N	186	15.2		
	A	527	43.0		
	SA	182	14.8		
	TOTAL	1226	100.0		
The nature of CSR activities undertaken by CBE reached at acceptable level	SD	2	.2	2.23	1.160
	D	527	43.0		
	N	71	5.8		
	A	442	36.1		
	SA	184	15.0		
	TOTAL	1226	100.0		
CSR practices of CBE has enabled the bank to gain competitive advantage over its competitors	SD	-	-	2.43	1.009
	D	288	23.5		
	N	310	25.3		
	A	443	36.1		
	SA	185	15.1		
	TOTAL	1226	100.0		
CBE monitors the quality of our human resources	SD	-	-	2.49	.958
	D	287	23.4		
	N	175	14.3		
	A	642	52.4		
	SA	122	10.0		
	TOTAL	1226	100.0		
We have been successful at maximizing our profits.	SD	123	10.0	3.13	1.191
	D	-	-		
	N	61	5.0		
	A	450	36.7		

	SA	592	48.3		
	TOTAL	1226	100.0		
CBE strive to lower our operating costs.	SD	56	4.6	2.10	1.159
	D	472	38.5		
	N	114	9.3		
	A	458	37.4		
	SA	126	10.3		
	TOTAL	1226	100.0		
CBE closely monitors employee's productivity.	SD	-	-	2.48	.889
	D	223	18.2		
	N	305	24.9		
	A	590	48.1		
	SA	108	8.8		
	TOTAL	1226	100.0		
CBE services meet legal standards	SD	58	4.7	2.78	1.123
	D	121	9.9		
	N	230	18.8		
	A	446	36.4		
	SA	371	30.3		
	TOTAL	1226	100.0		
CBE contractual obligations are always honored.	SD	179	14.6	2.27	1.347
	D	214	17.5		
	N	174	14.2		
	A	418	34.1		
	SA	241	19.7		
	TOTAL	1226	100.9		
CBE's internal policies prevent discrimination in employees' incentives (compensation, training and promotion)	SD	234	19.1	2.25	1.337
	D	103	8.4		
	N	191	15.6		
	A	522	42.6		
	SA	176	14.4		
	TOTAL	1226	100.0		

CBE has a comprehensive code of conduct.	SD	123	10.0	3.01	1.241
	D	47	3.8		
	N	61	5.0		
	A	464	37.8		
	SA	531	43.3		
	TOTAL	1226	100.0		
Members of CBE follow professional standards.	SD	1	1	2.49	.881
	D	195	15.9		
	N	354	28.9		
	A	552	45.0		
	SA	124	10.1		
	TOTAL	1226	100.0		

Table 4.2.3: Organizational Governance

From the total respondents of the questionnaire, 22.1% disagree, 40.1% are neutral and 37.8% agree that CSR budget allocation by CBE is fair. In another dimension that CBE implements CSR as a means of gaining advantage over competitors, the responses were 57.8% in agreement, 27% in disagreement and 15.2% choose to be neutral. In related concept that is, the nature of CSR activities undertaken by CBE reached at acceptable level, 45% were in disagreement, 50.1% in agreement and the other 5.8% remain neutral. And also, with 23.5% disagreement, 51.2% agreement and 25.3% neutral response count, the respondents believe that the practices of CSR by CBE has enabled it to gain competitive advantage over its competitors.

For the concept of monitoring the quality of its human resources, 23.4% were in disagreement, 62.4% in agreement and the other 14.3% remain neutral. While for the concept of being successful in maximizing organizational profit, 10% are in disagreement, 5% neutral and 85% are in agreement. In addition, 43.1% disagree, 47.7% agree and 9.3% responded neutral to striving to lower its operating costs.

In monitoring employee's productivity dimension, the respondents were 18.2% in disagreement, 56.9% in agreement and 24.9% in neutral response. On the dimension of services meeting legal standards, the responses were in 14.6% disagreement, 66.7% agreement and 18.8% neutral response. Also with 32.1% disagreement, 53.8%

agreement and 14.2% neutral response, the respondents believe that CBE’s contractual obligations are always honored.

With 27.5% disagreement, 57% agreement and 15.5% neutral response, the respondents believe that CBE’s internal policies prevent discrimination in employees’ incentives (compensation, training and promotion). For the concept of CBE having a comprehensive code of conduct, the responses were in 81.1% agreement, 13.8% disagreement and 5% neutral count. In addition, with 16% disagreement 55.1% agreement and 28.9% neutral count, the respondents believe that members of CBE follow professional standards.

Based on these descriptions, we can conclude that CBE is practicing CSR in terms of fair operation. These is due to that CBE implements CSR as a means of gaining competitive advantage as the budget allocated, nature and the practices of CSR activities has reached an acceptable level and is enabling the bank to gain advantage over competitors. In addition, as there is indiscrimination in employee incentive, productivity of employees is regularly monitored, has standardized and professional code of conduct, the organizational governance of the bank to take responsibility for the impacts of its decisions and activities and to integrate social responsibility throughout the organization is enabling the bank to gain advantage.

4.2.4 Customer Issues

Questions	Degree of Assignment	Frequency	%	Mean	STDIV
The bank protects customers from internal and external fraud	SD	65	5.3	2.51	1.102
	D	170	13.9		
	N	292	23.8		
	A	474	38.7		

	SA	225	18.4		
	TOTAL	1226	100.0		
CBE has a process to ensure effective feedback and consultation with customers	SD	-	-	2.42	1.053
	D	354	28.9		
	N	180	14.7		
	A	516	42.1		
	SA	176	14.4		
	TOTAL	1226	100.0		
CBE tries to create fair marketing	SD	66	5.4	2.44	1.109
	D	294	24.0		
	N	5	4		
	A	751	61.3		
	SA	110	9.0		
	TOTAL	1226	100.0		
Our business has a procedure in place to respond to our customer complaint.	SD	-	-	2.55	.782
	D	97	7.9		
	N	484	39.5		
	A	519	42.3		
	SA	126	10.3		
	TOTAL	1226	100.0		

We are recognized as a trustworthy company by our customers	SD	123	10.0	2.74	1.126
	D	7	6		
	N	216	17.6		
	A	597	48.7		
	SA	283	23.1		
	TOTAL	1226	100.0		
CBE employees are required to provide full and accurate information to all customers.	SD	123	10.0	2.5	1.224
	D	98	8,0		
	N	351	28.6		
	A	356	29,0		
	SA	298	24.3		
	TOTAL	1226	100.0		
CBE strives to provide its customers the best quality of services (in technological, human resource and transparency of financial management)	SD	123	10.0	2.31	1.101
	D	178	14.5		
	N	182	14.8		
	A	679	55.4		
	SA	64	5.2		
	TOTAL	1226	100.0		

Table 4.2.4: Customer Issues

It is possible to understand from the table that the bank protects customers from internal and external fraud with 19.2% disagreement, 57.1% agreement and 23.8% neutral

response count. The table also shows that the response for the concept of CBE having a process to ensure effective feedback and consultation with customers is 28.9% disagreement, 56.5% agreement and 14.7% neutral count. And also the response count of 29.4% disagreement, 70.3% agreement and 0.4% of neutral count shows that CBE tries to create fair marketing.

Regarding the response for the concept that CBE has a procedure in place to respond to their customer complaint, 7.9% disagreed and 52.6% agreed while 39.5% remained neutral. In another dimension of being accepted as a trustworthy company by the customers, 10.6% disagreed and 71.8% agreed while 17.6% remained neutral. For the concept of providing full and accurate information to all customers, 18% disagreed and 53.3% agreed while 28.6% were neutral. In addition, for the dimension of striving to provide customers with the best quality of service (in technology, human resource and transparency of management), 24.5% were in disagreement, 60.6% were in agreement and the remaining 14.8% were neutral.

From the above table the researcher can see that since CBE tries to protect customers from internal and external fraud, effective feedback and consultation for customers, provide full and accurate information to customers, creates fair marketing and provide best quality of services, allowed it to be considered as a trustworthy company by customers. This can enable the researcher to conclude that the bank is providing sufficient efficiency in customer issues.

4.2.5 Community Involvement and Development

This variable is used to measure the activities performed by the bank for the welfare of the community. In his Study, Moon (2007) stated that corporate entities should be a key stakeholder in community development because of a number of factors that have been highlighted in the literature. One of these factors is the need for corporate entities to use their Corporate social responsibility (CSR) activities to contribute to sustainable community development (particularly that of their host communities) to enhance their social status and competitive edge which is critical to their existence.

Questions	Degree of Assignme nt	Frequency	%	Mean	STDIV
The bank provides services for the purpose of benefiting society	SD	226	18.4	2.34	1.448
	D	178	14.5		
	N	63	5.1		
	A	469	38.3		
	SA	290	23.7		
	TOTAL	1226	100.0		
CBE contributes financial support to community development	SD	126	10.3	2.12	1,382
	D	457	37.3		
	N	65	5.3		
	A	306	25.0		
	SA	272	22.2		
	TOTAL	1226	100.0		
CBE has loan provision to low income individual and small businesses	SD	176	14.4	2.09	1.316
	D	299	24.4		
	N	179	14.6		
	A	387	31.6		
	SA	185	15.1		
	TOTAL	1226	100.0		
The bank aligns any of its community investment initiatives to National development goals	SD	129	10.5	2.42	1.307
	D	235	19.2		
	N	123	10.0		
	A	464	37.8		
	SA	275	22.4		
	TOTAL	1226	100.0		
Top managers monitor the potential negative impacts of our activities on our community.	SD	-	-	2.61	.756
	D	101	8.2		
	N	383	31.2		
	A	639	52.1		
	SA	103	8.4		

	TOTAL	1226	100.0		
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Table 4.2.5: Community Involvement and Development

From the respondents, 32.9% disagreed and 62% agreed while 5.1% remained neutral for the concept that the bank provides services for the purpose of benefiting society. And for the concept that CBE contributes financial support to community development, 47.6% disagreed and 47.2% agreed while 5.3% remained neutral. For the dimension of CBE having loan provision to low income individual and small businesses, 38.8% disagreed and 46.7% agreed while 14.6% remained neutral.

For the concept of aligning any of the bank’s community investment initiatives to National development goals, 29.7% disagreed and 60.2% agreed while 10% remained neutral. In addition, 8.2% disagreed and 60.5% agreed while 31.2% remained for the concept that top manager’s monitor the potential negative impacts of our activities on our community.

From the above response, the researcher can find out that the bank should revise its funding or invest more to contribute financial support to community development.

4.2.6 Environment Protection

As the world population grows and consumption increases, these changes are increasing threats to human security and the health and wellbeing of society. There is a need to identify options to reduce and eliminate unsustainable volumes and patterns of production and consumption and to ensure that the resource consumption per person becomes sustainable.

Questions	Degree of Assignment	Frequency	%	Mean	STDIV
The bank tries to reduce its paper and energy consumption	SD	3	2	2.88	.824
	D	59	4.8		
	N	306	25.0		
	A	577	47.1		
	SA	281	22.9		

	TOTAL	1226	100.0		
CBE tries to participate and support natural environment protection and restoration of natural habitats	SD	70	5.7	2.38	1.196
	D	293	23.9		
	N	187	15.3		
	A	448	36.5		
	SA	228	18.6		
	TOTAL	1226	100.0		

Table 4.2.6: Environmental Protection

Table 4.2.6 show that about 70% of the respondents agree on the statement “the bank tries to reduce its paper and energy consumption”, 5% of them disagree and 25% were neutral. Regarding environment protection and restoration of natural habitats, again 55.1% of the respondents agreed, 29.6% disagreed, and 15.3% of them were neutral. Generally, the descriptions declare that CSR practice in terms of environmental protection in CBE is satisfactory.

4.2.7 Human Rights

Questions	Degree of Assignment	Frequency	%	Mean	STDIV
The bank respects fundamental principles and employees rights	SD	123	10.0	2.36	1.182
	D	220	17.9		
	N	103	8.4		
	A	654	53.3		
	SA	126	10.3		
	TOTAL	1226	100.0		
CBE seeks to comply with laws of employee benefits	SD	123	10.0	2.15	1.101
	D	229	18.7		
	N	289	23.6		
	A	517	42.2		
	SA	68	5.5		
	TOTAL	1226	100.0		

Table 4.2.7: Human Rights

As it is possible to observe from table 4.1, majority (63.6%) of the respondents agree, 27.9% disagree, while 8.4% of them were neutral on the subject of comply with human rights. And for the subject of complying with laws of employee benefit, 47.7% agreed and 28.7% disagreed while 23.6% remained neutral. To sum up CBE participates in human rights although the levels of agreement are satisfactory.

4.3. Discussion

On these section of the research report the researcher tries to discuss the findings of the analyzed data based on the conceptual framework of the research mentioned in the literature section of the report.

- Economic Dimension

According to Gonzalez-Rodriguez, 2015, A corporation has to meet its economic responsibilities referring to returning money to investors, achievement of leadership position in the market, obtaining maximum possible profits, guaranteeing the customer's satisfaction and loyalty, gives fair compensation to employees, gives goods at fair prices to customers, promoting their products/services through advertising campaigns. The economic responsibilities are the fundamental layer of Carrolls CSR pyramid. It involve being profitable. The primary motive for business organization is to produce goods and services to the society at reasonable price and to make profit in the process. Profits from selling goods and services go to shareholders and other investors to keep a company survive and grow.

Based on the analysis of data collected, the respondents were asked to provide their response in regard to CBE's CSR practices level concerning facilitating awareness of CSR and competitive advantage, response to customers' complaints monitoring of quality of human resource and services, its operating cost, management of employee productivity and budget allocation on CSR activities. The finding shows that CBE is able to maximize its profit and gain competitive advantage because it allocated a fair budget to CSR activities in employee training, organizational management, management of quality of human resource and service, and customer handling. As the researcher tries to mention on the literature section of the study, economic responsibility is seen as the basic obligation of corporations. The economy is influenced by the ways

in which the corporation relates to its stakeholders, community, and even the natural environment. Economic responsibility lies in maximizing not only shareholders' interests but also other stakeholders' interests as well.

- Legal Dimension

As mentioned in literature review, governments have a strong interest in promoting CSR initiatives as a complement to their ongoing environmental and social programs to serve long term national interests, Mazurkiewicz, 2004. Often with the support of international institutions, and/or international/local NGOs, governments are beginning to play a significant role in building framework for CSR, through managed, goal-driven approach

Based on the analysis of the research data, CBE is able to gain advantage over competitors, because the bank was able to develop a framework of CSR in order to create awareness of relevant laws and regulations on CSR, strive to meet legal standards of services, honor contractual obligations, seeking to comply with laws of employee benefit, incentives and rights, and protect customers from internal and external fraud.

- Ethical Dimensions

Ethical responsibilities go further than legal responsibilities because they involve newly emerging values and norms that the public expects a firm to comply with and are at a higher standard of business practices than that current legal system required. The ethical domain of the three-domain model refers to the ethical responsibilities of business as expected by the general population and relevant stakeholders. This domain includes responsiveness to both domestic and global ethical imperatives. Based on this general definition, the three-domain model both broadens and refines Carroll's concept of the ethical domain by including only three general ethical standards: conventional, consequentialist and deontological.

Based on the findings of the analyzed data, CBE is able to attain its ethical responsibility by implementing comprehensive code of conduct and following professional standards, monitoring the negative impact of its operations on the community, managing any

misconduct and encouraging freedom of associations of workers at work place, and ensuring full and effective feedback and consultation to customers.

- Environmental Dimension

As the researcher tried to mention in the literature section of the study, Porter and Linde suggest that in a broader sense, CSR environmental activities can trigger innovation, reduce costs, save resources thus making competitive advantage and loyal consumers. Aside from pollution prevention, companies must think about environmental improvements in order to achieve higher resource productivity.

Findings of the research shows that, CBE's involvement in CSR activities such facilitating equal and fair working environment to employees, providing suitable arrangement for health and safety protection for employees and customers, crating fair marketing strategy, providing services for the benefit of society, contributing financial support for community development, aligning community investment initiatives to national development goals, reducing its paper and energy consumption, participating and supporting natural environment protection and restoration of natural habitat, has enabled the bank to attain competitive advantage.

CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

In this chapter, the researcher presents conclusions of the research findings that have been analyzed and discussed in the previous chapter. Furthermore, based on the findings of the study, possible recommendations are made.

5.1. Summary of Findings

This study included a survey design to generalize from a sample of CBE A.A city branch population about the practices of CSR with in CBE and how these practices has enabled the bank to gain competing advantage against competitors. The survey design allowed this study the opportunity to explore CBE A.A city branch employees' and customers attitudes about CSR practices, and how it is related or influenced gaining competitive advantage. This type of data collection was preferable because it identified representative characteristics of the randomly selected CBE employees and customers, which is a large population.

Enterprises that are interested in reducing employee turnover and maintaining the best cream of employees own it a responsibility to create the condition for such goals to be achieved. In regard to Labour practices, employees were asked to indicate the extent to which they agreed or disagreed to various benchmark of CSR practices relating to labor treatment. To sum up, the description shows, CBE practices labor standard of CSR only in terms of employees' awareness of the relationship between CSR practices and competitive advantage, employees' know-how regarding relevant laws and proclamations of CSR, freedom of association of worker and suitable arrangements for health and safety to employees. The result shows that, employees' have the know-how and awareness of CSR practice, laws and proclamation and that CSR practices can gain competitive advantage. And also, the bank has suitable arrangement in providing health and safety protection and also encourages association of workers.

On the next section, Fair operating practices, employees and customers of the bank were asked regarding the budget allocation, practice level, implementation of CSR activities enabling the bank to gain competitive advantage is fair, and if the bank were

able to maximize its profit by lowering operating cost, monitoring quality of human resources and employee productivity, meeting legal standards, honoring contractual obligations and avoiding discrimination among employees. The result show that the bank has fair operating practices regarding employee management and quality of services.

From the results of table 4.2.3, we can conclude that CBE is practicing CSR in terms of organizational governance. These is due to that CBE implements CSR as a means of gaining competitive advantage as the budget allocated, nature and the practices of CSR activities has reached an acceptable level and is enabling the bank to gain advantage over competitors. In addition, as there is indiscrimination in employee incentive and productivity of employees is regularly monitored, has standardized and professional code of conduct, the organizational governance of the bank to take responsibility for the impacts of its decisions and activities and to integrate social responsibility throughout the organization is enabling the bank to gain advantage.

The result on consumer issues, table 4.2.4, CBE tries to protect customers from internal and external fraud, effective feedback and consultation for customers, provide full and accurate information to customers, creates fair marketing and provide best quality of services, allowed it to be considered as a trustworthy company by customers. This can enables the researcher to conclude that the bank is providing sufficient efficiency in customer issues.

Regarding community involvement and development, table 4.2.4, though the bank provides services for the purpose of benefiting society, has loan provision to low income individuals and small businesses and monitor the potential negative impact of its activity on community by aligning its community investment initiatives to national development goal, the result for contributing financial support to community development indicates that the bank should revise its funding in order to support community development.

The study survey result and interview conducted shows that CBE participates in environmental protection by planting trees making an organized team of employees including top management, making donations based on request and funding for education, agriculture and water resource projects both in the capital, Addis Ababa, and

rural sites. Based on these, the researcher can observe that CBE is well involved in environmental protection.

The result of table 4.2.7 indicates that CBE's practices in human right, regarding respecting fundamental principles and employees' right and complying with law of employee benefit, is satisfactory.

Based on the research questions, the finding of this research study indicated that the majority of the respondent respond that CBE is fully social responsible in Labour practices (employee training and development), fair operating practices, organizational governance, customer issues, community involvement and development, environment protection and human right. Which indicates that, involvement of CBE in CSR activates has enabled the bank to gain acceptance by the customers and society and also to gain competitive advantage over its competitors.

5.2.Conclusion

In general Commercial bank of Ethiopia has included social responsibility in its business operation and that is reflected in its value "*Corporate Citizenship*" which shows how the bank values its role in national development, care for society's welfare and the environment in which it operate as a business entity.

Based on the findings of the research questionnaires and interviews made with responsible managers of each selected branch, the researcher came to conclude that regarding economic dimension, CBE is currently working on the implementation of CRS practices as a means of gaining competitive advantage. The bank is also able to maximize its profit by creating awareness on the practices of CSR and its relation on attaining competitive advantage.

The bank is able to gain competitive advantage over its competitors by responding to customer complaint, monitoring the quality of its human resources, improving the quality of its services, lowering its operating costs, monitoring employees productivity, allocating fair budget on CSR, facilitating equal and fair working environment to employees, provide suitable arrangement for health and safety protection for employees

and customers, crating fair marketing strategy, provide services for the benefit of society, contributing financial support for community development, aligning community investment initiatives to national development goals, reducing its paper and energy consumption, participating and supporting natural environment protection and restoration of natural habitat, implementing comprehensive code of conduct, and following professional standards monitoring the negative impact of its activities on the community, managing any misconduct at work place, encouraging freedom of association of workers, providing and ensuring effective feedback and consultation to customers, creating awareness of relevant laws and regulations on CSR, striving to meet legal standards of services, honoring contractual obligations, seeking to comply with laws of employee benefit, providing internal policies to prevent discrimination in employee incentives, respecting fundamental principles and employee right and protecting customers form internal and external fraud.

The study also shows that the perception of CSR practices by CBE stakeholders and society has reached at an acceptable level. Based on the interviews conducted, the researcher had come to conclude that, since the ongoing involvement of the bank in all aspects of CSR dimension (economical, legal, ethical and environmental dimensions) shows that CBE is developing and practicing CSR as a means of gaining advantage over its competitors. The study also shows that, the society is becoming aware that in order to accept any service provider to operate in the community, the service provider should contribute and get involved in community development, protect the environment and society it operates in.

Finally, the study shows that, the implementation of CSR practices of CBE has enabled the bank to gain advantages such as maximizing profit and cash flow, being accepted as part the society and trust worthy, retaining skilled employees, new customer acquisition, lifetime value, cost saving, experienced quality in human resources management, high employee training and development levels, skilled managing capabilities, better quality of products and services, excellent organizational quality and administrative management, advanced technological resources and information systems, better transparency in financial management, high values and corporate culture cohesion, better experience in market knowledge, know-how and accumulated

experience, increased firm market value and competitive power, higher credibility attracting better employees or personnel, and reaching new market.

In general, CBE's practices of CSR, in the case of Addis Ababa city branches, regarding Labour practices (employee training and development), fair operating practices, organizational governance, customer issues, community involvement and development, environment protection and human right is currently in good manner. These had enabled the bank to lower employee turnover, improve or retain its quality and standard of services and achieve customer acceptance and sense of belongingness that automatically resulted in organizational profit and achievement of advantage over competitors.

5.3.Recommendation

On the basis of the findings and conclusions reached, the researcher would like to make the following recommendations in view of what has been concluded by the data collected and analyzed.

CBE pays attention to is the responsibilities of the bank towards its staff. In the banks view, the attainment of corporate goals is dependent on well-motivated and highly-qualified employees. To that effect, CBE has given high attention about labor treatment and practices specially, protects employees from abuse, providing decent living wage and developing real skill and long term career activities. The findings of research also shows that, the bank is working towards creating awareness that CSR activities can gain advantage over competitors to its stakeholders and society. In addition, it also shows that some stakeholders are still not confident on the practices of CSR and its relation to gaining competitive advantage. So the research recommends that, the bank should revise its budget allocation plan on CSR practices and facilitate skill development and awareness training for its stakeholders.

The bank actually place some importance on its value of loyal customer mind, so management goes all length to ensure that customers issues on CSR practices. This is why the bank has put in place an ion on customer issues policy which is applicable to all branches of the bank.

Particularly, regarding the financial contribution to support community development, the study finding indicated that CBE do not have sufficiently allocated financial budget. The study, therefore recommends that, in bid to contribute to community involvement and development, CBE must include a financial support budget plans in their credit and supplier requirements to impress on clients and suppliers to ensure the banks involvement in community development takes the lions share.

The researcher recommends that management of CBE should adhere to the need for Corporate Social Responsibility requires more for the bank to pay special attention to design and built forth programs and policies to enrich wealth knowledge of banking service staff and to understand their own position among the overall banking sector.

Finally, even though CBE participates in CSR activities, but in some situations some stakeholders of the bank may not be aware that CSR activities of CBE can gain competitive advantage. So as recommendation, the study suggests that CBE put in place a CSR communication strategy which incorporates various platforms and media to communicate or report their CSR activities to all stakeholders.

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Appendix A

**ST. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES
DEPARTMENT OF BUSINESS ADMINISTRATION
MBA PROGRAM**

Dear Respondents,

This study is conducted in partial fulfillment of the requirements for the Master of Art degree in Business Administration. A questionnaire is designed for the purpose of collecting data for the research work which is entitled **“THE PRACTICE OF CORPORATE SOCIAL RESPONSIBILITY ON COMPETITIVENESS: THE CASE OF COMMERCIAL BANK OF ETHIOPIA”**. The objective of this questionnaire is to obtain your perceptions and views of Commercial Bank of Ethiopia regarding CSR practices and competitive advantage. Your cooperation to respond this questionnaire is very important to the study because it represents thousands of others who are not included in the sample. Thus, you are kindly requested to answer the questions honestly and you are assured that your responses will be treated confidential and used for only academic purpose.

General Instruction:

- Guarantee you that your responses will not be disclosed to any one
- Do not write your name on the questionnaire
- Please simply tick the most appropriate response with honesty and truthfulness

Thank you in advance for your kind cooperation!

SECTION A: DEMOGRAPHIC CHARACTERISTICS

Instruction:

Please answer by ticking “√” in the box beside your choice

1. Gender: Male Female

2. Age: 20-29; 30-39; 40-49; 50-59; 60+

3. Academic Qualification: Diploma; First Degree; Masters;

Other please state.....

4. Number of years worked in the organization: < 2 years; 2-5 years;

6-10 years; 11-15 years; 16-20 years; 20+ years

SECTION B: CORPORATE SOCIAL RESPONSIBILITY

Please indicate how you agree or disagree with each statement by checking or ticking the box under your response option.

No	Variables	1 Strongly disagree	2 Disagree	3 Neutral	4 Agree	5 Strongly agree
1	A confidential procedure is in place for employees to report any misconduct at work (such as stealing, sexual harassment and corruption).					
2	CBE closely monitors employee's productivity.					
3	CBE continually improves the quality of its services.					
4	CBE contractual obligations are always honored.					
5	CBE contributes financial support to community development (e.g. supporting community education, construction of health facility, etc.)					
6	CBE employees are required to provide full and accurate information to all customers.					

7	CBE facilitates equal and fair working environment to all employees					
8	CBE has a comprehensive code of conduct.					
9	CBE has a process to ensure effective feedback and consultation with customers.					
10	CBE has loan provisions to low income individuals and small businesses.					
11	CBE implements CSR as a means of gaining advantage over competitors					
12	CBE monitors the quality of our human resources					
13	CBE seeks to comply with laws of employee benefits					
14	CBE services meet legal standards					
15	CBE strive to lower our operating costs.					
16	CBE strives to provide its customers the best quality of services (in technological, human resource and transparency of financial management)					
17	CBE tries to create fair marketing.					
18	CBE tries to participate and support natural environment protection and restoration of natural habitats.					
19	CBE's internal policies prevent discrimination in employees' incentives (compensation, training and promotion)					
20	CSR budget allocation by CBE is fair.					
21	CSR practices of CBE has enabled the bank to gain					

	competitive advantage over its competitors					
22	Employees' and customers of the bank are well aware that the practices of CSR can gain competitive advantage					
23	Fairness toward co-workers, business partners and customers is an integral part of CBE's employee evaluation process.					
24	Managers are informed about relevant CSR laws and proclamations					
25	Members of CBE follow professional standards.					
26	Our business has a procedure in place to respond to our customer complaint.					
27	The bank aligns any of its community investment initiatives to National development Goals.					
28	The bank encourages freedom of association of workers					
29	The bank has suitable arrangements for health and safety to provide sufficient protection for its employees and customers.					
30	The bank protects customers from internal and external fraud.					
31	The bank provides services for the purpose of benefiting society.					
32	The bank respects fundamental principles and employees rights					
33	The bank tries to reduce its paper and energy consumption by using technological resources.					
34	The nature of Corporate Social Responsibility activities undertaken by CBE reached at acceptable level.					

35	Top managers monitor the potential negative impacts of our activities on our community.					
36	We are recognized as a trustworthy company by our customers					
37	We have been successful at maximizing our profits.					

Interview Guides

1. Could you please tell me some of the main sectors or areas where the bank engages in CSR activities?
2. Does your Bank offer arrangements and procedures for the wellbeing of workers?
3. From the consumers' perspective, does your Bank have a responsibility to the society?
4. What efforts are made in the Bank to offer good community welfare?
5. Does the bank engage in CSR to improve community relation and how?
6. In what activity CBE participates in environmental protection and Restoration?
7. Do you think proper implementation of CSR practices can help the bank gain competitive advantage?
8. In what ways do you think the CSR practices of the bank, helped in gaining competitive advantage over competitors?

Appendix B

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Employees' and customers of the bank are well aware that the practices of CSR can gain competitive advantage	1226	0	4	2.38	1.106
Our business has a procedure in place to respond to our customer complaint.	1226	1	4	2.55	.782
CBE monitors the quality of our human resources	1226	1	4	2.49	.958
CBE continually improves the quality of its services.	1226	1	4	2.38	1.216
We have been successful at maximizing our profits.	1226	0	4	3.13	1.191
CBE strive to lower our operating costs.	1226	0	4	2.10	1.159
CBE closely monitors employee's productivity.	1226	1	4	2.48	.889
CBE implements CSR as a means of	1226	1	4	2.46	1.042

gaining advantage over competitors					
CSR practices of CBE has enabled the bank to gain competitive advantage over its competitors	1226	1	4	2.43	1.009
CSR budget allocation by CBE is fair.	1226	0	4	2.12	1.011
Managers are informed about relevant CSR laws and proclamations	1226	1	4	2.65	.701
CBE services meet legal standards	1226	0	4	2.78	1.123
CBE contractual obligations are always honored.	1226	0	4	2.27	1.347
CBE seeks to comply with laws of employee benefits	1226	0	4	2.15	1.101
CBE's internal policies prevent discrimination in employees' incentives (compensation, training and promotion)	1226	0	4	2.25	1.337

The bank respects fundamental principles and employees rights	1226	0	4	2.36	1.182
CBE has loan provisions to low income individuals and small businesses.	1226	0	4	2.09	1.316
The bank protects customers from internal and external fraud.	1226	0	4	2.51	1.102
CBE has a comprehensive code of conduct.	1226	0	4	3.01	1.241
Members of CBE follow professional standards.	1226	0	4	2.49	.881
Top managers monitor the potential negative impacts of our activities on our community.	1226	1	4	2.61	.756
We are recognized as a trustworthy company.by our customers	1226	0	4	2.74	1.126
Fairness toward co-workers, business partners and customers is an integral part of	1226	1	4	2.56	.806

CBE's employee evaluation process.					
A confidential procedure is in place for employees to report any misconduct at work (such as stealing, sexual harassment and corruption).	1226	0	4	2.23	.946
The bank encourages freedom of association of workers	1226	0	4	2.15	1.040
CBE employees are required to provide full and accurate information to all customers.	1226	0	4	2.50	1.224
CBE strives to provide its customers the best quality of services (in technological, human resource and transparency of financial management)	1226	0	4	2.31	1.101
CBE has a process to ensure effective feedback and	1226	1	4	2.42	1.053

consultation with customers.					
CBE facilitates equal and fair working environment to all employees	1226	0	4	2.03	1.106
The bank has suitable arrangements for health and safety to provide sufficient protection for its employees and customers.	1226	0	4	1.99	1.057
CBE tries to create fair marketing.	1226	0	4	2.44	1.109
The bank provides services for the purpose of benefiting society.	1226	0	4	2.34	1.448
CBE contributes financial support to community development (e.g. supporting community education, construction of health facility, etc.)	1226	0	4	2.12	1.382
The bank aligns any of its community investment initiatives	1226	0	4	2.42	1.307

to National development Goals.					
The bank tries to reduce its paper and energy consumption by using technological resources.	1226	0	4	2.88	.824
CBE tries to participate and support natural environment protection and restoration of natural habitats.	1226	0	4	2.38	1.196
The nature of Corporate Social Responsibility activities undertaken by CBE reached at acceptable level.	1226	0	4	2.23	1.160