

**IBN HALDUN UNIVERSITY
SCHOOL OF GRADUATE STUDIES
DEPARTMENT OF MANAGEMENT**

Master Thesis

**CORPORATE SOCIAL RESPONSIBILITY IN
ETHIOPIA: APPROACHES AND PRACTICES**

IBRAHIM BUSERA

THESIS SUPERVISOR: ASSIST. PROF. SÜMEYYE KUŞAKCI

AUGUST 2019

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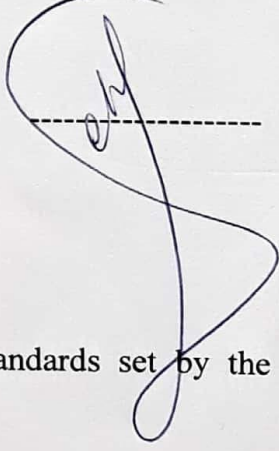
A thesis submitted to the School of Graduate Studies in partial fulfillment of the requirements for the degree of Master of Arts in Management.

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APPROVAL PAGE

This is to certify that we have read this thesis and that in our opinion it is fully adequate, in scope and quality, as a thesis for the degree of Master of Business Administration.

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ABSTRACT

CORPORATE SOCIAL RESPONSIBILITY IN ETHIOPIA: APPROACHES AND PRACTICES

Bushera, Ibrahim

MA in Management

Thesis Supervisor; Assist. Prof. Sümeyye Kuşakcı

August 2019, 67 Pages

There exists a great deal of academic writings about corporate social responsibility. However, the context of these papers is somehow similar focusing on the developed countries. Ethiopia, where the state is also a key player in the business has a quite different business, state and society interaction. In addition to the state's high stake in the business, the leverage of intellectual freedom, strong media, independent civil associations, activist and advocacy groups who had played key role in transforming the notion of corporate social responsibility is so weak in Ethiopia. Hence it is an ideal context with less driving forces to measure companies' corporate social responsibility practices. Given the fact that corporate social responsibility is an under researched area in developing countries, this paper aims to examine corporate social responsibility approaches and practices of indigenous firms in Ethiopia. Moreover, it will assess the stage of corporate social responsibility practice. Last but not least, this paper compares corporate social responsibility practices between private and state owned companies. The finding reveals that, though it is fragmented and the priorities are different from the global trend, Ethiopian companies practice CSR. In addition, there is no statistically significant different between the CSR practices of private and state owned businesses.

Keywords: Corporate Social Responsibility, Ethiopia, CSR pyramid, Developing Countries, Africa.

ÖZ

KURUMSAL SOSYAL SORUMLULUK: YAKLASIMLAR VE UYUGULAMALAR

Bushera, Ibrahim

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Tez Danışmanı; Dr. Öğr. Üyesi Sümeyye Kuşakcı

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Kurumsal sosyal sorumluluk hakkında çok sayıda akademik yazı bulunmaktadır. Bununla birlikte, bu makalelerin içeriği bir şekilde gelişmiş ülkelere odaklanmakla benzerdir. Devletin iş dünyasında da önemli bir oyuncu olduğu Etiyopya'da, oldukça farklı bir iş, devlet ve toplum etkileşimine sahiptir. Devletin iş dünyasındaki yüksek payına ek olarak, Etiyopya'da kurumsal sosyal sorumluluk fikrinin dönüştürülmesinde kilit rol oynayan entelektüel özgürlük, güçlü medya, bağımsız dernekler, aktivist ve savunuculuk grupların etiki zayıftır. Dolayısıyla, şirketlerin kurumsal sosyal sorumluluk uygulamalarını ölçmek için ideal bir bağlamdır. Kurumsal sosyal sorumluluğun gelişmekte olan ülkelerde araştırılmayan bir alan olduğu göz önüne alındığında, bu makale Etiyopya'daki yerli firmaların kurumsal sosyal sorumluluk yaklaşımlarını ve uygulamalarını incelemeyi amaçlamaktadır. Ayrıca, kurumsal sosyal sorumluluk uygulamasının aşamasını değerlendirecektir. Bunun üstünde, bu makale özel ve devlete ait şirketler arasındaki kurumsal sosyal sorumluluk uygulamalarını karşılaştırmaktadır. Neticeye göre, parçalanmış olmasına ve önceliklerin küresel eğilimden farklı olmasına rağmen, Etiyopya şirketlerinin KSS'yi uyguladığını ortaya koymaktadır. Ayrıca, özel ve devlete ait işletmelerin KSS uygulamaları arasında istatistiksel olarak anlamlı bir fark yoktur.

Anahtar Kelimeler: Kurumsal Sosyal Sorumluluk, Etiyopya, KSS piramidi, Gelişmekte Olan Ülkeler, Afrika.

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ISTANBUL, 2019

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List of Abbreviations

| | |
|------------|-----------------------------------|
| CSR..... | Corporate Social Responsibility |
| CG | Corporate Governance |
| ESG | Environmental Social Governance |
| PLC | Private Limited Company |
| SOE | State Owned Enterprise |
| SD | Sustainable Development |
| SI | Sustainable Investment |
| UN | United Nation |
| UNDP | United Nation Development Program |

CHAPTER ONE

INTRODUCTION

Ethiopia, a country with its own unique calendar of 13 months, located in east of Africa with a population of more than 100 million (ESA, 2015). Agriculture is the backbone of the country, nevertheless, the service and industry sector are playing key role as a catalyst of the economy.

According to the official report of World Bank, over the last decade Ethiopia has had one of the fastest growing economies in the world, with an annual average GDP growth ranging from 7% to 12% (International Monetary Fund, 2016). Nonetheless, this economic growth came with higher cost. In the pursuit of attracting foreign direct investment the government used a loose investment and business policy. The measures taken as a competitive advantage to lure investors went far to the extent of not defining the minimum wage level (Gelan, 2018). Though the millennium development goals crafted in 2000 forced many under developed and developing countries to embed sustainable investment in their pursuit of sustainable growth, CSR didn't receive equal attention.

1.1. Business and State Dynamics of Ethiopia

Given the fact that Ethiopia is an authoritarian state, Business, the dominant model (Abbinik, 2006, Aalen & Tronvoll 2009) can depict state and society interaction. According to Steiner and Steiner (2009), “the dominance model of business, government and society relation is a context where the business and government dominates the society. Such a system is undemocratic. The powerful state elites and corporations created such an environment that benefits them at the expense of the society”. In an undemocratic state dynamics, governments unlikely represent the interest of the people (Steiner and Steiner, 2009). This gets worse when the

government has a business interest. The policies and action will tend to favor government and its business allies. The absence of strong independent media, civic institutions, intellectual freedom, democratic rights and fragile balance and control between the three government organs has been suitable environment for exploitive systems to grow and get mature.

In a country where more than 70% of the population is engaged in agriculture for living, the value of land is priceless. Unfortunately in Ethiopia, land is owned by the state. Hence, as the state has a stake in the business, it can dismantle the real owners of the land from their settlement without enough compensation either for its own use or for leasing with higher rent at any time (Gebresillasié, 2006).

It is crystal clear that firms do not prosper in a vacuum. Without going into the detail of the externalities caused by firms, it is undeniable that many firms in Ethiopia use key resource of the society like land, labor and other natural resource in exchange for a very low payment (Gebeyehu, 2006). Thus, in addition to the environmental impacts, firms have significant effect in the social and economic livelihood of the society.

1.2. Statement of the Problem

The notion that businesses have a due responsibility towards the society has become stronger than the counter one. However, there is a difference in the Nature, extent and implication of the social responsibilities of business. Ethiopia, where the state plays key role in the business, the dynamics that represents the interaction of business and society is somehow different. As big businesses like Airlines, Transport and communication are monopolized by the state, it is natural to assume state have additional functions above the conventional role of protecting, regulating and rewarding functions.

Given this assumption, one can ask, did the state's involvement in the business impact the way the businesses behave? More appropriately did the nature of social responsibility of businesses different in this context? Did business assume corporate social responsibility practice? If so at what level is the CSR practice?

1.3. Aim and Objective of the Study

This paper will examine the nature of corporate social responsibility practice of home-grown Ethiopian business, both private and state owned. Multinational companies operating in Ethiopia or multinational companies owned by Ethiopians are not included in this study, as their activity is affected by various external factors. The main objectives of this study are:

- 1.3.1. Explore the nature of corporate social responsibility practice in Ethiopia.
- 1.3.2. Investigate the stage of CSR practice in Ethiopia.
- 1.3.3. Compare CSR practice between private and state owned business.
- 1.3.4. Last but not least, it is a case study of corporate social responsibility under the dominant business, government and society interrelation model.

1.4. Research Questions

In order to achieve the aforementioned aims and objectives, the following research questions are outlined:

- 1) Did Ethiopian companies practice CSR?
- 2) What is the nature of CSR practice in Ethiopia?
- 3) At which stage is the CSR practice in Ethiopia?
- 4) Is there a difference between CSR practice between private and state owned business in Ethiopia?

1.5. Research Design

Research design is a template or outline that summarizes how a research investigation took place. According to Cuthill (2002), research design includes an outline how the data is collected, what kind of techniques used for data collection, how the collected data is organized and the techniques used to analyze the data. As the nature of this study is exploratory, this study adopts a mix of both qualitative and quantitative research approaches suitable for the nature of the study. The qualitative approach involves the collection of secondary data

from company's websites; organize the data in manner suitable for the intended analysis. Web based content analysis is used as part of the qualitative approach to analyze the data. The quantitative method is employed in both data collection and analysis. Structured questionnaire is distributed, collected and organized using different survey techniques. Due to the nature of the study descriptive statistics and exploratory factor analysis is used to analyze and interpret the data by using SPSS and Micro soft Excel programs. To compare group means of independent samples independent T-test is conducted. This thesis is structured in five chapters. Chapter one deals with introduction. Chapter two analyzes literatures on the topic. Chapter three discusses the methodology employed in this study. Chapter four presents data analysis and interpretation. Last but not least chapter 5 provides conclusion and recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.1. The Role of Business in a Society

Though the discussion regarding the role of business dates back to the early years of 19th century, it was in 1930s that the topic got reasonable consideration in the academic circle (Fifka, 2009). In his famous book, “Measurement of the Social Performance of a Business”, Theodore Kreps (1962) developed a model for understanding and measuring the social engagement of business. At that moment the arguments used to revolve around the nature of business institution. Even though the dominant discourse was that corporations are economic institutions, Berle and Means, (1933) boldly argued that corporations should transform its self from an economic institution with a sole intent of profit maximization towards social institution.

Until 1953 the discussion on the role of business towards society was themed by different terms and notions like social engagement and social involvement. However, in the year 1953 a scholar named Howard Bowen (1053) introduced the word social responsibility in his work titled “Social Responsibility of Businessmen” (Bowen, 1953). In his article Bowen affirmed that social responsibility of a business “refers to the obligations of businessmen to pursue those lines of action which are desirable in terms of the objectives and values of our society”. Although the idea of the objectives and values of a society is vague and open to different and contradicting definitions and understandings, Bowen asserted that business have an irrefutable responsibility towards the society they are operating in.

The famous management guru Peter Drucker (1964) analyzed the role of management beyond the shareholders interest mentioning their responsibility

towards the people under them, referring to employees, to the country's general economy and most importantly to the society. Drucker's assertion on the role of business in the society stretched from a subset called society to an extended set called country. Another Prominent scholar, Brown (1979) condemn the single purpose of

business which is a mere quest for profit making and called for a change towards multiplicity of purpose incorporating economic, social, educational, environmental goals. Quite apart from his predecessors Brown goes further to incorporating political role in the intrinsic purpose of a business. Browns discussion focused in altering the bottom lines of every business.

Changing the philosophy of the business towards value creation is not only a manifestation of social responsibility but also it enhances the sustainability of the business as argued by Collins and Porras (1994). In "Successful Habits of Visionary Companies" they argued that a visionary company (and that generally means one that will survive), depends 'on a timeless set of core values and an enduring purpose beyond just making money' (Collins & Porras, 1994). Robert Dahl (1972) argued "business will benefit from a better society just as any citizen will benefit; therefore business has a responsibility to recognize social problems and actively contribute its talents to help solve them. Such involvement is expected of any citizen, and business should fulfill a citizenship role" (Cited in David birch, 2003). Linowes (1974) based his argument of business responsibility towards society on the assumption that business is dependent on society to the extent that it cannot divorce itself from society. Hence, as it is a part and parcel of a society business should assume responsibility towards society.

David Birchs (2003) argument is oriented in lifting the idea of social responsibility of business beyond the notion of philanthropy, corporate generosity, business community partnership etc towards changing the vary business philosophy. The key point in his discussion of social responsibilities of business is that the business fundamentally should be oriented from money

making to value creation (Birch, 2003). Nevertheless, he didn't clearly interpret what he meant by value creation.

On the other hand there are few scholars who denied the existence of any fundamental social responsibility a business is bestowed on. Their argument revolves around the notion that the very philosophy of business is to make profit and it is inherently an economic entity with a single purpose, which is maximizing profit (Henderson, 2010). For scholars like Milton Friedman making profit is a sufficient responsibility for any business (Friedman, 1970).

It is crystal clear from the above discussion of literatures that business is no longer an institution of single purpose entity where its mere quest is profit making. Just like any citizen business also bears social responsibilities. The basic question is what is this responsibility? What are the scopes and bottom lines?

2.2. Understanding CSR

Though labeled as vague by many scholars (Fifka, 2009) the first definition of CSR is provided by Howard Bowen. According to Bowen (1953) corporate social responsibility refers to “the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society”. Even if the conception of CSR by Bowels is not clear and quantifiable it is understandable that Bowen is arguing about businesses responsibility towards society.

According to Bowen every business has a responsibility towards society, which is defined by the objectives and values of the society and the business should give reasonable consideration for the society's objectives and values during decision making and policy crafting.

Joseph McGuire (1963) extended CSR beyond the framework of economic and legal obligations. According to McGuire “the idea of social responsibilities supposes that the corporation has not only economic and legal obligations but

also certain responsibilities to society which extend beyond these obligations.” (McGuire, 1963). However McGuire failed to demarcate the scope of the responsibility he claimed business’s have.

Clarence Walton conceptualized CSR as an intimate relationship between society and business. Quite apart from his predecessors he envisioned CSR as a two relationship that a one way responsibility. He argued that “the new concept of social responsibility recognizes the intimacy of the relationships between the corporation and society and realizes that such relationships be kept in mind by top managers as the corporation and related groups pursue their respective goals” (Walton, 1967). Walton emphasized on the combined responsibility of managers and the corporation to ensure CSR execution. It can be clearly understood from the literatures that the early concepts of CSR are built on the basic assumption that business have responsibilities in their society.

Carroll designed a 4 level pyramid model of CSR in 1979, which is arguably the most clear and quantifiable conception of CSR. That’s why it later becomes the most established model of CSR. Initially Carroll defined CSR as “CSR encompasses ethical, economic, legal and discretionary expectations that society has of organizations at a given point in time”. But later on by altering the concept of discretionary expectation into philanthropic acts he redefined CSR as “the firm should strive to make profit, obey the law, be ethical and be a good citizen.”(Carroll, 1979)

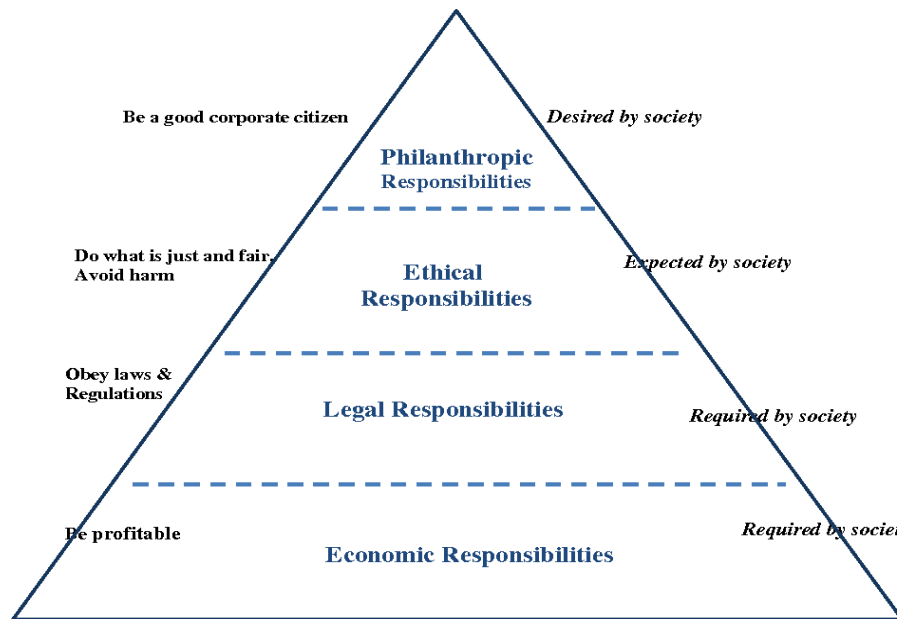


Figure 2.1. Carol's Pyramid (Carroll, 1979)

For Watts and Holme (1999) CSR is about aligning economic development with improving the quality of life of employees and also the society at large. The economic success of the business can be intertwined with a commitment of improving the quality of life of those the business can reach. Improving the quality of encompass many aspects ranging from economic, social, environmental to political. Hence looking at CSR through this frame delivers a better understanding.

Kytle and Ruggie (2005) raised the realm of CSR in the academic circle. They argued that CSR is not only about what companies do with their profit, but also how they earned their profit. Accordingly companies should embed ethical values of conducting business in their strategy. As the circle of influence of a business extends beyond the work place and market place to the supply chain, community and macroeconomic policies, business should critically assess not only the way they manage their economic, social and economic impacts but also their stakeholder relations (Kytle and Ruggie, 2005).

2.3.CSR between Different Definitions and Varying Practices

As Porter and Kramer asserted, “globally, corporate social responsibility has become an unavoidable priority for business” (Porter and Kramer, 2006). An early and prominent manifestation of CSR was made by Howard R. Bowen in his famous book “Social Responsibilities of Businessmen” published in 1954. Bowen discussed five arguments to justify the notion of social responsibility. According to Bowen “corporate managers have ethical duty to consider their decisions social impact, they are reservoirs of resource and capabilities to improve civic life, they must lose their legitimacy, they contribute to social progress and voluntarily take social responsible action so as to curve negative public reactions and unwanted regulations”(Bowen, 1954). This manifestation of CSR by Bowen was echoed by 200 CEOs of the largest corporations in the famous 1981 business round table CSR statement (Steiner and Steiner, 2009). Despite the practical changes following this statement by CEOs, CSR didn’t receive equal attention, and moreover was misunderstood by many as a tradeoff between profit and social responsibility.

The notion of corporate social responsibility has various definitions throughout literatures and at the same time different form of practices in the real business world. According to Votaw (1972) “CSR means something but not always the same thing to everybody”. Votaw clearly stated that there is no any single definition of CSR that is accepted by everyone. As cited by Fifka (2009).

“The World Business Council for Sustainable Development – a CEO-led, global association of more than 200 multinational companies – observed that “no universally acceptable definition of CSR exists”. Quite apart from the non-existence of a universally accepted definition for the concept of corporate social responsibility, the corporate social responsibility per se evolved through the course of time. It is crystal clear that, the context of 1960s was quite different from that of 1970s and so on. As CSR is embedded in a context its definition and perception in 1960s is also different from the 1970s.

The concept and definitions are not only different; however sometimes there exist a contradicting definition of CSR. Howard Bowels conception of CSR is contradictory to that of Milton Friedman's conception. Even the well known scholar of CSR Carroll revised his definition of CSR, to be more specific Carroll changed the notion of discretionary expectation which he portrayed in his four part model of CSR in 1979 to philanthropy. Matthias S. Fifka (2009) states that "In order to understand the different notions and definitions of corporate social responsibility it is necessary to look at their development over the course of time".

Just like the definition, the practice of CSR also varies from firm to firm, state to state, country to country. The contexts in which the businesses operate also dictate the practice of CSR, creating a varying trend. Economic development is also another factor that has impact in the way CSR is implemented. After studying the nature of CSR in 3 different countries namely Singapore, Turkey and Ethiopia which are at different economic development stage Dianna and Robertson (2009) concluded that CSR practice is sensitive to country differences (Dianna, Robertson, 2009). Schmidt and Cracau (2015) studied the CSR practices by cross examining the perception in two countries, namely Germany and Qatar. Based on a survey conducted on a sample size of 265 business students in both countries, they found out that, there exist a fundamental difference in the perception and practice of CSR between the two countries. According to their finding the CSR in Qatar is oriented to philanthropic activities where as in Germany ethical standards are highly valued (Schmidt and Cracau, 2015).

Wayne Visser (2005) argued the CSR practice in Africa is completely different from what is practiced elsewhere. According to Visser the essence and priorities of CSR in Africa is different. In addition, Contrary to the practices in Europe and America, philanthropic responsibility of business is valued more second to economic responsibilities. Visser developed an African version of Carroll's

pyramid of CSR (Visser, 2005).

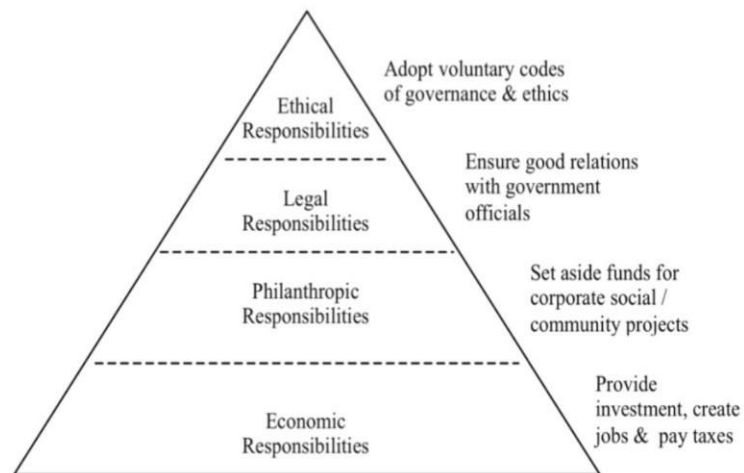


Figure 2.2 Africa's Social Responsibility Pyramid (Visser, 2005)

2.4. Stages of Corporate Social Responsibility

As discussed earlier, the concept of CSR differs from context to context and went through an evolution of both understanding and practice throughout time. In addition, the practice of CSR also differs from company to company, place to place and most importantly according to stage of economic development (Robertson, 2009). Due to this fact scholars developed various scales to measure the stages of CSR practice.

According to Rischard (2002) companies pass through five stages of CSR practices. These stages can be understood as forms of CSR practices. The first form is charity and sponsoring, where the companies practice is limited to charity giving. The second form is defensive CSR, where the primary goal of the CSR practice is to protect the brand image from various forms of attacks, complaints and criticisms that damage the brand image. In this form of CSR, the practice is triggered by external pressures. The third form of CSR is offensive; it is a practice where the company aspires to be a leader in CSR practice. In this form beyond the practice, the company focuses on public relation initiatives that

depict a better image of the company with respect to CSR practices. The fourth form is pragmatic CSR practice where the CSR practice is embedded in the business strategy of the company so that they can go hand in hand in the pursuit of business success. In this form of CSR the company focuses on pragmatic practices that contribute a share in driving development and poverty reduction. The fifth form of CSR practice is Global problem solver; it is a practice where the company aspires to be an active participant in problem solving of our globe. In this form of CSR practice, the company has its own research and development team which studies the acute problem of the world and strive to mitigate it wisely.

According to Rischard (2002) company may employ more than one CSR practice at a time. Johnson (2003) provided another model that helps understand level of CSR practices in a given company. Johnson's work more of show levels of CSR. According to Johnson, the first level of CSR practice is called illegal or irresponsible; where companies do not comply with norms and standards set by the society and also with legal requirements of the state. The second level is compliance; where the companies CSR practice is oriented only towards meeting the minimum legal standards. In this stage companies did not go beyond not violating laws. The focus is to comply with the minimum wage level, product safety, employee health, minimizing environmental impact and so on that is set by law. The third level is fragmented, whereby companies try to engage in activities like charity, community support, environmental protection beyond complying for rules and regulations. This level is named as fragmented to depict the fact that the activities perceived as CSR by companies are fragmented than being strategic. The fourth level is called strategic: in this level the companies practice is oriented in engagements that enhance their financial performance. Ethical values embedded in company policies, community support based on need assessment, and environmental friendly business are basic profiles of companies at this level. The fifth level is social advocacy: characterized by companies philosophy where profit is not the sole objective of the company. Hence the CSR

practice is motivated by intrinsic moral not profit maximizing. Moreover the CSR activities are strategic with regards to maximizing social benefit, irrespective of its impact on financial performance.



Figure 2.3. Stages of CSR (Johnson, 2003)

For Johnson, companies are regarded as socially responsible when they are at level 3 and 4. Nevertheless, only companies at level 5 are regarded as an instrument of social change (Johnson, 2003). In this study I will employ, Johnson's CSR level to categorize Ethiopian company's CSR practice in order to have a clear understanding of the CSR practice.

2.5. Is CSR a Cost Without Profit?

Another argument under the realm of CSR is the importance of CSR activities for the firm. This argument is addressed in two ways. Firstly, by assessing what a firm benefit from its CSR practices and secondly by evaluating what the company will lose if it fails to practice CSR. The stakeholder theory of CSR, argues CSR pay off by asserting the fact that the satisfaction of various

stakeholder has a tremendous impact on the firm's performance which yields a financial return (Mitchel et al, 1997).

There are a handful of empirical studies that measured the financial return of CSR practices. Each study portrays varying findings. Orlitzky, Rynes and Schmidt conducted a Meta-analysis on 52 empirical studies, resulting in a total sample size of 33,878. According to their finding CSR and corporate financial performance have positive correlation. In addition, they asserted the fact that companies with higher corporate social performance are less likely to be penalized by market forces and also benefit from reputation resulted from CSR performance (Orlitzky, Rynes and Schmidt, 2003).

Griffin and Mahon (1997) Analyzed 62 studies on the correlation of corporate social performance and corporate financial performance. According to their finding 53% of the studies find out that there exit a positive correlation between CSR performance and corporate financial performance. 32% of the studies depicted a negative correlation between CSR performance and financial performance. While 14% of the studies found no correlation between CSR performance of a company and its financial performance.

Roman et al (1999) re studied the 62 articles previously studied by Griffin and Mahon in 1997. The reason they claim for their restudying is the methodological error found in Griffin and Mahon study which according to their claim overstated the negative correlation result. According to Roman et al (1999) an outstanding 63% of the studies showed a positive correlation between CSR performance and corporate financial performance. While 14% of the studies depicted no correlation, only 5% of the studies find out negative correlation between CSR performance and financial performance.

Fifka (2009) argued businesses also benefit from the market forces that include suppliers, customers, employees and other stakeholders as a result of their CSR activities. He further emphasized the loss a company incurs if it is labeled as socially irresponsible. Hence CSR practices benefit is not only from the reward it delivers but also the protection against a cost any company don't want to incur

resulting from failing to be socially responsible (Fifka, 2009). Nike paid high cost by losing a tremendous amount of sale as a result of public anger followed by boycott campaigns when the company's production plants use of child labor become public. The same loss of sales happened to Exxon as a result of boycott when the company refused to sign the Kyoto protocol. Numerous examples can be mentioned regarding the cost of not acting socially responsibility.

Peter Drucker also argued that CSR both create new business opportunity and increase the existing pool of business opportunities. According to Drucker social problems are new market opportunities for companies. Hence in the pursuit of addressing these social problems the firm is utilizing the business opportunities (Drucker, 1984).

Porter and Kramer (2006) argument is quite different. They argued that the current notion of CSR forces companies to think CSR in a standard way instead of letting companies to think CSR in a way appropriate to their respective business and the resource they have. As a result, CSR practices are not as productive as expected. According to Porter and Kramer, for CSR to deliver its expected fruit the context of the company and the resource its own should be considered and embedded in the perception of what CSR really is (Porter and Kramer 2006).

C.B. Bhattacharya and Sankar Sen (2004) analyzed the significance of CSR practice in three aspects, namely importance to the company, to stakeholder and to the cause. They argued that an appropriate CSR practice result in employees' overall wellbeing, better awareness of the company, an improved attitude towards their job and an amplified emotional attachment with their company (C.B. Bhattacharya and Sankar Sen, 2004).

2.6. Driving Forces of Corporate Social Responsibility

Until 1991 everything seemed smooth for Nike. The reputation of the company coupled with an ever increasing profit was booming. However, in 1991, Things started to change around. Reports emerged accusing Nike over child labor, Inappropriate working conditions in its offshore production plants, underpayment etc (Pryce v., 2002). The report become viral. Medias, activists, human right advocates accused Nike and led a boycott campaign against its product. This led to a significant decrease in its sell and forced the CEO of the company Phil Knight to accept the accusation and vow to take compensatory measures like laws that prohibit the use of child labor and initiatives of better pay for their workers (Pryce V. 2002).

The notion that business is affected more and more by non-market forces has get momentum. Porter (1980) analyzed micro and macro forces that affects and determine the success of business. Though the primary forces, what he called five forces, are industry forces, he listed non market forces and their impact too (porter, 1980). Besides his analysis of forces that affect business, Porter along with his colleague Kramer mentioned Government, Media and activists as a driving force of CSR practices. They view the impact of Government, activists and media as a negative force for two reasons. First their approach pit business against society and secondly their pressure is forcing companies to practice CSR in standardize way, while it should have to be in contextualized way according to him (Porter and Kramer, 2006).

Fifka (2009) asserted Porters and Kramer's argument by saying "The public has come to expect businesses to do more than to simply act accordingly to the laws. While legal compliance is *sine qua non*, it alone is not sufficient any more in times when consumers believe that businesses are more than mere providers of goods and jobs" (Fifka, 2009).

Haigh and Jones (2006) examined factors that drive CSR. According to their

literature review six factors that are commonly considered as driving forces of CSR are:

- internal pressures on business managers
- pressures from business competitors
- investors
- consumers,
- Regulatory pressures coming from governments a
- non-governmental organizations

The corporate citizenship poll conducted by Cone Communications in 2002 portrays that 84% of American customers prefer a brand which is associated with a good cause than a brand which is not if their quality and price is the same. As cited by Bhattacharya and Sankar Sen (2004) “a study conducted by Hill and Knowlton in 2001 reveals that 79% of American customers regard corporate social responsibility practices into account when deciding whether to purchase a particular company’s product” (Bhattacharya and Sankar Sen, 2004).

Bhattacharya and Sankar Sen (2004) further shed light on the trend of ethical consumers as a driving force of CSR by saying “This positive link of CSR to consumer patronage is spurring companies to devote greater energies and resources to CSR initiatives. In other words, the lure of greater consumer profits has contributed significantly in recent years to the strengthening of the business case for CSR activity, shifting the debate about CSR from “whether” to “how.” Notably, however, a clear articulation of the “how” question is not a straightforward matter” (Bhattacharya and Sankar Sen, 2004).

Fifka (2009) asserted moral and ethical responsibility as a driving force of CSR. For Fifka the external force doesn’t force companies to practice CSR beyond obeying rules and regulation. As the scope of CSR is beyond obeying laws and regulation, it needs a voluntary commitment to undertake any sort of CSR

initiative. And this voluntary commitment is the manifestation of moral and ethical values of the company (Fifka, 2009).

2.7.The CSR and Sustainable Development Nexus

The debate on the purpose of the corporation seems near to its end by redefining the purpose of firms as creating shared value, not just profit making (Porter and Kramer, 2011). The notion that corporation are social institutions has gained momentum. Now a day more and more people, governments, civil society, international organizations like United Nation keep calling business to be environmentally and socially responsible, to be accountable and transparent for their actions, in general to be more equitable and sustainable (Arli and Lasmono, 2010).

Some business also took the initiative in promoting the idea of social responsibility. The famous business man George Soros says in his book *Open Society, Reforming Global Capitalism*, "...the main failing of global capitalism is that it is too one-sided: it puts too much emphasis on the pursuit of profit and economic success and neglects social and political considerations." (Soros, 2000:179). Soros first criticized the profit focused single purpose idea of business which assumes no social responsibility, then he emphasized that business should take social and political consideration and took responsibility in these regards.

The former UN secretary general Ban Ki Moons speech in 2015 about the role of business in achieving the millennium development goals emphasized the essentiality of business in addressing social problems. In addition, Businesses were also asked by UN to sign on the ten UN global compact principles on human right, labor standards, environmental protection and anti-corruption (Jenkins and Williamson, 2016).

Thurow (1988) emphasized on the idea of building a sustainable society. For Thurow business should play a leading role in building sustainable society by widening their scope from economic specific to an institution of social and

environmental change (Thurow, 1988). He recommends business to make investments in society's interests in order to secure their own long term interests (Thurow, 1966)

The 17 sustainable development goals can be summarized in 4 categories as social, economic, environmental and political. As discussed above CSR is the social, economic, environmental and political responsibility of companies embedded in their business. Hence it can be inferred that CSR is a business role in the global strive of achieving the sustainable goals. Some scholars stick to the three broad responsibilities of business, ignoring the political role. John Elkington (1998) developed a model of triple bottom line of business encompassing economic prosperity, environmental quality and social justice that secures a sustainable future for our world (John Elkington, 1998). Supporting this claim Collins & Porras (1994) asserted that for a visionary company, it is a must to go beyond the purpose of just making money to embedding a timeless set of core values in order to be sustainable (Collins & Porras, 1994).

According to birch (2003) "The cultural change in investing in the long-term future, and in building a sustainable society as part of it, is at the core of the corporate social responsibility discussions over the last fifty years or so. To that end, corporate social responsibility is not only about the survival of capitalism, it is about the creation of sustainable capitalism. In that respect, it is in every business persons' interest, as well as in every citizen's interest, in every society."(Birch, 2003).

2.8.CSR in Developing Economies

Despite the global attention CSR received in the last decades, it has a long journey to go in developing countries context (Arli and Lasmono, 2010). Just like business strategies and practices are influenced by culture and context, arguably CSR cannot escape this fact. As porter and Kramer pointed out CSR emerged from external pressure, it is obvious that the attention given to CSR is determined by extent and power of these external pressures. Given the difference

in the market structure, the government, business and society interaction model, customer awareness, Media and civic institutions strength, the perception and attitude towards CSR differs (Matton and Moon, 2008).

Consumer's behavior is also another factor that played a key role in shaping the notion of CSR. In developed countries consumers are sensitive to Ethics and Ethical products, while consumers of developing countries are less sensitive (Arli, Bucic, Harris & Lasmono, 2014)

CSR was initially understood as some kind of philanthropy work (Porter and Kramer, 2006). This misunderstanding is a prevailing situation in sub Saharan African Status quo. Given this fact Muthuri and Gilbert (2011) suggested the development of African Version of CSR taking into account the factors driving CSR in the region. Quite apart from the context, business in Africa is mainly resource intensive, more specifically concentrated around natural resources. Hence there is high probability of misuse of these natural resources and a likelihood of environmental degradation. As quoted by Porter and Kramer (2006): - The leading Non for profit CSR organization in the united states asks its members "achieve commercial success in ways that honor ethical value and respect people, communities and the natural environment" (Porter and Kramer, 2006) .

Environmental and community stewardship is one of the main arguments manifested by the proponents of CSR. Former Norwegian president's speech in the 1980s saying "meeting the needs of the present generation without compromising the ability of future generation to meet their own needs" is a timeless definition in the CSR discourse (Porter and Kramer, 2006).

The effort of African countries to liberalize and open up their economy in order to attract foreign direct investment rewarded with ever increasing foreign direct investment (Nyuur, 2011). However, attracting and retaining foreign direct

investment is not enough. In order to enjoy the benefits of the foreign direct investment which off course have social, environmental and economic tradeoffs, a well-developed CSR is a must. A well developed and critically implemented CSR significantly contribute to a social and economic progress (Jenkins, 2005).

Visser (2007) also argued that the essence of CSR is quite different in the developed and developing countries environment. Hence he developed a CSR model for developing countries by extending the well know Carroll's CSR pyramid.

According to Visser (2006), the dimensions of CSR proposed by Carroll should be contextualized to the Africa's environment. He proposes a CSR model where the economic role of the company is given high priority and importance in the CSR hierarchy due to the high unemployment rate, poor economic condition, and low investment. In addition, philanthropic activity is second to economic role in terms of importance due to the prevailing severe economic condition. The importance of Legal and ethical responsibilities comes after. It is clear that the prioritization of philanthropic activity over legal responsibility is arguable. However, Visser defined legal responsibility as maintaining good relation with government officials. In my humble opinion Vissor's definition of legal responsibility seems contradicting to the very essence of CSR. Below is a diagram of Visser's CSR model for Africa (See figure 2.3).

2.9.Practices of CSR in Ethiopia

Diana C. Robertson studied the nature of CSR in Ethiopia in 2009 in her article titled, "Corporate Social Responsibility and Different Stages of Economic Development: Singapore, Turkey, and Ethiopia." Diana used four factors to examine the nature and variation of CSR across three countries found in different developmental stage. She used snowball sampling method and conducted interview with academicians, businessmen, Government leaders and NGOs in the three countries. Diana illustrated in her study that CSR practice in Ethiopia is in an infant stage. According to her finding the private sector let alone playing

a leading role in the advancement of CSR practices, is not strong enough to consider CSR.

Atraga (2014) studied CSR practices of commercial banks in his Master thesis titled Corporate Social Responsibility and Commercial Banks the case of Nib International Bank S.C. Atraga selected 90 managers and employees as his sampling by employing purposive sampling. He analyzed the data collected through questioners using descriptive analysis technique. Atraga's finding portrays that there exists a very low engagement of banks in social activities. According to Atraga, Decision making process of the Bank considers abiding to laws and regulations set by the government, not social responsibility.

Rama, Rao and Hailu (2016) studied CSR practices of Brewery firms. They selected 429 samples from the five major brewery firms by employing convenience sampling technique. The study focused on the perception of employees towards the environmental CSR initiatives of the companies. The data analysis part employed descriptive technique and inferential statistics. The study finds out that there exists a positive perception of employees towards the environmental CSR initiative of their respective firms. In addition, the study affirmed that, the firms gave little attention to disclose regular information about environmental management in general and their initiative in particular to external stakeholders (K. Rama Mohana Rao, Fentaye Kassa Hailu, 2016)

Deyassa (2016) investigated and analyzed CSR from an Ethiopian perspective in his article titled CSR from Ethiopian perspective. Deyassa collected data through interviews and dialogues with managers. The number of samples in the study is not mentioned in the article. Another limitation of the article is that the interview was confined to companies in two cities. Deyassa find out in his study that CSR is a new trend in Ethiopia, which is a result of the increasing inflow of multinational companies to Ethiopia and the pressure from NGOs regarding the environmental impacts the firms are causing. According to Deyassa, the CSR

practice in Ethiopia is oriented to philanthropic activities. In addition, most companies did not develop not only a peculiar model but also a concept of CSR too.

Zegeye (2013) studied the nature and practice of CSR in Floriculture industry in his master's thesis titled "Corporate Social Responsibility Program in Ethiopian Floriculture Industry". His study is based on a qualitative approach by observing 53 flower exporting firms. He used inductive inference to relate empirical evidence with theoretical literatures. According to Zegeye's finding companies in the floriculture industry have a better understanding and practice of CSR. The firms in the industry work responsibly, concerned with not only shareholders value but also the overall benefit of stakeholders. The finding depicts that the firms managed to incorporate social, economic

and environmental friendly practices to their business strategy. Quite apart from this there exist complaints from environmental protection groups and communities about the environmental sensitivity of the industry. The inorganic fertilizers, chemicals and pesticides utilized in the farmlands are causing serious problem to the environment. One thing that should be noted here is that, these horticulture companies are export companies where their products destination is the global market. Hence there is high probability that the CSR practice of this industry is highly influenced by the CSR trends in the global market than the CSR culture and driving forces of the country.

Potluri and Temesgen (2008) studied the attitude of Ethiopian corporate towards CSR. They selected 50 companies and employed structured questioner and interview to collect data. In addition, they included the views of employees; customers and general public to cross validate the data obtained from the companies. Their finding shows that there exists a positive attitude for implementing CSR. However, this attitude doesn't reflect the CSR practices of the companies. According to the study only 40% of the companies are positive in disclosure of information. 69% of the employees are under satisfied by the CSR practices in their respective company while a significant 75% of the general

public is displeased with the CSR practices of Ethiopian corporate. In addition, 69% of customers believe that they are manipulated by the companies which reflect the dominant unethical business practices.

Even though there exist only a handful of studies about the CSR practices in Ethiopia, the studies are also bounded by dozens of limitations like focusing on specific business sectors or segments, including multinational companies in their study. It can be observed from the literatures that CSR practice is yet to develop in Ethiopia. The existing limited CSR practice is oriented towards philanthropy than sustainable development.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1. Introduction

The key element of research is the methods and approaches used throughout the study. The selection process of a given methodology for a specific research is influenced by various factors. The research topic, the research question, the scope of the study, location and time of the study, are key factors that influence the methodology selection process. This chapter of the study addresses the different methodologies used throughout this study. It includes research design, sample selection techniques, data collection method as well as the techniques used in data interpretation and analysis.

3.2. Sampling

Sampling is a process of getting small representative units from a larger population (Neuman, 2011). The sampling method used in this study to select companies is non random sampling, specifically purposive sampling. As there is no secondary stock market in the country chamber of commerce and trade associations are the major source of company information beside company website. Hence, all the 100 companies selected are listed in Addis Chamber of commerce and are among the large ones in their respective sector. In order to make the study representative the 100 companies are selected from various business sectors such as Wholesale and retail, Technology, Agriculture, Transportation, Financial Institution, Service and Manufacturing sectors. Multinational companies are not included in this study due to the fact that multinational companies' policy and action is affected and driven by international business environment and global trends than domestic business context. As it is hard to receive a sufficient amount of response from mail surveys I preferred to collect data through distributing printed surveys and direct

phone calls.

With regards to sampling of Employees, I used convenience sampling method because, I was able to include only respondents who are willing to participate and available during the time of data collection from company managers.

3.3. Data Collection

In this research, both primary and secondary data collection methods are utilized. Primary data collection mechanisms include interviews, questionnaires, experiments and observations (Bryman & Bell, 2011). As argued by many scholars from the perspective of reliability using primary data is highly recommended. The primary data for this study is conducted through structured survey questionnaire distributed to the selected 100 company's managers and employees. The questionnaire is developed in reference to other similar studies. For the sake of reliability and validity a survey with 8 question regarding internal CSR practice and environmental CSR practice is conducted with employees. The secondary data is obtained from the company's official websites. It only includes publications of the last five years. Information obtained from the website regarding CSR practice is utilized in the content analysis. For data analysis and interpretation descriptive and inferential statistical methods are used. Cronbach alpha test is conducted to ensure reliability and validity before the analysis.

3.4. Design of Questionnaire

Questionnaire is one of the widely used data collection method to gather primary data. As Wagner (2000) elaborated, structured questionnaires are well formulated questions and alternatives that are directly associated to the research objective and research questions defined.

The questioner employed in this study is designed based by contextualizing various similar works in a way to appropriate measure the practices of CSR in Ethiopian companies. Section one of the questionnaire focuses on the respondent's profile like educational background, Experience, Nature of their

company and management structure. In section two, necessary questions related with CSR practices including the company’s Management of CSR, Direct economic effects on a community, Indirect economic effects on the community, Human Rights, Social Policy, Employment, Consumer Protection and Environmental Policy is incorporated.

Questions were measured on a five point Likert scale (Likert, 1932) whereby 1 implies strong disagreement, which indicates the respondent’s complete rejection of the claim in the question. 2 indicate disagreement, which means the respondent doesn’t agree with the claim. 3 implies being neutral, implying the respondent’s indifference about the claim. 4 stand for agreement, indicating the respondent’s acceptance of the assertion. And finally 5 implies strongly agree, inferring respondent’s complete acceptance of the assertion.

3.1. Reliability and Consistency Test

In order to check the reliability and internal consistency of measurements Cronbach alpha test is used. It shows how well the entire items measure identical construct or concept (Cronbach, 1951). In addition, Cronbach alpha enables us to envisage the dependability of participant’s response to measure the construct. It is widely used in social science studies as a measure of reliability test.

Table 3.1. Cronbach Alpha Total (Author’s Compilation)

Reliability Statistics

| Cronbach's Alpha | N of Items |
|------------------|------------|
| .842 | 28 |

The reliability and consistency test is shown in table 3.1. It is a widely accepted rule that results closer to 1 imply greater internal consistency while results closer

to 0 imply little internal consistency. According to the statistical result, the overall Cronbach's alpha is 84%, which is profoundly closer to 1.

3.2. Data Analysis

In this research descriptive statistical technique was used to interpret the data. As mentioned in the research design section 100 managers and employees participated in the survey from 100 companies. Hence there are two types of responses collected from two separate questionnaires. The first data is collected from company managers while the second is collected from employees. The data collected from managers is basically the main data used in the interpretation section. While the data collected from employees is used to identify gaps and differences in the answer of managers.

Descriptive statistics such as frequency distribution of mean and standard deviation is used In order to portray the CSR practices of the companies studied. The mean value represents the overall average response of all respondents with respect to a particular question. Whereas the standard deviation depicts the spread of the response mean. The overall mean of the value from employee's answer is compared with the overall mean of manager's answer to check whether any variance exists or not. Data analysis was done using both Statistical product and service solution (IBM SPSS, Version, 22) and Microsoft excel.

The qualitative data collected from the sample companies' website is analyzed using content analysis techniques by developing a measurement scale to evaluate the CSR practices reported in each company's respective website.

CHAPTER FOUR

DATA INTERPRETATION AND ANALYSIS

4.1. Results of Content Analysis (Website-based)

The content analysis is carried out based on company's website. Five variables are used to measure CSR practices from reports and posts available in the respective website. Each variable is given a different score based on its importance to measure CSR practice in Ethiopia. Visser's CSR model for developing countries is used to prioritize activities and score them. The first variable is philanthropy, which covers reports related to the company's donations and sponsorships. The second variable employed is environmental management which includes environmental policy, impact and conservation report. The third variable is code of conduct, which tries to evaluate how the company interacts with customers, advertize its products, information and details of the products etc. The fourth variable is employee safety, it encompasses any report regarding the company's working environment. The last variable is sustainable initiatives that measures company's contribution to sustainable initiatives like building schools, hospitals, roads, and etc.

As Visser (2008) argues, philanthropy should be given high priority in a developing country context. Hence philanthropy is given 30% score from 100%, whereas environmental management and employee safety is given 20%, and code of conduct and contribution to sustainable initiatives are given 15% each. From the 82 respondent companies only 58 of them have website. Hence, the interpretation of this content analysis is based on 58 companies, which is 70% of the total company sample.

The analysis of the websites revealed that, even if there is no standardized CSR report disclosure in most of the companies, there are activity reports that can be considered as elements of CSR. The score of the elements (variables) indicate that philanthropy is a common practice among companies. The mean score for

philanthropy is 28% out of 30%. This means 94% of the companies have a certain philanthropic activity. The second element is environmental management. The mean

for this element is 9% out of 20%. 46% of the companies have published environmental management report in their website. This is below average. It indicates that either these company's failure to report their environmental management on their website or their poor environment management practice. The third element is related to the code of conduct which measures these companies' relation with customers, government and competitors. In this regard the mean is 14% out of the 15% score. This implies that Ethiopian companies give due attention to disclosing ethical related reports. The fourth element is employee safety report. The mean score is 15% out of 20%, which is above average. 77% of the companies disclosed reports related with working environment safety. This result shows that Ethiopian companies give appropriate attention to working environment safety. The last element is sustainable activity report. The mean result is 2% out of 15%. The result indicates that only 18% of the companies disclosed report related with their sustainable development activity. This implies that, sustainable development activities are given less attention by Ethiopian companies. The total mean of the 5 elements is 68% out of 100%. According to the web based content analysis, though it is not in an advanced stage Ethiopian companies pursue CSR activities. In addition, the finding indicates that, some companies undertake certain activities that are regarded as elements of CSR even if they don't use the term CSR.

It is appreciable to mention those companies that excelled in their CSR practice along with their exemplary CSR practice. Table 4.1. shows some of exemplary companies and their CSR practice.

Table 4.1. Exemplary CSR Practices (Author’s Compilation)

| Name of The Company | CSR activity |
|-----------------------------|--|
| Midroc Holding | <p>Building schools, hospitals, and roads.</p> <p>Empowering women and farmers, capacity building throughout supply chain.</p> <p>Donations.</p> |
| EFFORT | <p>Empowering women, farmer and destitute.</p> <p>Exemplary environmental management.</p> |
| Commercial Bank of Ethiopia | <p>Building schools, hospitals, and roads.</p> |
| Ethiopian Airlines | <p>Building schools and hospitals. Supporting orphans.</p> <p>Attractive salary for employees.</p> <p>Supporting sustainable initiatives of the government.</p> |
| Star Business Group | <p>Building schools, hospitals and shelter for orphans. Supporting microfinance institutions.</p> <p>Providing farmers with fertilizers.</p> |
| Maru Metal Industry PLC. | <p>Constructing road.</p> <p>Supplying clean water for the local community.</p> <p>Donations.</p> |
| Belayab Motors P.L.C | <p>Contribution to environmental management initiatives.</p> <p>Empowering women and destitute.</p> |
| Dejub Global Bank | <p>Building schools, hospitals, and roads.</p> <p>Empowering women and orphans.</p> |
| Oromia International Bank | <p>Building schools and hospitals. Attractive salary for employees.</p> <p>Donations for relief and environmental conservation.</p> |
| Tiret Endowment | <p>Building schools, hospitals, and roads. Empowering women, farmers and orphans. Capacity building throughout supply chain.</p> <p>Huge donations for sustainable development projects.</p> |

4.2 Survey Answers for Biographic (General Information) Questions

Table 4.2. Ownership Structure of the Companies (Author's Compilation)

| | Private | Share | Government |
|---------------------|----------------|--------------|-------------------|
| Number of Companies | 40 | 21 | 23 |
| Percentage | 48% | 25% | 27% |

As Table 4.2 indicates, 48% of the companies are PLC, while 25% of the companies are share companies, and finally 27% of the companies are owned and run by the government.

Table 4.3. Management Structure of the Companies (Author's Compilation)

| | Manager is Owner | Manager is Employee |
|---------------------|-------------------------|----------------------------|
| Number of Companies | 34 | 50 |
| Percentage | 40% | 60% |

The finding from biographic questions depicts that 40% of the companies are both owned and managed by a single person. It means the owner is the manager of the company at the same time. Whereas 60% of the companies are managed by employee, meaning there is management and ownership separation.

Table 4.4. Educational Status of Managers (Author's Compilation)

| Education | Below Diploma | Diploma | Degree | Above Degree |
|---------------------|----------------------|----------------|---------------|---------------------|
| Number of companies | 18 | 6 | 39 | 21 |
| Percentage | 21% | 7% | 46% | 25% |

It is observable from the survey result that 21% of the companies surveyed are managed by a manager with below diploma academic qualification. Seven % of the managers have diploma, an outstanding 46 percent of the managers have degree, and 25% of them have above degree academic qualification.

Table 4.5. Experience of Managers (Author’s Compilation)

| Experience | Less than 5 years | 5-10 Years | 10-15 Years | Above 15 Years |
|---------------------|--------------------------|-------------------|--------------------|-----------------------|
| Number of Companies | | 16 | | 68 |
| Percentage | 0% | 19% | 0 % | 81% |

The survey result of company manager’s experience indicates that none is managed by a manager with an experience below 5 years. 19 percent of the companies are managed by a manager with experience between 5 and 10 years, and an outstanding 81 percent of the companies are managed by managers with above 15 years’ experience.

Table 4.6. Sector of Companies (Author’s Compilation)

| Sectors | Code | Number of Companies | Percentage |
|-----------------------------|-------------|----------------------------|-------------------|
| Agriculture | 1 | 7 | 8.3% |
| Banking | 2 | 10 | 11.9% |
| Construction and real state | 3 | 12 | 14.2% |
| Holding/multi sector | 4 | 17 | 20.2% |
| Manufacturing | 5 | 30 | 35.7% |
| Retail | 6 | 4 | 4.7% |
| Service | 7 | 4 | 4.7% |
| Total | | 84 | |

The distribution of the companies among sectors are 8.3 percent from agriculture

sector, 11.9 percent are from banking, 14.2 percent from construction and real-estate, 20.2 percent from holding that is multi sector, 35.7 percent are from manufacturing, 4.7 from retail sector and 4.7 from service sector.

4.3.Exploratory Factor Analysis

As mentioned earlier in chapter three exploratory factor analysis is employed in this study in order to check whether the variable used measure similar factors or not. In addition, using the factor extracted from the factor analysis, it will be either to analyze and interpret the data. Using SPSS version 22, exploratory factor analysis is conducted, employing Varimax rotation, method of principle component analysis, based on Eigen value of 1, with 25 maximum iteration for convergence and suppressing small coefficients below 0.3 absolute value. Initially there were 28 variables that were employed to measure the construct. However, 4 variables were deleted in the process of extracting components. The analysis resulted in 6 components as can be seen from the table 4.7.

The variables (questions) in the first component measure CSR activities related with environmental governance and social development. These two categories can be unified under the notion of environmental and social governance so that both can measure a single construct. The ESG notion is widely known and discussed in investment related literatures. The Variables in the second component measures the management of CSR practice. One of the main dimensions of CSR is its management. It is about the vision crafted, the strategies implemented and the resources utilized so as to get the maximum out of CSR practices. In the third component the loaded variables measure investment decision making. CSR encompass the values that drive company's investment decision. This construct is labeled as responsible investment, as it try to measure how sensitive a company is to non-financial factors in the process of investment decision making. The variables in the fourth component measure CSR activity of a company towards its customers. This CSR activity, which is one of the pillars in the stakeholders model of CSR focuses on the company's

readiness to respect consumer rights and the ethical and legal aspect of providing customer with accurate and full information about the product and service. The variables in the fifth component measure CSR activity of a company towards employees. It is measured through the salary and related benefit provided to employees and the safety of the working environment. The last but not least, component is loaded with variables that measure the legal dimension of CSR. Accordingly, the rotated factor extraction resulted in six components as seen in table 4.7.

Table 4.7. Rotated Component Matrix (Author's Compilation)

| | Component | | | | | |
|-------------|-----------|------|-------|------|------|------|
| | 1 | 2 | 3 | 4 | 5 | 6 |
| Question 15 | .938 | | | | | |
| Question 16 | .859 | | | | | |
| Question 12 | .855 | | | | | |
| Question 14 | .848 | | | | | |
| Question 3 | .806 | | | | | |
| Question 11 | .771 | | | | | |
| Question 17 | .756 | | -.350 | | | |
| Question 18 | .556 | .459 | | | | |
| Question 21 | | .870 | | | | |
| Question 24 | | .857 | | | | |
| Question 25 | | .808 | | | | |
| Question 20 | | .715 | | | | |
| Question 26 | | .585 | -.422 | | | |
| Question 22 | | | .881 | | | |
| Question 23 | | | .872 | | | |
| Question 5 | | | .346 | | | .322 |
| Question 7 | | | | .967 | | |
| Question 6 | | | | .967 | | |
| Question 4 | | | | | .846 | |
| Question 2 | | | | | .825 | |
| Question 1 | .310 | | | | .609 | |
| Question 9 | | | | .355 | | .759 |
| Question 10 | | | -.354 | | | .685 |
| Question 8 | | | | | | .630 |

The following section present descriptive analysis and data interpretation which

will follow a trend of answering each research question mentioned in the first chapter of the study. The following are the research questions.

- 1) Do Ethiopian companies practice CSR?
- 2) What is the nature of CSR practice in Ethiopia?
- 3) At which stage is the CSR practice in Ethiopia?
- 4) Is there a difference between CSR practice between private and government run business in Ethiopia?

4.4. Do Ethiopian Companies Practice CSR?

The first research question of this study is about the existence of CSR practice in Ethiopian companies. The questioners were carefully designed to measure this research question. According to the result of the survey only 30% of the respondents have a mean result below 2.5. This implies that vast majority of the companies practice CSR. Around 58% these companies have a mean score between 2.5 and 3, while the remaining 12% of the companies have a mean score between 3 and 4

4. However none scored above 4. A mean score below 2.5 is a bad result, as it is below the average, while a mean result between 2.5 and 3 is fair as it is above the average. On the other hand, a mean score above 3 is good. This is a nutshell review of the survey. Hence it needs a breakdown for a better understanding.

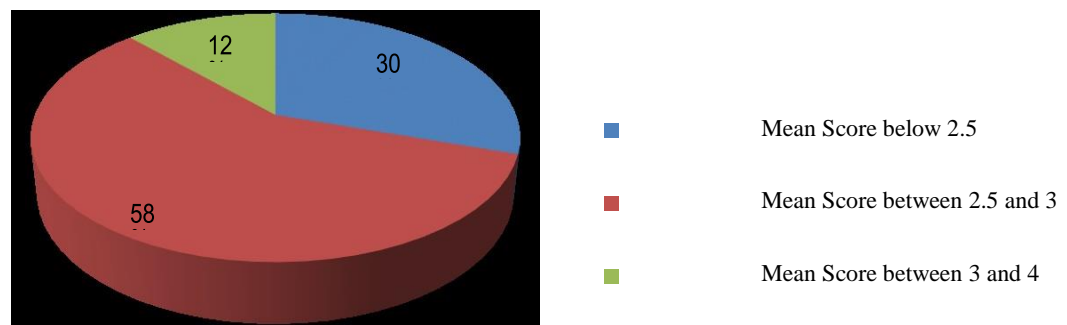


Figure 4.1. CSR Practice in Ethiopia (Author’s Compilation)

4.4.1. CSR towards Employees

Using the 6 components extracted by factor analysis might be helpful for a better

and comprehensive understanding. With respect to CSR towards employees, which is measured by the salary and other additional benefits provided by the company, only 2% of the companies have a mean score of 2. Implying that, these companies don't practice CSR towards their employees. 7 % of the companies have mean score of 2.67. Though these companies practice CSR towards employees, it can be referred as mediocre. 9 % of the companies have a mean score between 3 and 4, which is regarded as good. Last but not least an outstanding 80% of the companies have a mean score of 4 and above, which is very good. This result portrays the enormous attention given to employees, by the respondent companies.

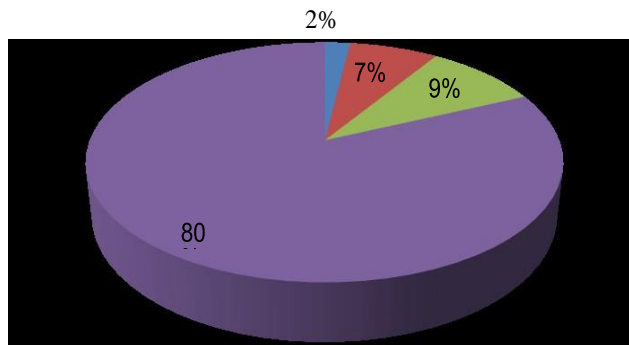


Figure 4.2. CSR towards Employees (Author's Compilation)

However, the survey result from employees portrays another figure. 46% of the employees referred their company's CSR towards employees as below average. Slightly above from this number, 47% of the employee rates their company's CSR towards employees as very good. Two explanations can be given for this variance. One is the fact that the Good salary measurement for managers and employees cannot be similar. What is assumed as good salary for managers might not be attractive or good for employees. The second explanation is either of the two has given inaccurate response to the survey question.

4.4.2. Environmental Social Governance

The ESG dimension of CSR practice is measured by environment management, social contribution and corporate governance of the company. The survey result of ESG depicts that there is an acceptable level of CSR practice in this dimension. The total mean result is 2.86. When this figure is broken-down 38% of the companies have a mean score below the average 2.5. This implies that, these companies almost don't practice CSR in ESG dimension. ESG further can be broken down in to three. In the environment management section of ESG, the overall mean of the companies is 3, which is good. In this specific section, 39% of the company's mean score is below the average 2.5 implying their bad environment management. 16% of the respondent company's mean score is 3, which is good, while 44% of the respondents have mean score of 4, which literally is very good. There is also another variance in the environmental management section between manager's response and employee's response. The average mean score derived from employee's response is 2.8 which below the score derived from the managers. In fact, there is a growing skepticism towards CSR practice (Connors, Macdonald, Thomson, 2017). This contradiction confirms this skepticism and the claim that most of CSR activities are window Dressing.

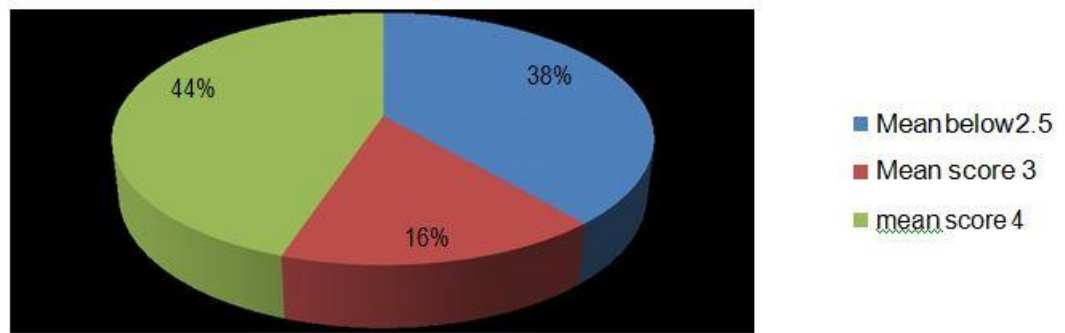


Figure 4.3. ESG (Author's Compilation)

The social contribution section of ESG is measured by company's initiatives that promote social wellbeing and development. In this section 50% of the companies have a mean score value below average, depicting the low attention given to social wellbeing and societal development aspect of CSR. On the other hand, 23% of these companies have good social contribution while 27% have very good practices that promote social wellbeing and societal development. In the subsection social contribution, the result of donation is quite interesting. 60% of the companies actively participate in donations. This is the reflection of the companies' lack of strategies in channeling their donation to initiative that promote social wellbeing. The survey result in the governance section of ESG shows that 78% of the companies don't have a policy that supports women recruitment.

4.4.3. Customer Dimension of CSR

In accordance with the survey result of customer related dimension of CSR, the respondent companies have a healthier result. 92 percent have a mean score of 4 that depicts a very good practice and the due attention given to customers. However, this may not give the accurate picture as this study didn't include customers so as to measure their rating of CSR practice towards customers by their client companies. The other CSR dimension with notably excellent practice is the legal aspect. An outstanding 94 percent of respondents have a mean score above 4 and the remaining respondents scored above 3.5. This result reflects that Ethiopian companies give a higher attention to legal aspects.

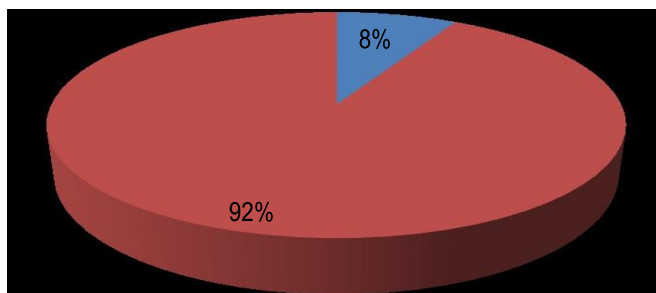


Figure 4.4. CSR towards Customers (Author's Compilation)

4.4.5. CSR Management

The CSR management component, which is measured by the availability of CSR department, the existence of CSR commitment statement in the company's mission statement, attention given to global trends like sustainable development and so on, has a very low mean score. 85% of the respondents have a mean score below 2.5, which literally is bad. Though most of the companies are engaging in selected CSR activities, they failed to have a proper management framework for it. Without a proper management it will be difficult to measure the impact of their CSR practice.

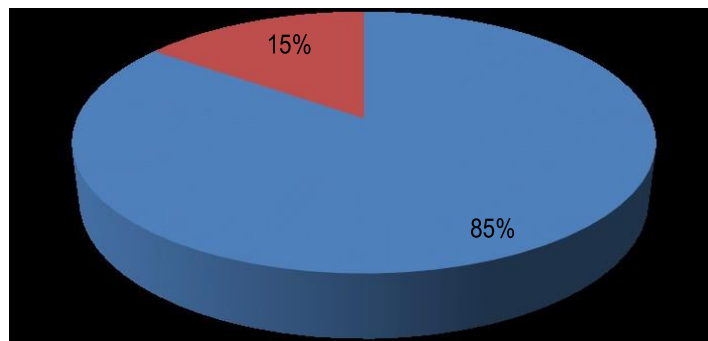


Figure 4.5 CSR Management (Author's Compilation)

4.4.6. Responsible Investment

The last but not least component is responsible investment, which is measured by investment decision making process of the company. Responsible investment is a key element of CSR in the contemporary CSR discourse and other global initiative like sustainable development. The survey result depicts another unpleasant figure. 82 percent of the respondents have a mean score below 2.5, portraying how responsible investment is neglected.

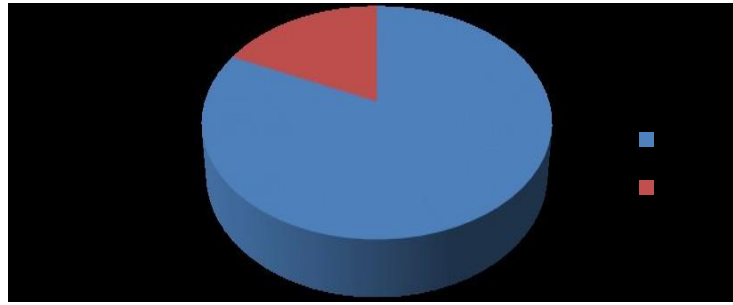


Figure 4.6. Responsible Investment (Author’s Compilation)

When the result is summed up, most of the respondent companies have a very good practice in CSR towards employees, customers, legal aspects and donations. While their practice in the dimension of ESG, responsible investment and management of CSR is remarkably poor.

4.5. What is the Nature of CSR Practice in Ethiopia?

It is crystal clear from the answer to the first research question that, most Ethiopian companies practice CSR. However, this is a crude argument that must be filtered. Research question two will address this as follows. According to the survey result the components with high score of mean are legal aspect, CSR towards customers, donations and CSR towards employees.

Table 4.8. Mean score of CSR Practice (Author’s Compilation)

| No | Practices | Mean | Rank |
|----|--|------|------|
| 1 | CSR towards Employees | 3.82 | 3 |
| 2 | ESG (Environment and social wellbeing) | 2.86 | 6 |
| | Donation | 3.16 | 4 |
| | Environmental | 3.03 | 5 |
| 3 | CSR towards Customers | 4.06 | 2 |
| 4 | Legal Aspect | 4.07 | 1 |
| 5 | CSR Management | 2.15 | 7 |
| 6 | Responsible Investment | 2.08 | 8 |

The above table shows the mean score of CSR practices of the respondents. We can infer from this result that the nature of CSR practice in Ethiopia is inclined towards employee and customer satisfaction, adhering to laws and regulation, and making monetary donations. CSR practice with regards to environmental protection and social wellbeing are at the infant stage. CSR management and responsible investment is very poor. Hence the nature of CSR practice in Ethiopia is quite different not only from the contemporary global trend but also from what Carroll proposed. This result correlates with the argument of Visser (2006) that asserts the nature and form of CSR practice of developing countries is different from the well-established developed countries trend. As clearly seen through this study and argued by Visser, the priorities are remarkably different.

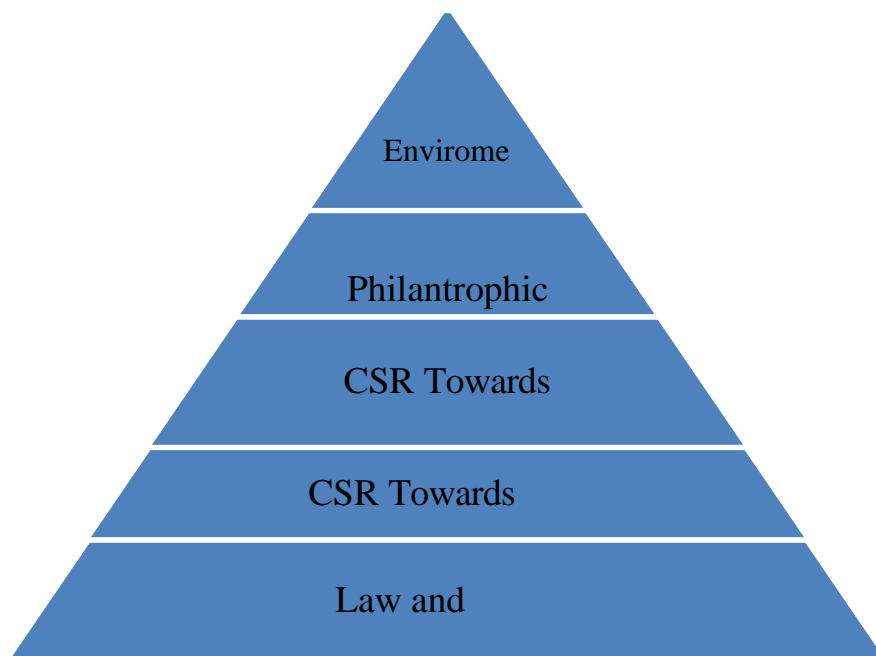


Figure 4.7. Pyramid of CSR in Ethiopia (Author's Compilation)

4.6. At Which Stage is the CSR Practice in Ethiopia?

As discussed earlier in the literature review section, there are different models that are being used to understand the stage of CSR practice. For this analysis Johnson's (2003) model of stage of CSR is employed. According to Johnson

(2003) there are 5 stages. The first stage is illegal or irresponsible. This is a stage where companies don't comply with norms and legal requirements. The survey result depicts that there is no any company at this stage from the respondents. The second stage is compliance, where companies merely strive to meet the minimum legal standards like minimum wage level, environment laws, and product safety and employee health. 31% of the respondents are in this stage. The company's CSR focus is merely obeying laws and standards. The third stage is fragmented, whereby companies try to engage in philanthropic activities, environmental protection and so on beyond mere complying with rules and regulations. However, their activity is not well managed and strategic, rather it is fragmented. 58% of the respondent companies lie in this stage. They actively participate in donations. The fourth stage is called strategic. In this stage companies CSR is well managed in a way to enhance the financial performance of the company. Activities like Community support based on need assessment, research and development of socially sustainable initiatives, organic products are the main themes of this stage. According to the survey result 9% of the companies are in this stage. The fifth stage is social advocacy, which is an organizational philosophy whereby profit making is not the sole objective of the company. In this stage the driver of CSR practice is not financial return, rather it is an intrinsic value of striving for social wellbeing. None of the respondent companies are in this stage. As more than half of the companies are in the fragmented stage, it can be generalized that the CSR practice of Ethiopian companies is in third stage, namely fragmented.

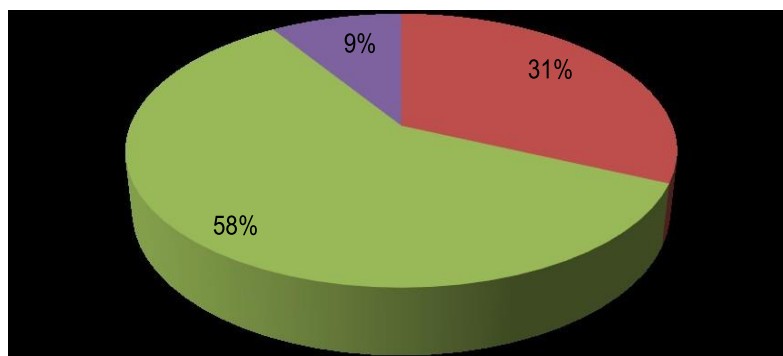


Figure 4.5. Ethiopian Companies CSR Stage (Author's Compilation)

4.7. Is There a Difference Between CSR Practice of Private and State Owned Business in Ethiopia?

This research question enriches the study with additional perspective shading light on the difference of CSR practice between the private sector and the government sector. The private sector included both private limited companies and share companies. From the respondents 28 percent are government run companies while the remaining 62 percent are private limited and share companies. For answering this research question an Independent T-Test was conducted in order to compare the means of each group.

Table 4.9. Descriptive Statistics of T-test (Author's Compilation)

| | Ownership Structure | N | Mean | Std. Deviation | Std. Error Mean |
|---|----------------------------|----------|-------------|-----------------------|------------------------|
| The employees in our company receive a reasonable salary according to their service | Private | 61 | 4.0000 | .44721 | .05726 |
| | Government | 23 | 3.8261 | .57621 | .12015 |
| Our company provides benefits other than salary aimed to improve the lives of employees | Private | 61 | 3.8525 | .51108 | .06544 |
| | Government | 23 | 3.4348 | .89575 | .18678 |
| Our company provides support to employees who want to advance in their education | private | 61 | 2.6885 | .95814 | .12268 |
| | Government | 23 | 2.7826 | .99802 | .20810 |
| Our company has a safe and healthy working environment to all its employees | Private | 61 | 3.8033 | .60055 | .07689 |
| | Government | 23 | 3.6522 | .77511 | .16162 |
| Our product doesn't violate the norms and traditions of the society | Private | 61 | 3.9344 | .35911 | .04598 |
| | Government | 23 | 4.0000 | .00000 | .00000 |
| Our company full and accurate information about its products to its customers | Private | 61 | 4.0000 | .00000 | .00000 |
| | Government | 23 | 4.0000 | .00000 | .00000 |
| Our company respects consumer rights | Private | 61 | 4.0000 | .00000 | .00000 |
| | Government | 23 | 4.0000 | .00000 | .00000 |
| Our company complies with | Private | 61 | 4.1148 | .32137 | .04115 |

| | | | | | |
|--|------------|----|--------|--------|--------|
| legal regulations completely and promptly | Government | 23 | 4.2174 | .42174 | .08794 |
| Our company pays its taxes on a regular and continuing basis | Private | 61 | 4.0820 | .27659 | .03541 |
| | Government | 23 | 4.0870 | .28810 | .06007 |
| Our company competes with its rivals in an ethical framework | Private | 61 | 3.9672 | .17956 | .02299 |
| | Government | 23 | 4.0000 | .00000 | .00000 |

| | | | | | |
|---|------------|----|--------|---------|--------|
| Our company actively participates to protect and improve the quality of the natural environment. | Private | 61 | 3.9672 | .17956 | .02299 |
| | Government | 23 | 4.0000 | .00000 | .00000 |
| Our company has acquired the necessary infrastructure to reduce its negative environmental impact | Private | 61 | 2.8033 | .98013 | .12549 |
| | Government | 23 | 3.0000 | 1.0000 | .20851 |
| Our company makes sufficient monetary contributions to charities | Private | 61 | 4.0656 | .24959 | .03196 |
| | Government | 23 | 4.1739 | .38755 | .08081 |
| Our company contributes to schools, hospitals, and parks according to the needs of the society | Private | 61 | 3.1148 | .98486 | .12610 |
| | Government | 23 | 3.3043 | .97397 | .20309 |
| Our company conducts research to identify social problems | Private | 61 | 2.8197 | .99177 | .12698 |
| | Government | 23 | 3.1304 | 1.01374 | .21138 |
| Our company conducts research & development projects to improve the well-being of society in the future | Private | 61 | 2.4918 | .86839 | .11119 |
| | Government | 23 | 2.7826 | .99802 | .20810 |
| Our company has policy that encourages women recruitment | Private | 61 | 2.4262 | .82581 | .10573 |
| | Government | 23 | 2.5217 | 1.03877 | .21660 |
| Our company targets sustainable growth which considers future generations | Private | 61 | 2.0328 | .25607 | .03279 |
| | Government | 23 | 2.1739 | .57621 | .12015 |
| Our CSR practices follow global trends like sustainable development | Private | 61 | 2.0656 | .35911 | .04598 |
| | Government | 23 | 2.1739 | .57621 | .12015 |
| Our company considers warnings of nongovernmental organizations | Private | 61 | 2.0984 | .43608 | .05583 |
| | Government | 23 | 2.2609 | .68870 | .14360 |
| Our company will Decline to invest in regions with poor human right record | Private | 61 | 2.0000 | .00000 | .00000 |
| | Government | 23 | 2.0000 | .00000 | .00000 |
| Our company supports civil associations and human right advocates | Private | 61 | 2.0000 | .00000 | .00000 |
| | Government | 23 | 2.0000 | .00000 | .00000 |
| Our company has CSR Commitment Statement incorporated into the company's mission and values | Private | 61 | 2.0656 | .35911 | .04598 |
| | Government | 23 | 2.3478 | .77511 | .16162 |
| Our company has CSR department or officer | Private | 61 | 2.1311 | .49918 | .06391 |
| | Government | 23 | 2.6087 | .94094 | .19620 |

The general descriptive statistics result from the independent t test indicates that in most cases the difference between the overall means of the private sector CSR

practice and Government sector CSR practice is not statistically significant. As it can be clearly seen from table 4.8., there is a difference in CSR towards employees, where the private sector has a higher mean value. This result reflects that the way private sectors handles employees is better than that of the government. Especially private sectors employees earn a better salary compared to government run company's employees. In terms of Research and development that promotes social wellbeing and solve social problems government sector has a statistically significant mean. It is obvious that Governments have a responsibility of protecting environment, striving for social wellbeing and securing good governance. This intrinsic responsibility of the civil role of government shall be reflected when government assumes economic role. Though government run companies CSR with regards to ESG is not promising, it is in a better position compared to private companies. In addition to ESG aspect of CSR, government owned companies have a better CSR practices pertaining to respecting rules and regulations. The reason might be the higher expectation of CSR drivers from government companies and the philosophy of government run business which includes motives other than profit making. In countries like Ethiopia, where government plays key role in business, government companies should play a leading role in advancing CSR practices. The inferential statistics table from the T test reflects little statistically significant difference between the two groups. The T table shows that for 82 degree of freedom the critical value is 1.292. Hence when this critical value is compared with T values of the test, it is only in two cases that the T value is higher than that of the critical value. This implies that it is only in CSR towards employees and environment that the difference is significantly different. The private sector is performing better in CSR towards employee, whereas the government sector is executing better in environmental dimension of CSR.

Table 4.10. Independent Sample T-Test (Author's Compilation)

| | Levene's Test for Equality of Variances | | t-test for Equality of Means | | | | | | |
|-------------|---|------|------------------------------|----|-----------------|-----------------|-----------------------|---|--------|
| | F | Sig. | t | DF | Sig. (2-tailed) | Mean Difference | Std. Error Difference | 95% Confidence Interval of the Difference | |
| | | | | | | | | Lower | Upper |
| Question 1 | 2.987 | .088 | 1.465 | 82 | .147 | .17391 | .11872 | -.06226 | .41009 |
| Question 2 | 24.886 | .000 | 2.678 | 82 | .009 | .41768 | .15599 | .10737 | .72798 |
| Question 3 | .532 | .468 | -.397 | 82 | .693 | -.09408 | .23710 | -.56576 | .37759 |
| Question 4 | 3.382 | .070 | .947 | 82 | .346 | .15110 | .15953 | -.16625 | .46846 |
| Question 5 | 3.262 | .075 | -.872 | 82 | .386 | -.06557 | .07516 | -.21510 | .08395 |
| Question 6 | 5.223 | .025 | -1.195 | 82 | .236 | -.10264 | .08592 | -.27355 | .06828 |
| Question 7 | .021 | .885 | -.073 | 82 | .942 | -.00499 | .06845 | -.14115 | .13117 |
| Question 8 | 3.262 | .075 | -.872 | 82 | .386 | -.03279 | .03758 | -.10755 | .04198 |
| Question 9 | 3.262 | .075 | -.872 | 82 | .386 | -.03279 | .03758 | -.10755 | .04198 |
| Question 10 | .026 | .873 | -.816 | 82 | .417 | -.19672 | .24114 | -.67642 | .28298 |
| Question 11 | 8.798 | .004 | -1.511 | 82 | .135 | -.10834 | .07171 | -.25098 | .03431 |
| Question 12 | .836 | .363 | -.789 | 82 | .432 | -.18959 | .24027 | -.66757 | .28838 |
| Question 13 | .143 | .706 | -1.273 | 82 | .207 | -.31076 | .24413 | -.79641 | .17488 |
| Question 14 | 4.794 | .031 | -1.313 | 82 | .193 | -.29081 | .22144 | -.73132 | .14971 |

| | | | | | | | | | |
|-------------|--------|------|--------|----|------|---------|--------|---------|---------|
| Question 15 | 1.332 | .252 | -.440 | 82 | .661 | -.09551 | .21728 | -.52774 | .33672 |
| Question 16 | 10.123 | .002 | -1.558 | 82 | .123 | -.14113 | .09059 | -.32133 | .03908 |
| Question 17 | 4.244 | .043 | -1.034 | 82 | .304 | -.10834 | .10480 | -.31682 | .10014 |
| Question 18 | 6.502 | .013 | -1.287 | 82 | .202 | -.16251 | .12629 | -.41374 | .08873 |
| Question 19 | 22.190 | .000 | -2.282 | 82 | .025 | -.28225 | .12369 | -.52832 | -.03619 |
| Question 12 | 34.760 | .000 | -3.012 | 82 | .003 | -.47755 | .15855 | -.79295 | -.16214 |

CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATIONS

This chapter of the study engages in discussing the conclusion obtained from the study and provides appropriate recommendations that may improve CSR practice in Ethiopia and facilitate further study on the subject.

5.1 Conclusion

CSR has seen a tremendous evolution in its conception and global acceptance in the past 5 decades. Though the academic discussion regarding the role and responsibility of business is not over yet, CSR which preaches certain responsibilities beyond mere profit making has become an inescapable trend. Scholars like Michael Porter proposed a value based conception of CSR which is embedded in the business strategies of the firms that can maximize the pool of value both for the business as well as for the general community (Porter, 2006). This argument resolves the basic concern and misunderstanding of CSR by businesses as an externally imposed duty.

From global business related forums, discussions, initiatives to community based media; CSR is a usual topic and a routine agenda. Given this global status quo, this study engaged in understanding the nature of CSR practice in Ethiopia. This study is descriptive with a core objective of providing an overview on how Ethiopian companies practice CSR. According to the finding both from the survey and web based content analysis, it can be concluded that Ethiopian companies practice CSR, though in a different manner and scale.

The pattern in which CSR evolved and the trend it is practiced by Ethiopian companies differ not only from companies to companies and among various forms of ownership structure. In broad- spectrum respecting rules and regulation aspect of CSR practice is overwhelmingly practiced by all companies. CSR

towards employees has also been given considerable attention. Hence it can be inferred that the orientation of CSR practice in Ethiopia is inclined towards respecting rule, regulation and employee's rights. This is quite different from the CSR trend of other developing countries and the model developed by Visser (2006). A similar study in neighboring Kenya showed that Kenyan companies prioritize philanthropic activities (Muthuri and Gilbert, 2011).

A study in South Sudan also portrayed that, CSR is oriented towards philanthropy (Ives, K. and Buchner, M., 2011). Another study in Angola reflected similar trend of prioritizing philanthropy (Luiz Cortes et al., 2014).

The sector wise comparison of CSR has also some interesting results. There exists a statistically insignificant difference in the CSR practice of private and government companies. The reason for this statistically insignificant difference in terms of their CSR practice might be from their difference in corporate structure, business model, value proposition, and organizational culture and the similarity of the driving forces of CSR in the country. However, this needs a separate study.

The finding of this study coincides with some similar studies of the subject matter in Ethiopia. Potluri and Temesgen (2008) studied the attitude of Ethiopian firms, and their finding depicts an overall positive attitude towards CSR. Another study by K. Rama, Rao and Hailu (2016) reflects similar result about CSR practice in Ethiopia. The limitation of these studies is that; their sample included multinational companies which are highly influenced by global business culture and CSR trend.

A study of CSR practice in commercial banks by Atraga (2014) is another study with a nestle result. Nevertheless, the study is case specific. Quite apart from this, a study by Diana C. Robertson that compares three countries CSR practice namely Singapore, Turkey and Ethiopia, shows the prioritization of aid and education in Ethiopia. However, this study has a lot of limitation starting from methodology to sample selection. In general, most of the respondent companies

have a very good practice in CSR towards employees, customers, legal aspects and donations. While their practice in the dimensions of ESG, responsible investment and management of CSR is remarkably mediocre.

According to the study, the CSR practice in Ethiopia is not well managed and value creation oriented. It is clearly seen in the finding that there is very poor organizational infrastructure to manage CSR and create the overall value it delivers. The fact that only 5 companies are members of the UN Global compact shows the little attention given in this regard.

Nevertheless, the CSR practice in Ethiopia is quite different from what is argued in the theory and practiced within the framework of global trend. With a different structure of stakeholders, pushing actors, corporate governance, economic status and culture this difference is both expectable and acceptable. As argued by Donaldson and Dunfee (1999) firms should alter approaches to CSR strategy to adapt programs not only to country context but also to local community context where they operate in.

The main contribution of this study is it laid a foundation to understand the CSR approaches and practices of Ethiopian indigenous companies. In addition, this study explored the role of state owned businesses in the advancement of CSR practice. Furthermore, this study re affirms the role of context on CSR approaches and practices.

5.2. Recommendation

As the findings clearly indicate respecting rule and regulation pertaining to the business and improving employee's life standard are the primary focus of CSR practices assumed by Ethiopian companies. It needs a comprehensive study to know whether this trend of CSR is giving the fruit it deemed to give. Nevertheless, it is crystal clear that the trend is creating limited value to the community. Hence, the companies should give special attention to initiatives and practices that can create real value to the community. This can be through the

integration of CSR practice into their core business strategy.

Though, CSR practice towards customers is relatively better it needs improvements beyond merely listening to customer complaints and respecting their rights so as to enhance customer loyalty. As argued by Bushoff & Du Plessis (2009) better customer loyalty increase profitability and creates an opportunity for sustainable growth. In addition, this may also improve brand image (Miller, 2002).

Another dimension that has to be improved is CSR towards employees. In this dynamic business world, having a competent and proactive employee is a key to achieve organizational goals and overcome the ever increasing competition (Mello, 2005). Hence companies shall tailor their CSR towards employees in a way both that improve their life standards and enhance their capacity to a level that the business dynamics require.

As noted from the finding, CSR management is mediocre in Ethiopia reflecting the little attention is given to proper management of CSR. Hence it is recommendable to have a well-organized management team and a developed infrastructure to bring out the best out of CSR practices. This may also help to properly utilize resources that are allocated to CSR.

Based on the recommendation of scholars like Visser (2006), the trend of CSR in developing country and global socio economic initiatives like sustainable development, the philanthropic aspect of CSR is of a high value. Hence special attention shall be given to a strategic and coordinated philanthropy that is based on need assessment and creating sustainable development. In this regard, government owned companies shall play a leading and a model role.

Another under developed dimension of CSR practice in Ethiopia is poor reporting and disclosure of CSR activities. Though there are web based reports about ethical, legal and philanthropic Issues it is highly recommended for

companies to disclose their all CSR practice timely, in the proper channel and in a well-organized and standardized format. Especially companies owned by government which are assumed as public asset shall improve their reporting and disclosure practice. This not only creates public trust but also it is a pillar of accountability and transparency.

Environmental aspect of CSR is also another dimension given little attention. Companies need to work in collaboration not only to safe guard the environment but also to improve the overall eco system. The government should enforce strict rule and regulations in order to create an environment friendly business dynamics. Media, NGO's and other local and global advocacy groups shall also play a leading role in creating awareness and lobby for an environmental friendly and sustainable investment. This will contribute not only to a safer and livable environment but also to the prosperity of the country (Turker, 2009).

Last but not least, the academics should actively participate in creating and disseminating knowledge about environmental friendly, responsible and sustainable business. In addition, it is the responsibility of the academics to design a CSR model that suits the country instead of copy pasting from viral global models.

5.3. Study Limitation

As it is an avoidable case in all studies, this study also has methodological and scope limitation. The companies included in this study are only large companies and those who are member of chamber of commerce. Due to this fact the sampling employed in this study is nonrandom. Measuring only the CSR practice of large companies may not exactly reflect the overall CSR practice of companies in Ethiopia. Large companies have a relatively organized corporate governance, better organizational image, and high pressure from NGOs,

advocacy groups, government and media. In addition, large companies have a relatively better income, human capital, and social integration. These factors may have influenced the nature and orientation of CSR practice.

Another limitation is the nature of the sample and the data. The fact that the sample employed in this study is nonrandom, it has an impact on the generalizability of the finding. In addition, the correlation of the data collected from the survey become non positive. Hence it limited the methodology used for analysis.

5.4. Directions for Future Research

In my humble opinion there much to study in the realm of CSR practices both globally and in Ethiopian context. As mentioned earlier in the limitation section, the samples selected for this study

are large companies. Hence including medium and small scale companies and studying their perception towards CSR and practice can be a future direction of study. Studying the difference of CSR practice between business sectors is also a related area for further study.

So far in the Ethiopian context the perception of consumers, activists, advocacy groups and media is not studied.

Measuring the impact of CSR practice in Ethiopia is a subject area given little attention. Hence it is an attractive subject for study. A study to design an effective model for CSR practice in Ethiopia is a related area that can be considered for future study. Moreover, studying the driving force of CSR practice in Ethiopia is a recommendable direction for future study.

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APPENDIXES

APPENDIX A QUESTIONNAIRE

Biographic Questions

1. Name of the company?
2. Sector of the company?
3. Ownership structure of the company?
4. Management structure?
5. Manager academic qualification?
6. Manager experience?

CSR-related Questions

1. The employees in our company receive a reasonable salary according to their service.
1) strongly disagree 2) disagree 3) neutral 4) agree 5) strongly agree
2. Our company provides benefits other than their salary aimed to improve the lives of employees.
1) strongly disagree 2) disagree 3) neutral 4) agree 5) strongly agree
3. Our company provides support to employees who want to advance in their education.
1) strongly disagree 2) disagree 3) neutral 4) agree 5) strongly agree
4. Our company has a safe and healthy working environment to all its employees.
1) strongly disagree 2) disagree 3) neutral 4) agree 5) strongly agree
5. Our products do not violate the norms and traditions of the society
1) strongly disagree 2) disagree 3) neutral 4) agree 5) strongly agree
6. Our company provides full and accurate information about its products to its customers.
1) strongly disagree 2) disagree 3) neutral 4) agree 5) strongly agree
7. Our company respects consumer rights
1) strongly disagree 2) disagree 3) neutral 4) agree 5) strongly agree
8. Our company complies with legal regulations completely and promptly.
1) strongly disagree 2) disagree 3) neutral 4) agree 5) strongly agree
9. Our company always pays its taxes on a regular and continuing basis.

- 1) strongly disagree 2) disagree 3) neutral 4) agree 5) strongly agree
10. Our company competes with its rivals in an ethical framework.
1) strongly disagree 2) disagree 3) neutral 4) agree 5) strongly agree
11. Our company actively participates to protect and improve the quality of the natural environment.
1) strongly disagree 2) disagree 3) neutral 4) agree 5) strongly agree
12. Our company has acquired the necessary infrastructure to reduce its negative environmental impact.
1) strongly disagree 2) disagree 3) neutral 4) agree 5) strongly agree
13. Our company makes sufficient monetary contributions to charities.
1) strongly disagree 2) disagree 3) neutral 4) agree 5) strongly agree
14. Our company contributes to schools, hospitals, and parks according to the needs of the society.
1) strongly disagree 2) disagree 3) neutral 4) agree 5) strongly agree
15. Our company contributes to initiatives that promote the well-being of the society.
1) strongly disagree 2) disagree 3) neutral 4) agree 5) strongly agree
16. Our company conducts research to identify social problems
1) strongly disagree 2) disagree 3) neutral 4) agree 5) strongly agree
17. Our company conducts research & development projects to improve the well-being of society in the future.
1) strongly disagree 2) disagree 3) neutral 4) agree 5) strongly agree
18. Our company has policy that encourages women recruitment
1) strongly disagree 2) disagree 3) neutral 4) agree 5) strongly agree
19. Our company cooperates with other firms in social responsibility initiatives.
1) strongly disagree 2) disagree 3) neutral 4) agree 5) strongly agree
20. Our company targets sustainable growth which considers future generations.
1) strongly disagree 2) disagree 3) neutral 4) agree 5) strongly agree
21. Our CSR practices follow global trends like sustainable development
1) strongly disagree 2) disagree 3) neutral 4) agree 5) strongly agree

22. Our company considers warnings of nongovernmental organizations.
1) strongly disagree 2) disagree 3) neutral 4) agree 5) strongly agree
23. Our company will Decline to invest in regions with poor human right record
1) strongly disagree 2) disagree 3) neutral 4) agree 5) strongly agree
24. Our company supports civil associations and human right advocates
1) strongly disagree 2) disagree 3) neutral 4) agree 5) strongly agree
25. Our company has CSR Commitment Statement incorporated into the company's mission and values
1) strongly disagree 2) disagree 3) neutral 4) agree 5) strongly agree
26. Our company has CSR department/officer
1) strongly disagree 2) disagree 3) neutral 4) agree 5) strongly agree
27. Our company publicize corporate social responsibility report
1) strongly disagree 2) disagree 3) neutral 4) agree 5) strongly agree
28. Our company has a mechanism for impact measurement of its CSR practices.
1) strongly disagree 2) disagree 3) neutral 4) agree 5) strongly agree

APPENDIX B

| | Q1 | Q2 | Q3 | Q4 | Q5 | Q6 | Q7 | Q8 | Q9 | Q10 | Q11 | Q12 | Q13 | Q14 | Q15 | Q16 | Q17 | Q18 | Q19 | Q20 | Q21 | Q22 | Q23 | Q24 |
|-----|-------|-------|-------|-------|-------|-----|------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-----|------|-------|-------|
| Q1 | 1.00 | .259 | .278 | .570 | -.015 | | | .040 | .030 | -.015 | -.015 | .287 | .032 | .319 | .286 | .279 | .274 | .019 | .022 | .027 | | | .027 | .038 |
| Q2 | .259 | 1.00 | .297 | .525 | -.062 | | | .163 | .120 | -.062 | -.062 | .053 | .129 | -.043 | .144 | .092 | .040 | .077 | .089 | -.171 | | | .111 | -.060 |
| Q3 | .278 | .297 | 1.00 | .274 | -.210 | | | -.162 | -.045 | -.210 | -.210 | .719 | .266 | .587 | .720 | .629 | .521 | .124 | .300 | .179 | | | .372 | .226 |
| Q4 | .570 | .525 | .274 | 1.000 | -.057 | | | .150 | .111 | -.057 | -.057 | .172 | .119 | .289 | .334 | .232 | .189 | .071 | .082 | -.184 | | | .102 | -.075 |
| Q5 | -.015 | -.062 | -.210 | -.057 | 1.00 | | | .064 | .047 | -.024 | -.024 | -.183 | -.481 | -.134 | -.172 | -.247 | .080 | .030 | .035 | .043 | | | .043 | .061 |
| Q6 | | | | | | 1.0 | | | | | | | | | | | | | | | | | | |
| Q7 | | | | | | | 1.00 | | | | | | | | | | | | | | | | | |
| Q8 | .040 | .163 | -.162 | .150 | .064 | | | 1.00 | .492 | .064 | .064 | -.010 | .331 | .140 | -.029 | -.108 | .022 | .288 | .228 | .151 | | | .151 | .245 |
| Q9 | .030 | .120 | -.045 | .111 | .047 | | | .492 | 1.00 | .047 | .047 | .000 | .489 | .081 | .159 | -.191 | .041 | -.058 | -.067 | -.084 | | | -.084 | -.117 |
| Q10 | -.015 | -.062 | -.210 | -.057 | -.024 | | | .064 | .047 | 1.000 | 1.000 | -.183 | .051 | .027 | -.172 | .099 | -.275 | .030 | -.698 | -.563 | | | -.563 | .061 |
| Q11 | -.015 | -.062 | -.210 | -.057 | -.024 | | | .064 | .047 | 1.000 | 1.000 | -.183 | .051 | .027 | -.172 | .099 | -.275 | .030 | -.698 | -.563 | | | -.563 | .061 |
| Q12 | .287 | .053 | .719 | .172 | -.183 | | | -.010 | .000 | -.183 | -.183 | 1.00 | .213 | .600 | .671 | .685 | .602 | .225 | .261 | .135 | | | .324 | .165 |
| Q13 | .032 | .129 | .266 | .119 | -.481 | | | .331 | .489 | .051 | .051 | .213 | 1.00 | .111 | .194 | .154 | .295 | .375 | .308 | .225 | | | .225 | .114 |
| Q14 | .319 | -.043 | .587 | .289 | -.134 | | | -.140 | .081 | .027 | .027 | .600 | .111 | 1.000 | .729 | .541 | .385 | .165 | .077 | -.047 | | | .142 | .042 |
| Q15 | .286 | .144 | .720 | .334 | -.172 | | | -.029 | .159 | -.172 | -.172 | .671 | .194 | .729 | 1.000 | .590 | .458 | .212 | .246 | .119 | | | .305 | .143 |
| Q16 | .279 | .092 | .629 | .232 | -.247 | | | -.108 | -.191 | .099 | .099 | .685 | .154 | .541 | .590 | 1.00 | .454 | .304 | .106 | .029 | | | .234 | .301 |
| Q17 | .274 | .040 | .521 | .189 | .080 | | | .022 | .041 | -.275 | -.275 | .602 | .295 | .385 | .458 | .454 | 1.00 | .485 | .521 | .383 | | | .383 | .121 |
| Q18 | .019 | .077 | .124 | .071 | .030 | | | .288 | -.058 | .030 | .030 | .225 | .375 | .165 | .212 | .304 | .485 | 1.000 | .559 | .445 | | | .445 | .306 |
| Q19 | .022 | .089 | .300 | .082 | .035 | | | .228 | -.067 | -.698 | -.698 | .261 | .308 | .077 | .246 | .106 | .521 | .559 | 1.000 | .806 | | | .806 | .245 |
| Q20 | .027 | -.171 | .179 | -.184 | .043 | | | .151 | -.084 | -.563 | -.563 | .135 | .225 | -.047 | .119 | .029 | .383 | .445 | .806 | 1.00 | | | .641 | .440 |
| Q21 | | | | | | | | | | | | | | | | | | | | | 1.0 | | | |
| Q22 | | | | | | | | | | | | | | | | | | | | | | 1.00 | | |
| Q23 | .027 | .111 | .372 | .102 | .043 | | | .151 | -.084 | -.563 | -.563 | .324 | .225 | .142 | .305 | .234 | .383 | .445 | .806 | .641 | | | 1.00 | .440 |
| Q24 | .038 | -.060 | .226 | -.075 | .061 | | | .245 | -.117 | .061 | .061 | .165 | .114 | .042 | .143 | .301 | .121 | .306 | .245 | .440 | | | .440 | 1.00 |

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