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The relationship between corporate social responsibility and firm financial performance, and the corporate culture traits associated with corporate social responsibility, in the context of South Africa

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ABSTRACT

Corporations are increasingly being held accountable for the impact they are having on society. As a result, Corporate Social Responsibility (CSR) has garnered mainstream attention. However, despite this attention, CSR is often adopted with reluctance, in part, due to the long-standing belief that it is value destructive to shareholders. Mixed results, stemming from the research relating to CSR and its impact on firm financial performance, has not aided the argument for the merits of adopting CSR practises. In addition, importance is placed on integrating CSR into everyday business practices, and when integration is achieved, a CSR-embedded company culture results. However, little research has been done on, and, accordingly, little is known about the details of a CSR culture.

This study investigates the relationship between CSR and financial performance of companies listed on the Johannesburg Stock Exchange. The research uses six different financial measures to compare the financial performance of CSR companies to conventional firms over a four-year period, from 2018 to 2021. The data indicates that over this period, the average median performance of CSR companies and conventional firms using the Mann-Whitney U test, does not differ. However, when analysing the performance by year, the median performance of CSR companies performs mostly the same or better than conventional firms. In addition, a survey was disseminated to companies that had demonstrated a CSR track-record. By utilising an Exploratory Factor Analysis, two CSR-embedded culture traits were identified derived from the various company responses to the survey.

This research contributes to extant literature by assessing the relationship between CSR and firm financial performance, particularly in a developing country. Further, it uses several financial performance metrics in its analysis to gain a holistic perspective on firm financial performance. Lastly, this study assists in developing the embryonic field of CSR culture by identifying two traits that are present in companies that have integrated CSR practices.

KEYWORDS:

Corporate social responsibility, financial performance, CSR culture, CSR-embedded corporate culture, South Africa

DECLARATION

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Philosophy (Corporate Strategy) at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

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Name & Surname Signature

TABLE OF CONTENTS

LIST OF FIGURES

LIST OF TABLES

1. INTRODUCTION TO THE RESEARCH PROBLEM

1.1 Background to the research problem

In September 1970, the American Nobel laureate and economist, Milton Friedman ("Milton Friedman", 2022), published an essay in The New York Times entitled "A Friedman doctrine: The social responsibility of business is to increase its profit", which proposed that corporations only had a responsibility to act in the interest of its shareholders and that, therefore, the primary role of business was to maximize shareholder returns ("Friedman doctrine," 2022). According to Friedman, managers had no responsibility to society and their decisions were taken solely with the shareholder in mind, and in pursuit of profit. Friedman's essay was amplified by academia and business schools (Smith & Rönnegard, 2016) and was touted as the 'biggest idea in business'. As a result, the thinking became embedded in managerial practice and integrated into business doctrine (Smith & Rönnegard, 2016). This concept was known as the Friedman doctrine, or Shareholder Theory.

The pursuit of profit metamorphosised the stock markets by placing increasing focus on share prices. Managers were aligned with shareholder ambitions by being compensated for share price performance, thereby further directing their decision-making to a profit-centric locus (Samuelson, 2022). This gave rise to short-termism (Cardoni et al., 2020). Shareholder primacy advanced greater inequality as the benefit of rising share prices sat in the hands of a concentrated number of shareholders and other, already wealthy, individuals (Greenspon, 2019).

The ascendant theory continued until the 2008 financial crisis, which shed a spotlight on its shortcomings. Its capitalistic proclivity led to poor financial decisions, which severely impacted society through the collapse of corporations and the ensuing unemployment and poverty which impacted society at large (Cardoni et al., 2020). The 2008 financial crisis challenged the normative paradigm by revisiting the role business plays, particularly beyond its responsibilities to shareholders (Harrison et al., 2020). On account of these harmful business practices, what followed was a considerable shift in the narrative, to one that embraced all stakeholders, encapsulated by Stakeholder Theory (Wise, 2021).

In 2019, the Business Roundtable, representing CEOs of leading US corporates, such as JPMorgan and Amazon, issued a statement that reversed their previous declaration, by stating that the purpose of the corporation was to serve the interests of all stakeholders, not only shareholders (Harrison et al., 2020). This statement was signed by 181 CEOs. Larry Fink, the CEO of BlackRock, the world's largest asset manager ("BlackRock," 2022), lent his voice to the conversation, and in his 2019 address to CEOs, he advocated for businesses to create value for all stakeholders over the long-term (BlackRock, 2019). He further called for corporates to embrace a purpose, a company's reason for being (Harrison et al., 2020), that went beyond profit-generation. He noted that profit and purpose were indissolubly linked. Jack Welsh, the former CEO of General Electric, asserted that "on the face of it, shareholder value is the dumbest idea in the world" (Harrison et al., 2020, p.1224), thereby adding further gravitas to the arguments for stakeholder value.

The United Nations has also added their weight to the debate. They developed 17 UN Sustainable Development Goals (United Nations, n.d.). These goals seek to address some of society's biggest challenges and call for corporates to contribute towards addressing them in order to create a prosperous future for all. These goals were built on the principle, 'leave no one behind' and have a target implementation date of 2030 to transform the world. This call to action serves as a reminder of the societal and environmental challenges facing this age, which requires a different and indeed broader perspective than the one currently espoused.

In an effort to take cognisance of the value created for all stakeholders, Corporate Social Responsibility (hereafter referred to as CSR) garnered increasing attention (Harrison et al., 2020). CSR is defined by The World Business Council for Sustainable Development as "the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large" (Social-Responsibility, n.d.). CSR focuses on creating greater societal benefits, and on face value provides a good fit for the current stakeholder-centric agenda.

The academic literature presents numerous benefits for CSR. First and foremost, it signals corporate social legitimacy by supporting contemporary thought (M. Kim & Thapa, 2018). Further, it is a means by which corporates can differentiate themselves from their competitors, improve their reputation (Yadav et al., 2018), whilst attracting and retaining talent who are drawn to socially responsible companies (Heyward, 2020). In particular, Millennials and Gen Zs are driving the need for corporates to contribute towards changing the world (Deloitte, 2022). These generations display increased loyalty towards their jobs when their employers are sustainability-driven. Furthermore, research indicates that these generations are taking active steps, with 75% of millennials indicating that they would change their purchasing habits if it meant improving the environment (Hartman, 2021). Similarly, consumers are more inclined to support companies that consider people and planet, and therefore exhibit a greater sense of loyalty towards them (Mills & Robson, 2020). CSR also provides a signal to investors that the company is managed in an accountable fashion, which can contribute towards fundraising activities. In 2020, there was a 96% increase in invested capital over the prior year in sustainably focused companies (BlackRock, 2021). Pertinent to note, however, is that CSR needs to be embraced fully by the company to harness the above-mentioned benefits (Prutina, 2015). Stakeholders are quick to recognise when a company is authentic about its CSR practises and are punitive when a company is caught greenwashing (Gatti et al., 2019).

Despite these benefits, CSR has not been widely adopted by managers and is often treated as an ad-hoc activity (Schönborn et al., 2019). A concern cited by scholars, is the perceived cost implications associated with CSR, and that these outweigh their benefits (Saha et al., 2019). This is compounded by the difficulty in demonstrating that CSR activities contribute towards firm financial performance (K. Huang et al., 2020). Scholars have investigated whether a correlation between CSR and firm financial performance exists, but have found mixed results (Kong et al., 2020).

Shareholder primacy has remained the dominant, implemented view in business and is seen as “a major obstacle to CSR” (Rönnegard & Smith, 2018, p. 1), as it hinders managers from considering a broader stakeholder group. Business literature is heralding the end of shareholder primacy, supported by articles such as Fortune Magazine’s commentary ‘50 years later, Milton Friedman’s shareholder doctrine is dead’ (Mayer et al., 2020). However, this has not translated into the business environment. It is worth appreciating, however, that new ideas take time to integrate into the business psyche (Harrison et al., 2020) and therefore, CSR’s slow uptake should not be viewed as a terminal indicator of its prospects.

1.2 The research problem

Notwithstanding numerous studies into the relationship between CSR and financial performance, no conclusive correlation has been identified (Kong et al., 2020). Kong et al. (2020) note that some findings suggest a negative relationship, others a neutral or positive one. Positive correlations were attributed to increased competitiveness as CSR reduced firm risk (Kong et al., 2020). Also, CSR led to improved innovation, which resulted in cost reductions that increased value for stakeholders, leading to improved financial performance (Maqbool & Zameer, 2018). The negative nexus, on the other hand, suggested that due to increased costs associated with CSR investment, there was a competitive disadvantage and reduced financial performance (Kong et al., 2020). A neutral relationship suggested no dependency. In addition to these mixed results, research is primarily conducted in developed countries (Ikram et al., 2020) and even less clarity exists as to how CSR impacts firm performance in developing countries. Ikram et al. (2020) identified a gap in the research, namely that research is conducted primarily in developed countries, and called for further study of this relationship in developing countries.

A common theme that permeates the literature, is that CSR requires a stakeholder approach focused on value creation beyond profit-maximisation, and that for managers to reap the most benefits from CSR, it should be fully embedded in the company's business practices (Prutina, 2015; Vertigans & Idowu, 2021). This holistic practice would culminate in a CSR-embedded culture (Prutina, 2015).

Corporate culture is the set of beliefs and behaviours that impact how a company conducts its business and how its employees behave (Corporate Culture, n.d.). Various benefits of a positive corporate culture have been identified across the literature. These include enhancing firm competitiveness (Dimitrova, 2019), and improving both firm reputation and firm performance (Almeida & Coelho, 2019). A firm's culture is therefore central to its success. A further outcome of a successful corporate culture is employee engagement (Deloitte, 2019).

Various frameworks exist in the literature, discussing corporate culture and how a positive culture is achieved (Pathiranage et al., 2020; Jones et al., 2007). However, extant literature is sparse when it comes to understanding a CSR-orientated corporate culture (Prutina, 2015; Schönborn et al., 2019). The current frameworks are premised on conventional business practises, which are inappropriate in the context of a CSR culture (Prutina, 2015). Prutina (2015) developed a CSR-orientated culture framework based on a company's CSR orientation, starting with a shareholder-centric culture where CSR is not entertained, and ending with a CSR-embedded culture where CSR is fully integrated into the firm. Based on research performed in Bosnia and Herzegovina, two traits of a CSR-embedded culture were identified, one being shared 'CSR values' and two being 'employee engagement' in CSR. CSR values are reflected in the company's authenticity towards CSR, whilst employee engagement speaks to the embeddedness of CSR practises, affecting all staff from senior leadership to junior staff. Prutina (2015), however, called for further research into the specific cultural traits associated with a CSR-embedded culture. Extant literature has not explored the cultural traits associated with a CSR culture. Prutina (2015) further noted that the study had limitations, as it was based on findings from one company based in one country, and therefore called for further research to be performed in other countries.

Two research problems are herewith presented. Firstly, there is a paucity of research into the relationship between CSR and financial performance, particularly in developing countries (Ikram et al., 2020). Extant literature presents mixed findings, demonstrating either a positive, neutral or negative impact on financial performance (Kong et al., 2020). This lack of clarity has contributed towards fuelling a managerial perception that CSR can in fact be detrimental to financial returns given the costs associated with such activities.

Secondly, the literature concurs that CSR needs to be imbedded within the firm for its benefits to be reaped (Agudelo et al., 2019; Prutina, 2015). When CSR is fully integrated into the company, it is referred to by Prutina (2015) as a CSR-embedded culture. However, research into a CSR-embedded culture, and the traits that define such a culture, are still embryonic (Prutina, 2015; Schönborn et al., 2019). As a result, it is difficult to identify such a culture or develop it within a firm that is new to adopting CSR. Furthermore, it is difficult for managers to gauge whether CSR has indeed been successfully integrated into the firm, when they are unaware of the traits that would demonstrate a successfully embedded CSR culture.

1.3 The research questions

This research identified several gaps in the literature. Firstly, the relationship between CSR and its influence on financial performance remains under-explored and opaque (Kong et al., 2020), whilst extant literature demonstrated mixed results. Secondly, the research is primarily conducted in developed countries and research in developing markets is sparse (Ikram et al., 2020).

Leveraging the extant literature, an examination of the relationship between CSR and firm performance in South Africa is undertaken, and the following research question is presented:

RQ1: Does the financial performance of CSR companies differ from the financial performance of conventional firms in South Africa?

The above research question takes a one-dimensional view of the benefits of CSR by only considering the monetary implications to shareholders. Benefits of CSR for stakeholders are numerous. In addition to assisting the environment and society, employee motivation is enhanced (Galpin et al., 2015), and trust is built across stakeholder groups (Kim et al., 2021; Cho et al., 2019). Embedding CSR in the firm leads to a corporate culture that embraces CSR. However, the extant literature is sparse with regard to defining a CSR culture, including whether specific culture traits are associated with such a culture (Prutina, 2015). Of particular importance, is understanding the traits that describe a CSR-embedded culture in order to advance the field of CSR. As a result of the dearth of literature pertaining to a CSR culture, in particular a CSR-embedded culture, the following research question was developed:

RQ2: Is a CSR-embedded culture characterized by specific cultural traits in South Africa?

1.5 The research aims

The aim of this research was to evaluate the financial performance of CSR companies and compare these to the financial performance of conventional firms in the context of South Africa. Therefore, this paper aims to fill a gap in the literature by examining the relationship between CSR and financial performance in a developing country (Ikram et al., 2020). Of particular importance is addressing the managerial perception that firms that engage in CSR perform worse than conventional firms that are not engaged in such activities (Saha et al., 2019).

The researcher has taken cognisance of the importance of companies embedding CSR into their business practises, and the importance of developing a CSR culture. As a result, this research aims to establish whether two specific culture traits can be identified that are associated with companies that have embraced and embedded CSR into their business practises in the South African context. This addresses a gap in the CSR-orientated corporate culture literature (Prutina, 2015; Schönborn et al., 2019). The research further aims to confirm that these culture traits are exhibited across the organisation, regardless of the level of seniority of the employee, which is a feature of CSR embeddedness (Prutina, 2015; Yang et al., 2019).

1.6 The research contributions

1.6.1 Managerial contribution

Against the backdrop of environmental degradation and societal pressures, often blamed on a single-minded profit-focused mentality (Mayer et al., 2020), contributing towards the extant literature is relevant from a people and planet perspective, and to support business and academia in adopting a different approach than the one currently espoused. Given the consequences in continuing on the current trajectory, further research is required in support of CSR by demonstrating its link to firm financial performance in order to change ingrained managerial processes (Dmytriyev et al., 2021). If managers understood the impact of CSR practices on firm financial performance, they would be less inclined to disregard the practice or treat it as an ad-hoc activity (Yang et al., 2019). Of further importance, is shedding light on the managerial perception that CSR is detrimental to the firm and to shareholders (Saha et al., 2019). If this perception persists, it is unlikely that managers will be persuaded to adopt new practices.

This research contributes towards dispelling this perception by demonstrating that CSR does not impact financial performance negatively in South Africa and that, therefore, managers can incorporate CSR practises in their day-to-day activities. Further, this research should dissuade managers in participating in greenwashing activities on the basis that CSR is not detrimental to financial performance. It further motivates managers to take a stakeholder-centric approach where value is created for all stakeholders, as CSR does not lead to shareholder value destruction.

In addition, there is a paucity of research pertaining to CSR-orientated corporate culture (Prutina, 2015; Schönborn et al., 2019). The literature concurs that in order to benefit from CSR, it should be embedded within the firm's process (Agudelo et al., 2019; Prutina, 2015; Vertigans & Idowu, 2021). By identifying the traits of a CSR-embedded culture, it assists managers in creating a culture that is aligned with CSR embeddedness. Understanding the traits of a CSR culture is meaningful, as it could serve to assist companies transition their CSR orientation, so that companies can benefit fully from their CSR practices, including building trust (Kim et al., 2021; Cho et al., 2019), building employee job satisfaction and improving employee motivation levels (Galpin et al., 2015). This research makes a managerial contribution by highlighting that 'CSR values' and 'employee engagement' are two traits of a CSR-embedded culture in South Africa.

1.6.2 Theoretical contribution

In addition to this managerial contribution, several theoretical contributions are made.

Firstly, this research explores the relationship between CSR and firm financial performance within the context of a developing country where research is currently under-developed, whilst also contributing towards the assessment of the impact of financial performance across a variety of financial indicators. Secondly, this research contributes towards the empirical evidence relating to a CSR-orientated corporate culture, by identifying traits of a CSR-embedded culture within the context of South Africa, namely CSR values and employee engagement. Thirdly, this study lends credence to Stakeholder Theory and supports the business rhetoric in favour of changing managerial practices and business school curriculums to a stakeholder-centric approach. Lastly, this research is possibly a first of its kind, identifying traits of a CSR-embedded culture in South Africa.

1.7 Conclusion

This chapter commenced by providing a background to the developments that have taken place in the societal and business landscape, founded on Shareholder Theory, the primary theory promulgated by business schools and academia (Smith & Rönnegard, 2016). Following several environmental and financial catastrophes, this profit-maximization ethos was revisited, driven by the proposal that companies had responsibilities to all stakeholders, not just shareholders (Harrison et al., 2020). As a result, CSR is a concept that has gained increasing attention (Harrison et al., 2020). CSR focuses on value creation for all stakeholders, for the betterment of people and the planet. It is further mooted that these far-reaching benefits do not come at the detriment of shareholders, but that they can exist in union (Wise, 2021). Managerial practises underpinned by Shareholder Theory, however, are ingrained, resulting in CSR often being viewed as an ad-hoc activity (Schönborn et al., 2019). The theoretical gap in the literature relating to the impact of CSR on firm performance, particularly in developing countries (Ikram et al., 2020), has contributed towards a lack of CSR adaptation. This research seeks to address this gap.

Furthermore, given the paucity of literature relating to a CSR-orientated culture (Prutina, 2015; Schönborn et al., 2019), in particular a CSR-embedded culture, which is an outcome of successful CSR activities, little guidance is given to managers in terms of the cultural traits that should be fostered within the firm in order to benefit fully from CSR activities. To the best of the researcher's knowledge, no such research has been conducted in South Africa, making this a meaningful theoretical contribution.

2. LITERATURE REVIEW

2.1 Introduction and road map

This chapter reviews the key constructs, the “building blocks of theory” (Bell et al., 2019, p. 166), pertaining to this research and explores the theory underpinning these constructs. This chapter is set out in the manner expounded in this roadmap.

The Literature Review will commence with a theoretical overview. Shareholder Theory is the ubiquitous theory applied in business, yet it is widely viewed as an impediment to CSR (Rönnegard & Smith, 2018). As such, the overview will commence with an exploration of Shareholder Theory. This will be followed by a review of Stakeholder Theory, which is considered “essential in comprehending any potential relationship between CSR and firm performance” (Bahta et al., 2021, p. 1432). Thereafter, key constructs will be explored, commencing with CSR, in particular, its influence on firm financial performance. Thereafter, literature relating to corporate culture, including CSR-orientated culture, will be traversed. The review will conclude with a summary and a conceptual framework. Refer to Figure 1 for a roadmap of the structure of the Literature Review, detailing the main and sub-headings of the review.

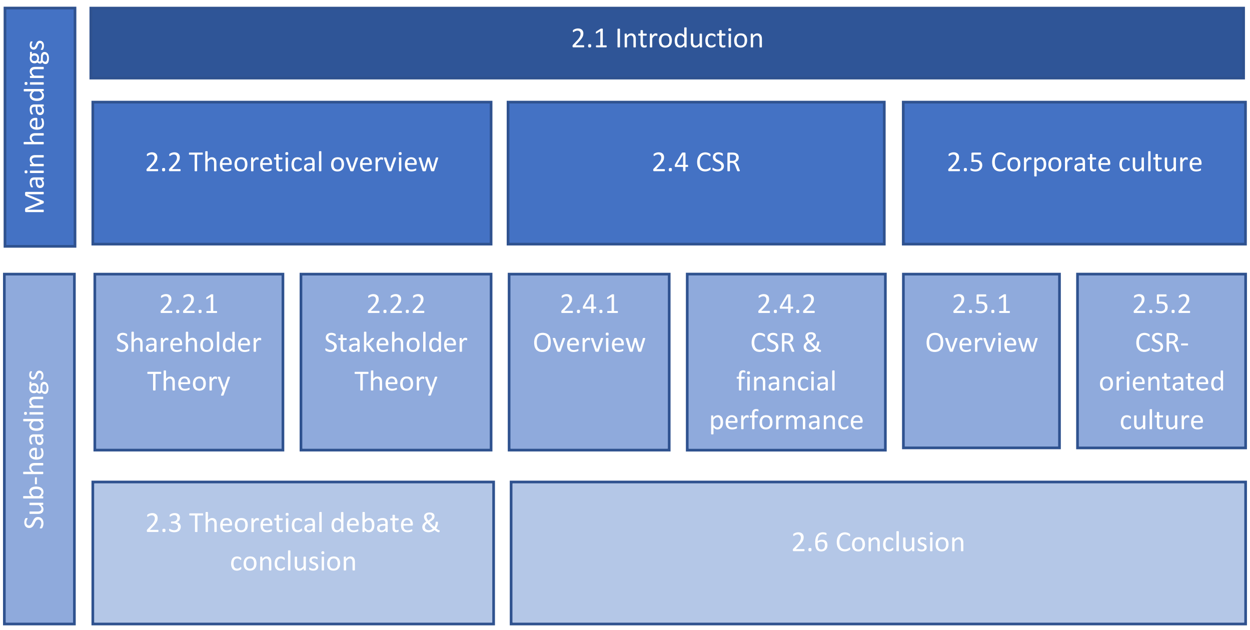

Figure 1: Structure of the Literature Review

Source: Author’s compilation

2.2 Theoretical overview

2.2.1 Shareholder Theory

Shareholder Theory asserts that the primary responsibility of managers is towards their shareholders and is a foundational concept in corporate governance (Wise, 2021). It was popularized by the economist Milton Friedman in the 1970s, who propounded that managers should utilise the resources of the firm to engage in activities that increase profits, and in turn shareholder value (Rönnegard & Smith, 2018). Up until the nineteenth century, Friedman's seminal work was reinforced by legal norms. Common law specified that "managers and directors owe fiduciary duties to shareholders and must make decisions that are in their best interests" (Rönnegard & Smith, 2018, p. 5), where fiduciary duty consists of "the duty of loyalty and a duty of care to shareholders" (p. 5). This was compounded by voting rights granted to shareholders, which gave them the ability to elect and dismiss the board of directors should their interests not be upheld (Rönnegard & Smith, 2018). This dynamic is captured in Agency Theory, whereby managers act as agents of shareholders (Tekin & Polat, 2020).

In conjunction with legislative and governance frameworks, managers are typically incentivized to increase firm profits. These incentives have been blamed for excessive risk-taking which has compromised prudential regulation and has been linked to various economic failures including the 2008 financial crisis (Marin, 2013). Conventional accounting systems are geared towards catering for the measurement of firm financial performance in order to benchmark and remunerate against such targets (Hörisch et al., 2020) which has driven managerial behaviours and decision-making. In addition to influencing managerial conduct, the ease and accessibility in calculating performance metrics appeased scholars and fuelled research into the drivers of financial performance (Harrison et al., 2020). Scholars, however, are increasingly noting the shortcomings of the conventional accounting systems and have, therefore, called for an overhaul of performance metrics to include non-financial indices so that a holistic view of firm performance is obtained (Barney & Harrison, 2020).

After the introduction of the Business Judgment Rule, managers are deemed to have sufficient latitude in addressing non-shareholder interests whilst complying with their fiduciary duties. The Business Judgment Rule assumes that managers act rationally and in good faith, and in the best interest of the company (Ferreira & Sequeira, 2022). Therefore, it allows managers to make decisions without risking prosecution by shareholders. Provided that managers can demonstrate that they have acted "in good faith, on an informed basis" (Wise, 2021, p. 502) and not in self-interest, their decisions cannot be held against them by shareholders (Ferreira & Sequeira, 2022). The Business Judgement Rule negates the proposition that managers must only act in the sole interest of shareholders.

Despite this current incongruence with jurisprudence, Shareholder Primacy has been embraced by business and law schools alike and, as a result, the notion that managers are primarily responsible for creating shareholder value has become a social norm that is able to "guide and/or constrain social behaviour without the force of law" (Rönnegard & Smith, 2018, p. 10). Support for the theory is further enforced by managerial beliefs, coupled with incentivisation and the perceived risk of being dismissed for not acting in shareholder interests, by said shareholders. These sets of behaviours and beliefs are firmly entrenched in the business psyche (Harrison et al., 2020) and a deviation from these beliefs therefore requires immoderate substantiation.

Following an array of corporate failures and crises, the legitimacy of Shareholder Theory is being called into question, including the role of business schools in endorsing its profit-focused principles. These promulgated theories by academia shaped "the intellectual and normative order within which all day-to-day decisions were made" (Smith & Rönnegard, 2016, p. 472) which set the foundation for historical managerial behaviours. In addition to business schools, conventional accounting systems played a part in enforcing shareholder-centric notions. The culmination of these shortcomings and failures has led to a focus on alternative approaches that better serve people and the planet, whilst supporting shareholders and positioning companies for success.

2.2.2 Stakeholder Theory

Given the increased awareness of the role corporations play in society, and the stance taken by the Business Roundtable as well as by leading business personalities, it has led shareholders to actively engage and influence corporate direction (Smith & Rönnegard, 2016), which has brought Stakeholder Theory to the fore. Business behaviour will be informed in part by the movement of capital, and an increase in capital allocated to sustainability-focused companies (Issa et al., 2017) will effect change and drive focus towards a stakeholder-inclusive approach. Even though, from a legal perspective, Shareholder Theory does not preclude managers from considering a broader stakeholder group, the principle-direct focus provided by Stakeholder Theory has seen this theory gaining academic prevalence.

Stakeholder Theory was conceptualized by Edward Freeman in 1984 and stresses the importance of creating value for all stakeholders, not just shareholders, and recognises the interconnectedness of the company to its stakeholders (Harrison et al., 2019). Stakeholders, “those groups without whose support the organization would cease to exist” (Harrison et al., 2019, p. 55), include employees, customers, suppliers, debtholders, and communities, in addition to shareholders. The theory views the fiduciary duty of directors to act in the best interest of the organisation to mean the consideration of all stakeholders, and therefore assumes responsibility for the company’s activities in relation to the environment it impacts beyond just the monetary contribution towards shareholders (Wise, 2021). The theory focuses on creating long-term value for the corporation and deems creating value for all stakeholders as the best means to achieve this (Wise, 2021). The opaque meaning of what is considered as ‘acting in the best interest of the corporation’, has resulted in significant polemical debate, and has put Stakeholder Theory at loggerheads with the status quo ante described earlier. Scholars have, however, reached consensus that managers should not act against the interest of shareholders (Wise, 2021).

The Business Roundtable is an American organization comprising CEOs of some of the country’s leading companies, who, since 1997, have issued statements in support of Shareholder Primacy (Harrison et al., 2020). In August 2019, however, they revoked their previous statements by declaring that the purpose of the corporation was to serve all stakeholders. In order to add gravitas to its new position, 181 CEOs signed the statement (Business Roundtable, n.d.), heralding a change in business sentiment.

Scholars have analysed Stakeholder Theory in various ways, including categorizing it into three concepts, namely descriptive, instrumental and normative (Javed et al., 2020). The descriptive thesis evaluates stakeholder salience, the manner in which managers prioritise competing stakeholder demands (Joos, 2019). Stakeholder attributes of “power, legitimacy and urgency” (Ahmed & Cohen, 2019, p. 157) have been identified as drivers of their salience. The instrumental thesis “establishes the link between stakeholders’, management and organizations’ performance” (Javed et al., 2020, p. 1398) by proposing that “taking care of diverse stakeholders draws positive stakeholders’ responses that result in superior performance” (Javed et al., 2020, p. 1398). Performance, in this instance, relates to traditional corporate performance measures (Valentinov & Hajdu, 2019). The normative concept focuses on social goals derived from social welfare and asserts that managers have a moral obligation to stakeholders, whereas the instrumental thesis supports behaviour, provided it positively impacts profitability (Javed et al., 2020). This research is predicated on the instrumental thesis, whereby performance is evaluated using traditional accounting measures.

Supporters of Stakeholder Theory argue that any complexity that ensues from considering multiple stakeholders is worth the effort and “leads to a more effective solution for a corporation" (Wise, 2021, p. 525). Further, under the Business Judgment Rule, directors have the latitude to expand their decision-making nexus to include other stakeholders (Ferreira & Sequeira, 2022). In addition, it is argued that managers should recognise that not only shareholders have a claim against the firm’s profits but that the resources provided by stakeholders assist in generating these profits and conclude that a resourced-based view of profit-generation should espouse a stakeholder perspective (Barney, 2018). Freeman and Dmytriyev (2020) argue that stakeholders are interdependent and that “value created for one stakeholder also contributes to creating value for others” (p. 13), thereby disproving the prevalent idea that stakeholders are dichotomous, and creating value for one stakeholder is detrimental to the other. Significant empirical evidence suggests that managing for stakeholders is value accretive despite the heterogenous nature of these stakeholders (Harrison et al., 2015). Stakeholder Theory is a management theory founded on ethics (Maqbool & Zameer, 2018). Therefore, it stands to reason that those companies treating stakeholders fairly, should see those traits reciprocated, resulting in, for example, increased purchases by customers, increased output and loyalty from employees and preferential funding terms from debt holders. This would culminate in value created for said stakeholders but also for the shareholders, lending further support to the argument that a stakeholder-approach and obtaining shareholder returns are not mutually exclusive.

In opposition to Stakeholder Theory, scholars argue that widening managers’ responsibilities would be detrimental to the company and its shareholders by moving managerial focus away from profit-generation (Harrison et al., 2020). A challenge lies in identifying the relevant stakeholder constituents and empowering them accordingly, without the ability for them to receive voting-rights at board level (Rönnegard & Smith, 2018). Stakeholder Theory also assumes that managers have the ability to onboard a stakeholder-orientated approach. This notion has been contested, with arguments that dominant, powerful stakeholders could constrain managers’ abilities to take such an approach (Barney & Harrison, 2020). Barney and Harrison (2020) highlight the importance in creating trust amongst stakeholders, which would mitigate the challenge associated with a dominant stakeholder.

A mechanism proposed by scholars to assist in the adaptation of Stakeholder Theory is to redefine the way profits are recognised and in turn the manner in which managers are being incentivised in order to drive managerial behaviour towards a stakeholder-inclusive approach that has a greater benefit, not only to the shareholders, but society at large (Barney & Harrison, 2020). To date, financial accounting has not adjusted to Stakeholder Theory (Hörisch et al., 2020). Traditional accounting measures address the financial value created for shareholders but do not account for the value creation for multiple stakeholders. Reimagining how profits are accounted for would contribute towards the dialectic relating to profit and people encompassed in Stakeholder Theory (Hatherly et al., 2017).

Goyal (2020) postulate that Stakeholder Theory has not been readily integrated into academia as the theory remains underdeveloped. Historically, the moralistic arguments which advocated for a change in managerial behaviour on the basis of 'doing good for society', should instead be argued from a commercial perspective, such as highlighting the benefits relating to enhanced competitive advantage or improved financial performance. The moral arguments have been counterproductive to the theory's expansion and have contributed towards Stakeholder Theory not being widely adopted (Goyal, 2020).

2.3 Theoretical debate and conclusion

The debate between the merits of Shareholder Theory and Stakeholder Theory is "the most highly disputed topic" (Wise, 2021, p. 524) in corporate governance and corporate law and its polemic is central to directing future managerial behaviour. The role of the organisation bifurcates academics as to what is meant by the ambiguous phrase, 'acting in the best interest of the organization' (Wise, 2021). From a shareholder primacy perspective, it means acting in the best interest of shareholders by ensuring that shareholder value is increased, whereas Stakeholder Theory considers the corporation's impact on society and endeavours to create value for all stakeholders. Scholars in support of a shareholder-view cite several benefits, including the ease of its application and related decision-making (Wise, 2021), whilst those in support of a stakeholder perspective note that legally, director's fiduciary duties are not limited to shareholder (Ferreira & Sequeira, 2022) and that significant benefits are to be had from the adoption of a stakeholder perspective, underpinned by the need for business reform.

Certain academics postulate that governance practices should be revisited to enable stakeholders to have a greater influence on the corporation, given that not all stakeholders are afforded voting rights (Smith & Rönnegard, 2016). Smith and Rönnegard (2016) note that this approach is fraught with its own difficulties, both practical and theoretical; namely, extending voting rights to all stakeholders challenges legal frameworks and corporate statutes making its implementation impractical and unlikely. Alternatively, changing the duties of directors to accommodate a broader group of stakeholders is meaningless unless these stakeholders are afforded judicial support. A solution presented by Smith and Rönnegard (2016) is the 'benefit corporation' which is intended to support profit-generation but in an environmentally and socially responsible manner whilst placing a requirement on managers to take all stakeholders into account. This ensures that all stakeholders are aligned and understand the role of the manager who are guided by the parameters of the benefit corporation.

The Shareholder Primacy leitmotif is being challenged by contemporary business sentiment, with support of The Business Roundtable calling for corporations to play a larger role in society. Stakeholder Theory will gain further momentum, notwithstanding the potential for increased complexity.

Having provided an overview of Stakeholder Theory and Shareholder Primacy, what follows is a literature review of CSR, the concept at the centre of this research.

2.4 Corporate Social responsibility

2.4.1 Overview

CSR traverses several academic disciplines including ethics, law, economics and strategy (Ferramosca & Verona, 2020). Though no uniform definition of CSR exists (Mahboub & Fawaz, 2022), several definitions have been provided in the literature, including a "concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis" (Nyeadi et al., 2018, p. 304) and the "economic, legal, ethical and discretionary expectations that society has on organizations at a given point of time" (p. 304). To reiterate, CSR concerns itself with contributing towards factors external to the company, by contributing to society and the planet, mainly in two domains. Firstly, CSR concerns itself with charity, volunteering and community developments and secondly, it avoids doing harm (Dmytriyev et al., 2021). From its roots in philanthropy, CSR is now considered a business imperative (Latif & Sajjad, 2018), yet despite the growing body of CSR literature, the efficacy of CSR initiatives remains underexplored (Barnett et al., 2020). Scholars largely assume that CSR initiatives contribute towards society but offer little evidence (Barnett et al., 2020). This gap contributes to the ambiguous extant literature.

Considering the current narrative surrounding corporations' responsibilities towards addressing some of the world's most urgent issues (Issa et al., 2017), CSR has gained increasing attention and has been incorporated into the business vernacular, in part due to the recognition by investors of its importance (Cho et al., 2019). However, CSR implementation remains a challenge, its practice referred to as "a black box" (Saha et al., 2019, p. 416). Furthermore, most research focuses on implementation at the firm level and not on multiple levels with respect to the level of analysis (Fatima & Elbanna, 2022). Implementation challenges are further exacerbated by the difficulty in motivating that a benefit of CSR is improved financial performance (Kong et al., 2020). This has contributed towards a managerial perception that CSR-related costs outweigh the benefits of CSR (Saha et al., 2019). Scholars note that CSR requires ongoing investment in "value-creating activities" (Habib & Hasan, 2019, p. 453) and that these activities involve long-term "cost stickiness" (p. 453) as once these commitments are made, they are not easily pulled back. This further adds to the reluctance by managers to adopt these practices.

Ashrafi et al. (2020) note that CSR has its roots in philanthropy dating back to the 1920s, but that the idea only gained attention in the 1950s when Standard Oil put forward the notion that corporates were accountable for their actions to society. The economist, Howards R. Bowen made the first academic contribution to the subject in 1953 by writing a book entitled 'Social Responsibilities of the Businessman' ("Howard Bowen," 2022). In the 1980s, the idea evolved to 'sustainable development' and focused on environmental concerns, and later to CSR which encapsulated not only environmental, but also societal and economic issues. However, its substratum came under scrutiny from the likes of Milton Friedman, a Shareholder Primacy advocate, who claimed that it was not the role of corporations to attend to societal issues (Freeman & Dmytriyev, 2020) and that CSR activities could even harm shareholders, thereby destroying the free-market economy. The criticism that CSR violates the "obligations to shareholders" (Freeman & Dmytriyev, 2020, p. 9) has since been disproven by both lawyers and academics, nevertheless, a "full-scale ideological battle" (p. 7) has remained. Additional concerns cited by scholars is the use of CSR to repent for bad corporate behaviour (Freeman & Dmytriyev, 2020).

In these instances, CSR is merely used as a ‘window dressing’ activity, or to “creating false dichotomies” (Freeman & Dmytriyev, 2020, p. 9) between business concepts.

Business literature has incorporated Stakeholder Theory, Resource-based Theory and Institutional Theory into CSR (Ashrafi et al., 2020). Stakeholder Theory, as described earlier, advocates for the adoption of a holistic approach whereby value is created for all stakeholders. Stakeholders include the broader society and the environment. Therefore, Stakeholder Theory aligns well with and underpins CSR as CSR is also concerned with society and the environment (Dmytriyev et al., 2021). Whilst CSR is supported by Stakeholder Theory, and both concepts challenge the shareholder-centric ideology, their relation to each other is viewed differently amongst academics. Freeman and Dmytriyev (2020) view them as “distinct concepts with some overlap” (p. 9), whilst others argue that they are either complementary or competing concepts. Freeman and Dmytriyev (2020) argue that both concepts “stress the importance of societal interests into business operations” (p. 9), though they differ in that CSR is significantly weighted towards society at large, over other stakeholders. This slant would suggest that CSR would be particularly beneficial in historically disadvantaged societies, such as South Africa (Anwana, 2020). Due to the lack of clarity between CSR and Stakeholder Theory, scholars are often uncertain which framework to apply, resulting in separate bodies of literature that provide a challenge to navigate (Dmytriyev et al., 2021).

Resource-based Theory is “the notion of achieving competitive advantage through the deployment of specific corporate resources” (Ashrafi et al., 2020, p. 5) and by investing in CSR, intangible resources are created that add value to the firm and its stakeholders. This theory views CSR through a resources lens and supports CSR initiatives on the basis that it creates stakeholder value. Institutional Theory relates to the “practices and procedures defined by prevailing rationalized concepts of organizational work and institutionalized in society” (Ashrafi et al., 2020, p. 5) and suggests that by adhering to social expectations, firm survival is improved. Instrumental Theory views CSR as a strategic tool that improves firm performance (Javed et al., 2020) and is characterized by “high levels of trust, cooperation, and information sharing” (Jones et al., 2018, p. 371). The theory seeks to explain the correlation between CSR and firm performance and is therefore important in the context of this research.

CSR has been structured as either explicit, when it is a voluntary activity, or implicit when it is codified or considered mandatory (Dmytriyev et al., 2021). Academics have demonstrated that CSR activities have largely remained voluntary and guided by codes of conduct (Tamvada, 2020) making enforceability difficult. This implies that if managers were convinced of the benefits of incorporating CSR practices, it would aid in its adoption given the voluntary nature of said activities, further highlighting the need for research in support of CSR.

Various academics have expounded on the merits of CSR. Javed et al. (2020) highlights that by using Signalling Theory, CSR is shown to impact firm reputation as CSR activities serve as a positive signal to stakeholders which enhances the company's image. Conversely, irresponsible firm behaviour due to reckless or exiguous CSR activities results in a tarnished reputation. CSR practices give employees a sense of purpose at work, which affects employee job performance as well as provides employees with a meaningful work experience which leads to improved employee engagement (Nazir et al., 2021). This outcome is not confounding as research has shown that "the ultimate goal of human beings is to pursue meaning in our work and non-work lives" (Nazir et al., 2021, p. 123) and by finding purpose at work, it fulfils a basic psychological requirement for employees (Nazir & Islam, 2020). Employees play a pivotal role in actualising CSR activities, however, corporate support is required to provide employees with the belief in the corporations' ability to achieve its CSR targets (Nazir et al., 2021). CSR also serves to support government in areas where it is falling short, thereby playing a meaningful role in society (Cho et al., 2019).

Most recently, corporates globally were affected by the Covid-19 pandemic. This pandemic served as a shock to the global economy. Research conducted on 1,604 companies listed in China indicated that companies with better CSR credentials and stakeholder relationships pre-crisis showed greater resilience by demonstrating fewer losses and better recovery from the crisis (W. Huang et al., 2020). W. Huang et al. (2020) suggest that this should provide investors with increased comfort when investing in firms with strong CSR capabilities and recommend that firms publish their CSR contributions to gain market awareness. However, similar research using a sample of 1,750 U.S. companies found no evidence that CSR protected shareholder value by supporting stock prices during the Covid-19 crisis (Bae et al., 2021). A reason cited by Bae et al. (2021) was that CSR ratings did not distinguish between companies genuinely engaged in CSR and those that were only superficially committed. Investors would therefore make the distinction, noting that when CSR was "congruent with a firm's institutional environment" (p. 1), CSR had a weak but positive influence on stock returns. This research highlights the importance of a company's genuine commitment to CSR activities in order to protect share price returns in supressed market environments. A further benefit of CSR is in instances of high firm leverage. Under these circumstances, the firm benefits from the 'halo' effect which increases trust with stakeholders and reduces the company's perceived risk profile, thereby “reducing losses in market share” (Bae et al., 2019, p. 135) typically associated with highly leveraged firms.

In order to implement CSR successfully, a “genuine commitment to change” (Agudelo et al., 2019, p. 11) is required. This highlights the relevance of ethical leadership in effecting CSR (Pasricha et al., 2018). “Leadership is an attempt to use non-coercive types of influence to motivate people to achieve certain goals” (Ilham, 2018, p. 51) whilst ethical leadership focuses on the adherence to ethical standards and fair treatment (M. Kim & Thapa, 2018). The authors lean on previous works that defined the term ‘ethical leadership’ using the concept of a “moral person and a moral manager” (p. 943). They mention several traits exhibited by such leaders, including servicing the greater good, being focuses on the long-term as well as considering broad stakeholder groups. By evaluating the leadership of top executives who are deemed most influential on CSR initiatives, their research confirms that “ethical leadership positively affects CSR” (p. 944), corroborating the findings of Pasricha et al. (2018). Saha et al. (2019) also assents to these findings but note that cultural differences and the attitude of leaders were dominant barriers to CSR.

In addition to leadership qualities, Saha et al. (2019) found that financial resources served as a constraining factor in relation to the adoption of CSR practices and that the costs relating to CSR activities impacted the level of management engagement in CSR and subsequent commitment thereof. Latif and Sajjad (2018) argue that CSR is an activity “undertaken only in economically promising times” (p. 1175). This research would suggest that cognisance must be given to the prevailing market conditions and financial position of the firm when interrogating CSR activities.

Whilst CSR has proliferated over the last two decades, so have the concerns over ‘greenwashing’, otherwise known as ‘window-dressing’ (Z. Wang et al., 2018). Greenwashing is a term that refers to companies making claims in support of CSR, typically in the context of environmental or social aspects, when these claims are not supported by actual CSR activities (Gatti et al., 2019). The Oxford English Dictionary defined the term as “disinformation disseminated by an organization so as to present an environmentally responsible public image” (Ferrón-Vílchez et al., 2021, p. 861) whilst other definitions presented by scholars focus on the “selective disclose of positive information” (p. 861) in order to portray a positive corporate image. By recognising the benefits to the firm of advertising CSR activities, for example in order to attract more customers via the use of ‘green’ advertising, managers have been tempted to create misleading messaging, which has resulted in increased scepticism by consumers around the authenticity of company's CSR activities (Gatti et al., 2019). Gatti et al. (2019) propose reducing greenwashing via the use of both voluntary and mandatory activities that seek to address CSR implementation and communication. The authors felt that an entirely mandatory approach would be counterproductive and only lead to more sophisticated greenwashing methods. Further, research indicates that greenwashing activities increase in firms where management are compensated based on share price performance (Gregory, 2021). These findings would suggest that incentivising managers based on expanded performance measures which include non-financial benefits would assist in reducing greenwashing activities.

Social media is increasingly being used as a platform for firms to communicate their CSR initiatives (Saxton et al., 2019). Benefits from platforms such as Twitter and Facebook are the two-way communication these platforms facilitate as well as the ability for firms to use visual prompts in their messaging (Saxton et al., 2019). Saxton et al. (2019) analysed the Twitter feeds of 200 Fortune 500 companies and found that 42 companies had feeds dedicated solely to CSR. Their research revealed that the public had greater response rates to CSR messages than to non-CSR messages. In addition, most engagement was received when the company leveraged their CSR topic by joining a pre-existing CSR conversation from other social media actors, highlighting that a topical CSR initiative gained the greatest public interest.

An example of a contentious greenwashing debate revolves around the tobacco industry who overtly market their CSR contributions (Houghton et al., 2019). In addition to the now well-recorded health risks associated with smoking, which kills one in two users, an array of environmental effects were noted, including deforestation and pesticide use (Houghton et al., 2019). This clearly positions tobacco products as unsafe for both people and the planet. This blatant contradiction has sparked debate. Houghton et al. (2019) call for a holistic view to be taken when looking at a company's CSR credentials, including incorporating an ethical and moralistic perspective on the company's activities.

Despite its prominent market position, Volkswagen was caught in a greenwashing scandal in 2018 (Ferrón-Vílchez et al., 2021). The company developed illegal software that falsified emission data in order to comply with the Clean Air Act in the USA, thereby giving consumers the impression that their cars produced less pollution in order to sell more vehicles. Ferrón-Vílchez et al. (2021) demonstrate that greenwashing activities only yield results in the short-term, whilst the company is benefitting from the legitimacy associated with the engagement in CSR, before they are caught greenwashing. The consequences of being caught greenwashing has been shown to adversely influence the decision making of various stakeholders including, customers, suppliers and investors (Ferrón-Vílchez et al., 2021).

Keeping in mind the risks associated with greenwashing, research suggests that companies should conduct their CSR activities in an authentic, genuine manner (Schaefer et al., 2019). Schaefer et al. (2019) concluded that the better the corporate culture was aligned to the company's CSR activities, the more genuine these activities would be perceived by employees. This required the company to live and breathe its CSR ambitions, and visibly demonstrate its commitment to CSR. Scholars propose that successful CSR implementation results when CSR has been imbedding within the firm at all levels (Yang et al., 2019) including in its corporate culture (Prutina, 2015).

Agudelo et al. (2019) note that CSR has garnered momentum, as evidenced by an increase in CSR reporting rates (Boubakri et al., 2021), but that this trend might slow with the introduction of new concepts such as corporate sustainability, shared value creation, ESG and corporate citizenship. These concepts, however, can be viewed as synonyms for CSR, as they too are concerned with the greater role business plays in society and the environment (Prutina, 2015).

Despite the momentum gained, challenges remain in adopting CSR practices. Contributing factors include managerial reluctance as a result of a long-ingrained shareholder-centric mindset that focuses on shareholder value maximization. Furthermore, CSR is a voluntary activity that when driven by the managerial perception that CSR jeopardizes financial performance gains little traction in the field. What follows is a review of the literature pertaining to the impact of CSR on financial performance in order to unpack whether these managerial perceptions are erroneous or can be supported by the literature.

2.4.2 Corporate social responsibility and financial performance

Ferramosca and Verona (2020) conducted a large-scale scientometric analysis of CSR literature between 1973 and 2018. Four central topics were identified which have framed the academic debate, namely "stakeholder orientation in CSR, the implications of CSR in firm performance, the ethical components of CSR, and the effects and requirements of CSR disclosure on reporting" (p. 188). This research aligns with the central topic of CSR in relation to firm performance. This topic has been driven by scholars who have argued that generating profits whilst contributing to society were not mutually exclusive, and who have thus placed focus on investigating the relationship between CSR and firm financial performance (Ashrafi et al., 2020).

One of the initial, prominent topics of debate amongst scholars was the causal direction between CSR and financial performance (Callan & Thomas, 2009). This debate, however, was largely settled. An analysis of the academic literature between 1972 to 2000 demonstrated that 80 of the 95 papers evinced findings that CSR determined or predicted financial performance (Callan & Thomas, 2009). What followed was further research to determine how CSR impacted financial performance, whether positively or negatively. A pertinent question was raised by Callan and Thomas (2009) which encapsulated the implication of the research, namely, “do firms face a trade-off between increasing their social responsibility and enhancing profitability, or might the two goals be noncompeting?” (p. 75).

With respect to the impact of CSR on financial performance over a 30-year period, the results have been inconclusive (K. Huang et al., 2020). K. Huang et al. (2020) performed a meta-analysis on 437 primary studies in order to better understand these mixed results. Results of the meta-analysis found that 49.7% reported an insignificant effect of CSR on firm performance, 39.8% a positive impact and the remaining 10.5%, a negative impact. These findings would indicate that CSR activities have a largely neutral or positive influence on financial performance, and that the notion that CSR was detrimental to shareholders, as purported by the advocates of the shareholder primacy approach, are largely overdramatized.

K. Huang et al. (2020) postulate that the positive results stemming from CSR activities was as a result of the firm’s ability to obtain more resources whilst creating better quality products that drove demand and improved consumer’s willingness to pay for said product. Whether CSR leads to a competitive advantage, however, has been a point of contention. Some academics argue that firms are in fact, disadvantaged by pursing such practices, as the increased costs outweigh their benefits (Cho et al., 2019). In addition, an overemphasis on CSR resulting from responsible leadership behaviour that exhibits strong stakeholder values, could also reduce performance (Javed et al., 2020). Habib and Hasan (2019) corroborate these findings and cite that under the “managerial opportunism hypothesis” (p. 454), engaging in excessive CSR activities by means of overinvestment could harm shareholders by adversely impacting financial performance. On the other hand, firms could enhance firm competitive advantage and legitimacy by providing a differentiated service-offering which would be difficult to replicate by competitors (Kim et al., 2021). CSR activities, in a study performed in Pakistan, was shown to improve the firm's image among stakeholders and it concluded that CSR positively impacted financial performance as a result of said positive image (Ali et al., 2020). These results, however, have not been consistently proven and therefore were not widely acknowledged. Firms who have demonstrated strong CSR performance are more likely to report these in CSR reports with higher readability, even when reporting is a voluntary activity (Z. Wang et al., 2018).

K. Huang et al. (2020) demonstrated that these heterogenous results could be better explained by the mediating influence of macro-economic fluctuations and that when addressed econometrically, a positive relationship between CSR and corporate financial performance was observed. Academics surmise that the CSR relationship to financial performance is complex, the dissection of which would benefit from a Wittgensteinian sense by considering under which conditions a positive relationship would hold (Javed et al., 2020).

Research into the link between the strength of stakeholder relationships and firm performance is still in its infancy (Jones et al., 2018), whilst extant literature is biased towards a positive relationship. Furthermore, there is a paucity of research associated with the negative influences of having strong stakeholder relationships (Jones et al., 2018). These negative influences include unprofitable loyalty, or the potential downside as a result of the additional costs incurred to maintain such relationships. Jones et al. (2018) suggested that moderating factors influenced this relationship and that under specific conditions, fostering a strong relationship with stakeholders could be a source of sustainable competitive advantage given the inimitable nature of such relationships. Notwithstanding, the superficial analysis to some extent belies the extant literature with its underdeveloped intellectual architecture for interpreting the impact of strong stakeholder relationships as a result of CRS activities on firm performance, which serves as a theoretical shortcoming.

Depending on the theoretical lens through which academics consider the relationship between CSR and financial performance, it informs their view of the outcome (Bahta et al., 2021). Bahta et al. (2021) note that those who are supportive of Shareholder Primacy see CSR as an impediment to firm financial performance on account of the additional CSR-related expenditure that is incurred through such activities. However, advocates of Stakeholder Theory posit that CSR positively impacts firm performance by considering stakeholder needs, which creates a symbiotic relationship that is value-accretive to all. For example, a motivated, coherent workforce will enhance labour productivity, which in turn would benefit performance, whilst a wider customer base, resulting from an enhanced firm reputation, would also improve financial performance (Lee et al., 2018).

Given the complex nature of the relationship between CSR and firm financial performance, further research is required into moderating factors that could influence this relationship (Bahta et al., 2021). An in-depth review of 41 studies involving moderating variables found the use of both external and internal indicators (Ye et al., 2021). External indicators that were explored included societal/ cultural differences and industry type, whereas internal aspects included the level of CSR engagement and firm characteristics. Findings suggested that a societal culture that was relaxed and indulgent was less prone to translate CSR activities into financial performance, whilst the industry type yielded inconclusive moderating results. CSR engagement had a positive moderating effect on the relationship, whereas firm characteristics were inconclusive.

In addition, further research is required into CSR and its relationship to firm financial performance, particularly in emerging economies where there is exiguous academic research (Ikram et al., 2020). In addition, further research is required on how different financial performance metrics impact empirical findings, as there is no universal measure for financial performance and the outcomes vary depending on the metric used (Callan & Thomas, 2009).

What follows is a review of corporate culture, in particular a CSR-orientated culture.

2.5 Corporate culture

2.5.1 Overview

In the 1970s, research into corporate culture emerged out of the fields of sociology and anthropology with a central aim of understanding how values develop in different social spheres (Hsieh et al., 2018). Since then, several seminal studies into the development of corporate culture have been conducted by scholars, resulting in various definitions of the term, which is indicative of the nebulous nature of the field. Corporate culture was defined as the "shared values, mutual understandings, patterns of beliefs, and behavioural experiences that tie individuals in an organization together over time" (Pasricha et al., 2018, p. 944). It encompasses firm policies and practices that extend beyond legal requirements and capitalistic ambitions and includes the company's shared values and norms (Schaefer et al., 2019). Dimitrova (2019) notes that visible features of corporate culture include the company logo, office building and dress code, referred to as ‘artifacts’ in the academic literature. The intangible features capture the “underlying assumptions and beliefs reflected in values” (Dimitrova, 2019, p. 300). Corporate culture has also been described as “the glue which combines the nonhuman resources to the human resources in an organization to build teamwork and good performance” (Pathiranage et al., 2020, p. 523). From these definitions it becomes clear that corporate culture is amorphic, and hence often described as the ‘softer’ side of business (Hsieh et al., 2018).

Hsieh et al. (2018) suggested that corporate culture had five common features. Firstly, it was a social phenomenon which manifested “in a collective” (p. 161). Secondly, it pertained to values, thirdly, it was linked to action as it influenced behaviour. The fourth feature was that it was scalar as it was influenced by the age of the organization, and lastly, it was multi-layered and pluralistic. These features contributed towards making corporate culture within an organization difficult to change (Weerts et al., 2018).

Studies found that the type of corporate culture was indicative of the degree to which businesses act responsibly, or irresponsibly (Schönborn et al., 2019). The most frequently used typology for corporate culture was the ‘Competing Values Framework’ (Prutina ,2015). Here corporate culture was categorized into four types: clan culture, adhocracy culture, hierarchy culture and competition culture. Each type exhibits different characteristics (Pathiranage et al., 2020). Pathiranage et al. (2020) note that clan culture entails teamwork based on inspiring and motivating the workforce to create a culture of excellence. It requires open communication, collaboration and engagement. Adhocracy focuses on innovation and change, and exhibits values including risk taking, creativity and adaptability. A hierarchy culture is concerned with systems of control based on obeying rules and regulations, where value is placed on stability and consistency. Lastly, as the word suggests, a competitive culture is focused on achievement where insights into the company’s customers and markets are required. Pasricha et al. (2018) note that clan and adhocracy are the prevalent styles in emerging countries given the challenging and rapidly changing environments of said economies. This would indicate that South African, as an emerging country, would fall into these categories.

Other culture classifications have also been proposed by scholars (Jones et al., 2007). Jones et al. (2007) identified five corporate cultures that lie on a continuum and are grounded in ethics. Ranging from ‘agency culture’, where concern is only for self, to ‘altruistic culture’, where concern is extended to all stakeholders. Each type is characterised by unique managerial characteristics, that lie on a spectrum of concern for others.

The ‘Denison Organizational Culture Model’ identifies four traits of an effective corporate culture, namely a corporate mission, being adaptable, consistent and involved (Pathiranage et al., 2020). It is worth highlighting, that the trait ‘mission’ includes setting short and long-term goals and objectives. Involvement includes capability development, empowerment and team orientation. This leads employees to foster commitment towards the firm. Consistency includes a subcategory relating to core values.

Corporate culture is increasingly viewed as more important than corporate strategy, as it is a facilitator of strategy implementation (Hsieh et al., 2018). Hsieh et al. (2018) note that corporate culture can serve to mobilise a company’s workforce to fulfil a shared purpose, thus placing it at an advantage to its competitors. The outcome of a good corporate culture leaves employees feeling fairly treated, motivated and enthusiastic. It is reflective of organizational excellence. A strong culture employs open and transparent communication and empowers employees to make decisions autonomously (Pathiranage et al., 2020). A further feature of a positive corporate culture is that corporate values and firm goals are communicated throughout the organisation, in order to seek buy-in from employees (Pathiranage et al., 2020). This creates teamwork linked to a common purpose. A positive corporate culture also leads to an improved firm reputation, which is considered “the most valuable, intangible resource that firms can have” (Almeida & Coelho, 2019, p. 11) and serves as a means by which a company can differentiate itself from its peers, leading to a source of competitive advantage. Lastly, corporate culture leads to improved firm performance and is supported by the Resource-based view, which describes three conditions under which superior performance will be achieved (Boyce et al., 2015). These are that the culture must be valuable, rare and not easily replicable (Boyce et al., 2015). Most scholars concur that there is a positive relationship between a positive corporate culture and corporate performance (Pathiranage et al., 2020).

The inverse also holds. A weak culture is one where employees find it challenging to identify the firm’s values (Pathiranage et al., 2020). This, when coupled with opaque communication, leads to a misalignment of firm goals, an unmotivated workforce and poor financial outcomes (Pathiranage et al., 2020). Taken further, a toxic culture can in fact have devastating consequences, that can result in loss of life and damage to the environment due to the facilitation of illegal activities and harmful corporate activities - as evinced by the BP refinery explosion in 2006 (van Rooij & Fine, 2018).

Research suggests that companies with a positive corporate culture fare better than their peers during turbulent times, as witnessed recently with the COVID-19 pandemic (Li et al., 2021). Li et al. (2021) demonstrated a more pronounced link between culture and performance in challenging times.

Elements that impact culture include gender and ethnic diversity (Hsieh et al., 2018). Diversified teams perform better than homogeneous ones (Hsieh et al., 2018). The degree to which leaders impact the corporate culture is still up for debate and is dependent on such factors as the leader's skills and the maturity of the organisation (Hsieh et al., 2018). However, there is a consensus amongst scholars, that corporate culture is most influenced by the company's leadership, most notably the CEO, who sets the example for the rest of the organisation and demonstrates via their actions, their commitment to the company's values (Li et al., 2021).

Pasricha et al. (2018) note that research exploring the impact of organisational culture on CSR is scant but highlight earlier academic literature identifying "organizational culture as a mediator between leadership and organizational outcomes" (p. 944) on the grounds that corporate culture reflects the senior leadership, which enables them to effect organisational outcomes. Of importance, are the implications of their research findings, which indicate that "culture could act as a key factor that may heighten the pursuit of socially responsible practices" (p. 945) and hence propound that care should be taken in developing the corporate culture. They further stress the importance of hiring the right senior executives, as they have the greatest influence on advancing the organisation's CSR practices.

The above provides an overview of extant corporate culture typologies that were developed based on traditional business frameworks and are, therefore, limited in the context of CSR (Prutina, 2015). Considering the view that in order for CSR to be implemented effectively, CSR needs to be embedded into core business practices (Vertigans & Idowu, 2021) for a CSR culture to result (Prutina, 2015). What follows is an exploration of the literature homing in on a CSR-orientated corporate culture.

2.5.2 CSR-orientated corporate culture

The body of research pertaining to CSR-orientated culture is extremely limited. It is considered a new frontier and, therefore, the literature does not offer a comprehensive definition (Barauskaite & Streimikiene, 2021). It is described as being a culture founded on sustainability-focused values such as being "ethical, equitable and transparent in relation to social groups and the environment" (Prutina, 2015, p. 444). The premise of CSR is that companies have a responsibility, beyond maximising profits, which includes considering stakeholders, such as the environment and society at large. Schönborn et al. (2019) label a CSR-orientated culture as a ‘corporate social sustainability culture’ and define the term as “specific items of corporate values and practices emphasizing employee and societal well-being” (p. 1). The authors define this culture as having “the values, beliefs, norms and practices that facilitate, give direction, and reinforce relations between the company and its (internal and external) stakeholders, to harmonize these bi-directional relationships, and improve triple-bottom-line performance” (p. 2). Schönborn et al. (2019) propose that it focuses on social sustainability, both internal and external, to the firm via employees and society, that “is impacted by and has an impact on business practices” (p. 1). In short, the spirit of the definition provided by Schönborn et al. (2019) is aligned to that provided by Prutina (2015).

Prutina (2015) recommends that companies should only be labelled as socially responsible if they have successfully integrated CSR into their corporate culture. An understanding of this CSR-orientated culture is therefore relevant in order to identify socially responsible firms. Furthermore, it provides insights into the impact of CSR on employees, in particular, their commitment to their company, level of trust and their job satisfaction (Denison & Mishra, 1995). These serve as strong predictors of employee effectiveness (Denison & Mishra, 1995).

Prutina (2015) noted that the current culture frameworks, such as the Competing Values Framework, are insufficient to analyse CSR-orientated culture, as they merely analyse which of the existing culture paradigms would best elicit CSR activity. Further, they are either externally or internally focused and, therefore, are not able to adapt to the continuously changing demands of internal and external stakeholders. As a result, Prutina (2015) developed a model that identifies four types of corporate cultures based on the firm’s CSR orientation, an outline of which is provided in Figure 2.

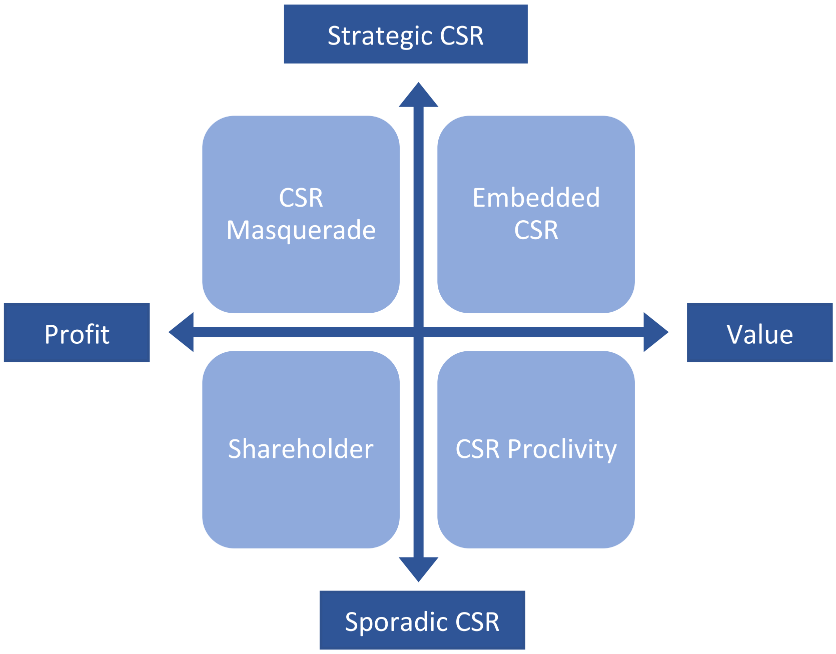

Figure 2: Culture classification based on CSR orientation

Source: "Diagnosing the corporate social responsibility culture", by Prutina, (2015), p. 446

The horizontal axis indicates whether a shareholder-centric philosophy based on profit maximization is present, or a stakeholder-inclusive approach which is based on value creation. The vertical axis represents the level of CSR engagement, and ranges from an occasional activity to a strategic activity.

According to Prutina (2015), the 'Shareholder culture' is a short-term profit-focused culture, aligned to Shareholder Theory, and adopted conventionally by business. This type of corporate culture is not able to transform to a CSR-orientated culture, unless the company's values and CSR orientation changes significantly.

A 'CSR Masquerade culture' is one whereby CSR practises are adopted only if profits are to be gained from these activities. CSR activities are often a façade and are not integrated into the core of the business. These characteristics are more aligned to Instrumental Stakeholder Theory where performance is measured in the traditional financial sense (Valentinov & Hajdu, 2019. In order to transform to a CSR culture, CSR activities would need to be embedded within the organisation, requiring an overhaul of current processes.

The 'CSR Proclivity culture' acknowledges the merits of CSR and its benefits to stakeholders, whilst expressing a desire to 'act for the greater good'. Some investment in CSR has been made, however, CSR was not yet embedded in the organization. Most companies who start on the CSR-journey adopt this culture. These companies are often mistakenly identified as being socially responsible, as they value loyalty, trust and employee engagement, however, CSR-embeddedness has not been obtained.

Lastly, Prutina (2015) outline that the ’Embedded CSR culture’ has integrated CSR practices for the benefit of all stakeholders, going ‘above and beyond’ in terms of CSR activity. This culture is “reinforced through specific values and beliefs, structures and practices and symbolic manifestations” (Prutina, 2015, p. 448). A key emphasis is placed on shared values across the organization.

The benefit of this model, is that it highlights where on the spectrum a company sits, thereby clarifying what path needs to be followed in order to move towards an embedded CSR culture. For example, a CSR Masquerade culture needs to shift its focus from profit maximisation to value creation by adopting a stakeholder focused approach. In contrast, a CSR Proclivity culture needs to change its CSR activities from being sporadic to strategically integrated.

Prutina (2015) also conducted an exploratory factor analysis, and identified two traits that describe an Embedded CSR culture. These traits were labelled as ‘employee engagement in CSR’ and ‘CSR values’. The first trait creates a sense of trust and belonging with employees, whilst the second trait, CSR values, forms the foundation of organisational authenticity in its CSR activities. However, this research was conducted in Bosnia and Herzegovina, and therefore had several limitations. As a result, Prutina (2015) called for further research into the traits that characterise the various CSR culture orientations, as well as expand the research to other countries. Figure 3 represents a visual depiction of the findings.

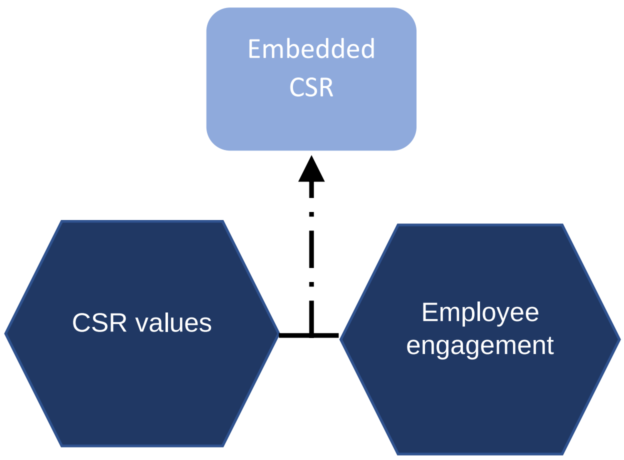

Figure 3: Traits of an embedded CSR culture

Source: Adopted from “Diagnosing the corporate social responsibility culture”, by Prutina (2015)

Another CSR culture model was provided by Maon et al. (2010) which has several similarities to the framework provided by Prutina (2015). Maon et al. (2010) proposed a three-stage CSR development model, starting with the ‘cultural reluctance phase’. Here a company is self-absorbed, and CSR is largely ignored. Thereafter, companies move into a ’cultural grasp phase’ where companies become acquainted with CSR and then move forward to the ‘cultural embedment phase’. Here CSR is fully embedded within the firm, and resembles the ‘Embedded CSR’ culture discussed above. The authors note that CSR-related values should be incorporated into the ethos of the business, in order to ensure the company’s sustainability over the long-term (Maon et al., 2010). However, this three-stage progression model does not provide guidance as to how a company would evolve from one stage to the next.

Schönborn et al. (2019) explored the relationship between corporate social sustainability culture (“CSS” culture) and firm performance. The authors concluded that CSS culture is positively correlated to firm financial performance and that four dimensions of CSS culture govern this relationship; namely ‘sustainability strategy and leadership’, ‘mission, communication and learning’, ‘social care and work life’, and ‘loyalty and identification’. Further, ‘sustainable strategy and leadership’, which entails ‘living and breathing’ a CSR-orientated culture through the creation of trust, openness, employee engagement, learning and respect, was identified as being highly positively correlated to financial success. In addition, ‘loyalty and identification’ of employees to the firm, was another meaningful positive predictor of financial success. Their research results in the overall conclusion that those companies that integrate CSR with conviction, as opposed to viewing it as an ad-hoc activity, reap the most social sustainability benefits. However, as their research was primarily based on German firms, skewed towards the manufacturing sector, they called for further research to be conducted in other countries and sectors.

Aside from Prutina (2015), Maon et al. (2010) and Schönborn et al. (2019), very little is known about, or has been written about, a CSR culture, which speaks to the embryonic nature of the field.

2.6 Conclusion

This chapter commenced with a review of Shareholder Theory, followed by Stakeholder Theory. Shareholder Theory has been the prominent theory applied in business (Smith & Rönnegard, 2016), however, it is falling out of favour as a result of the consequences of adopting its profit-focused approach. Stakeholder Theory has been presented as an alternative approach, whereby the interests of all relevant stakeholders are considered (Wise, 2021).

These shifting circumstances have brought CSR to the fore. CSR is a stakeholder-centric approach that seeks to contribute towards the environment and society (Wise, 2021). Research demonstrates several benefits to CSR, including improving the corporate image (Javed et al., 2020) as well as improving employee engagement and job performance (Nazir et al., 2021). However, when it comes to demonstrating CSR's impact on financial performance, these results have remained mixed (Kong et al., 2020), and under-explored in developing countries (Ikram et al., 2020). The shareholder primacy approach posits that CSR is, in fact, detrimental to financial returns given the cost associated with these activities (Saha et al., 2019), as well as the cost-stickiness of such costs (Habib & Hasan, 2019). The theory is still the primary theory embedded in managerial thinking, which has resulted in CSR, which is currently a voluntary activity (Nyeadi et al., 2018), being viewed as a box-ticking exercise and performed as an ad-hoc activity (Schönborn et al., 2019). This has been reinforced by the lack of clarity surrounding CSR implementation (Saha et al., 2019).

Scholars agree that CSR needs to be embedded and integrated into the firm for it to be successful (Schönborn et al., 2019; Vertigans & Idowu, 2021). Thus, when the theory holds, it should culminate in a CSR-embedded culture, meaning a corporate culture that has fully embraced CSR in all aspects of its business (Prutina, 2015). However, research into a culture that incorporates CSR is still in its infancy. The traits that identify such a culture remain underexplored (Prutina, 2015; Schönborn et al., 2019). As a result, little guidance is provided to managers in terms of the type of culture that they should foster within their organisation in order to reap the benefits of their CSR activities.

This literature review, therefore, provides the foundation for the development of the research questions, and associated hypotheses, as outlined in the following chapter.

3. RESEARCH QUESTIONS AND HYPOTHESES

3.1 Introduction and road map

This chapter sets out the research questions and corresponding hypotheses that will be analysed in the proceeding chapters. Given that this research comprises two distinct research questions, each will be addressed separately, whilst setting out the hypotheses that have been developed as a result. Figure 4 provides an overview of the chapter.

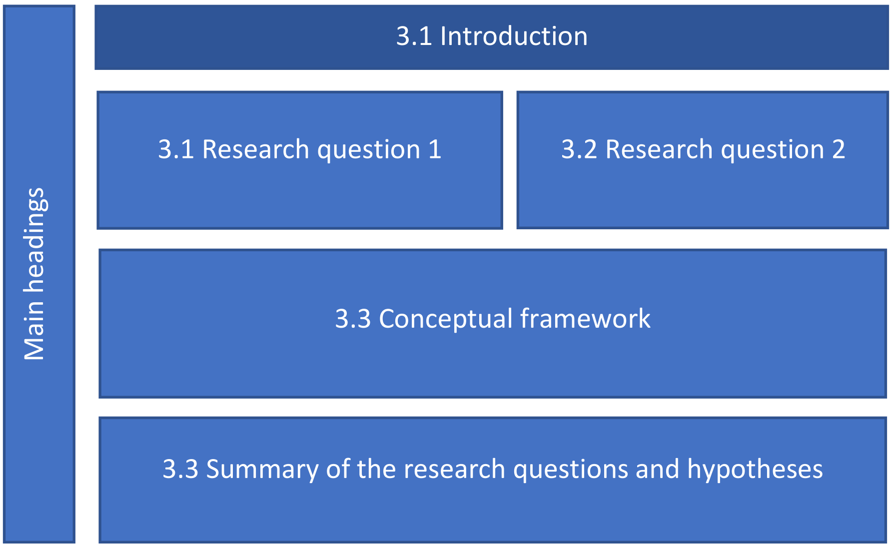

Figure 4: Research questions and hypotheses chapter roadmap

Source: Author's compilation

3.2 Research question 1

CSR has gained prominence in the academic literature. Business sentiment is changing and evolving to one that is moving away from a profit-maximization doctrine, to one that considers all stakeholders in its decision-making, whilst taking greater responsibility for its impact on society (Barney & Harrison, 2020). Despite numerous demonstrable benefits to adopting CSR, these benefits have been insufficient in swaying managers to adopt these practices. Reasons cited by scholars are the inconclusive results pertaining to CSR's impact on firm financial performance (Kong et al., 2020), fuelling the critics' view that the increased costs associated with CSR, are not compensated for by firm performance (Saha et al., 2019). There are various research gaps in the extant literature which has resulted in the call for further research into the relationship between CSR and firm financial performance, particularly in developing countries, where the literature is sparse (Ikram et al., 2020).

Based on the extant literature, and the gap identified by Ikram et al. (2020) that called for further research conducted in developing counties in relation to the impact of CSR on financial performance, the following research question was presented in Chapter 1.

RQ1: Does the financial performance of CSR companies differ from the financial performance of conventional firms in South Africa?

Amongst the aims of this research, is to establish how the financial performance of companies that engage in CSR, compares to conventional firms that do not engage in such activities, in the South African context.

The following hypothesis was developed in this regard:

Hypothesis 1:

H_o: Mean Performance $_{CSR}$ = Mean Performance $_{non\text{-}CSR}$

H_a: Mean Performance $_{CSR}$ ≠ Mean Performance $_{non\text{-}CSR}$

This null hypothesis finds that the mean financial performance of CSR and non-CSR companies are equal, whereas the alternative hypothesis states that they are not equal.

Furthermore, this research also seeks to establish whether companies that engage in CSR perform worse than conventional firms. To that end, the following hypothesis was developed:

Hypothesis 2

H_o: Mean Performance $_{CSR}$ ≤ Mean Performance $_{non\text{-}CSR}$

H_a: Mean Performance $_{CSR}$ > Mean Performance $_{non\text{-}CSR}$

This null hypothesis tests whether the mean financial performance of CSR companies is less than or equal to the financial performance of non-CSR companies. The alternative hypothesis states that the performance of CSR companies is greater.

3.3 Research question 2

Scholars recognise the impact a positive corporate culture can have on an organisation, ranging from improved firm reputation, greater resilience and improved financial performance, to having a motivated workforce driven by a shared purpose (Hsieh et al., 2018). In contrast, the effects of a negative culture can have detrimental effects on a corporation, as well as on society and the environment (Pathiranage et al., 2020). The role which senior executives play in crafting a corporate culture are further highlighted (Pasricha et al., 2018). Employees look to their leadership who must demonstrate the values they wish to foster in their employees. In layman's terms, executives need to 'walk the talk'.

The literature on corporate culture is yet to espouse the developments within the field of CSR, leaving significant gaps in the literature. Despite the recognition that CSR needs to be implemented holistically within an organisation, how that impacts corporate culture remains unclear. Furthermore, current frameworks are insufficient to capture CSR-orientated cultures. Prutina (2015) identified two culture traits, namely CSR values and employee engagement, to identify a CSR-embedded culture. However, literature on CSR-orientated culture remains embryonic.

Several gaps in the literature have been identified, including whether specific culture traits are associated with a CSR-embedded culture, as well as a call for further research into such traits in other countries (Prutina,2015). As a result of the dearth of literature relevant to a CSR-orientated culture which encompasses a CSR-embedded culture, the following research question was developed:

RQ2: Is a CSR-embedded culture characterized by specific cultural traits in South Africa?

The aim of this research was to identify whether specific culture traits can be associated with companies that have embraced and embedded CSR into their business practises in the South African context. This addresses a gap in the CSR-orientated corporate culture literature (Prutina, 2015).

The following hypothesis was developed, founded on the framework developed by Prutina (2015) and the two cultural traits, CSR values and employee engagement, that were identified:

Hypothesis 3:

H_o: Two cultural traits can be identified in CSR-embedded companies in South Africa.

H_a: Two cultural traits cannot be identified in CSR-embedded companies in South Africa

In addition to testing the cultural traits exhibited by CSR-embedded companies in South Africa, the research sought to test the nature of embeddedness of these traits identified in Hypothesis 3 by determining whether they were exhibited throughout the organisation, regardless of the level of seniority, in other words, in senior managers and non-senior managers (Yang et al., 2019). To this end, hypotheses 4 and 5 were developed.

Hypothesis 4:

H_o: There will be no significant differences between senior managers and non-senior managers on Factor 1

H_a: There will be a significant difference between senior managers and non-senior managers on Factor 1

Hypothesis 5:

H_o: There will be no significant differences between senior managers and non-senior managers on Factor 2

H_a: There will be a significant difference between senior managers and non-senior managers on Factor 2

3.4 Conceptual framework

What follows is a conceptual framework, depicted as Figure 5, that illustrates the key constructs of this research, namely CSR, firm financial performance and embedded CSR culture, as well as the hypotheses related thereto.

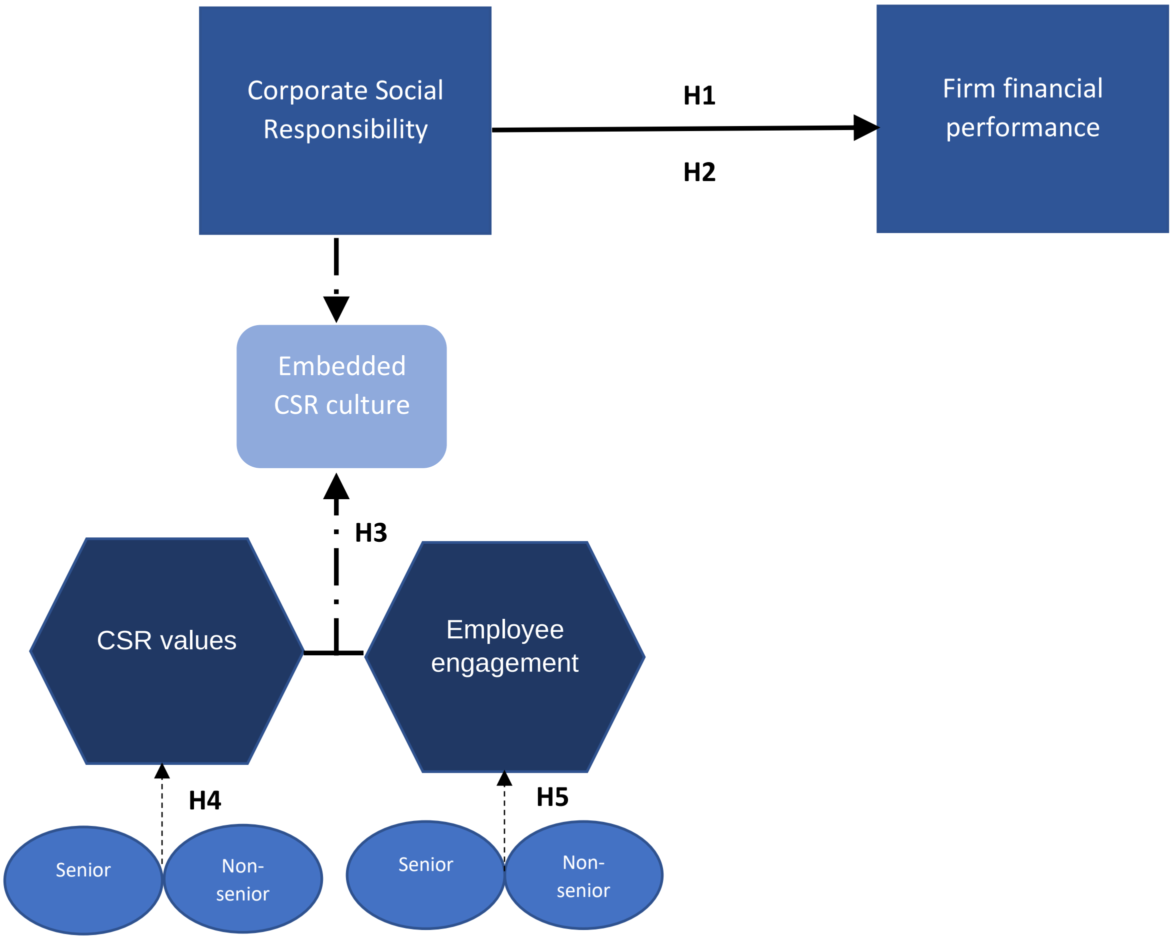

Figure 5: Conceptual Framework

Source: Author's compilation

3.5 Summary of the research questions and hypotheses

Table 1: Summary of the research questions and hypotheses

RQ1	RQ2
Hypothesis 1: H_o: Performance $_{CSR}$ = Performance $_{non\text{-}CSR}$ H_a: Performance $_{CSR}$ ≠ Performance $_{non\text{-}CSR}$	**Hypothesis 3:** H_o: Two cultural traits can be identified in CSR-embedded companies in South Africa H_a: Two cultural traits cannot be identified in CSR-embedded companies in South Africa
Hypothesis 2: H_o: Performance $_{CSR}$ ≤ Performance $_{non\text{-}CSR}$ H_a: Performance $_{CSR}$ > Performance $_{non\text{-}CSR}$	**Hypothesis 4:** H_o: There will be no significant differences between senior managers and non-senior managers on Factor 1 H_a: There will be a significant difference between senior managers and non-senior managers on Factor 1
	Hypothesis 5: H_o: There will be no significant differences between senior managers and non-senior managers on Factor 2 H_a: There will be a significant difference between senior managers and non-senior managers on Factor 2

4. RESEARCH METHODOLOGY

4.1 Introduction and roadmap

This chapters provides details pertaining to the research methodology and research design employed to evaluate the hypotheses pertaining to RQ1 and RQ2 described in Chapter 3. Figure 6 provides an outline of the main and sub-headings of this chapter.

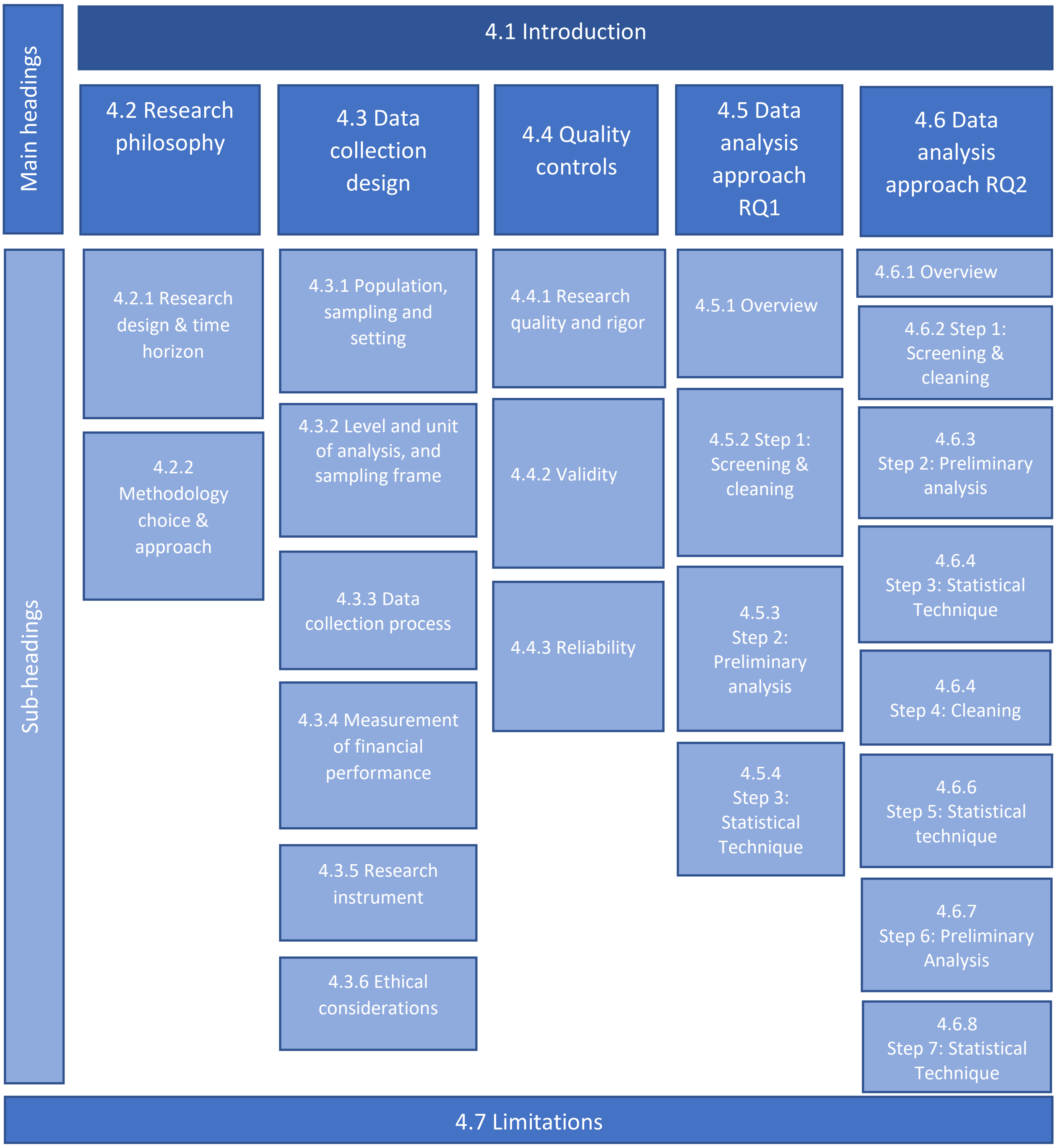

Figure 6: Research methodology and design roadmap

Source: Author's compilation

4.2 Research philosophy

Saunders et al. (2019) defined the term research philosophy as being “a system of beliefs and assumptions about the development of knowledge” (p. 130). Amongst these beliefs and assumptions, Sousa (2012) argued that scholars rely on four assumptions when conducting research. These assumptions included ontology, “the way the world is thought to be” (Sousa, 2012, p. 460), epistemology, “how the world can be known” (p. 460), research methodology, which encompasses methods and techniques, and finally, etiology, “what causes make and change the world” (p. 460). When conducting research in the business context, as was the case in this study, the epistemology, or theory of knowledge, is vital as it informs the means by which the research should be conducted in order to understand business-related phenomena (Bell et al., 2019).

Positivism is an epistemological position that “advocates for the application of the methods of the natural sciences to the study of social reality” (Bell et al., 2019, p. 91). Positivism views the world in an objective manner (Sousa, 2012) where knowledge is gained by gathering facts and evaluating these scientifically (Bell et al., 2019). The aim of a positivist approach is to “generate hypotheses that can be tested and that will allow explanations of laws to be assessed” (Bell et el., 2019, p. 91). This philosophy also supports the use of survey instruments to collect data (Bell et al., 2019). This research evaluated data obtained from secondary sources and data gathered using a survey instrument, objectively and scientifically to test several hypotheses. As such, the philosophy that was adopted in this research was positivistic.

From an ontological perspective, the world is composed of “observable, perceptible, measurable, and quantifiable phenomena” (Sousa, 2012, p. 465), an epistemology where knowledge is grown by experimentation. It follows that positivists are concerned with the generalizability of their findings (Sekaran & Bougie, 2016). For this study, a positivist approach was more appropriate than Interpretivism, as that applies a subjective ontology, or pragmatism which is both objective and subjective (Wilson, 2014).

Understanding the research philosophy provides three notable uses (Easterby-Smith et al., 2002). Firstly, it assists in developing the research design by considering the type of data that is required. Secondly, it assists the researcher in selecting the design that will work best for the given study, and lastly, it assists researchers in creating research designs outside of the boundaries of their previous experience.

4.2.1 Research design and time horizon

The research design provides the “framework or plan” (Bell et al., 2019, p. 132) that guides the research process, from the collecting of the data to the analysis thereof, in order to meet the objectives of the research. Various research design options exist, the choice of which is underpinned by the research philosophy (Bell et al., 2019). In addition to this choice, an important consideration, is matching the research design to the research question (Bono & McNamara, 2011).

Hypotheses relating to RQ1 followed a desk research design as existing secondary data was analysed over a four-year period, for the calendar years 2018 to 2021 (Saunders et al., 2019). The data was analysed for each of the four years, as well as for an average over those four years. Therefore, even though data was collected over time, a cross-sectional time horizon was appropriate in terms of the analyses. Most of the research investigating the link between CSR and firm financial performance use a cross-sectional research design (Choongo, 2017). Therefore, this research design aligned with the predominant research design employed in extant literature.

Hypotheses relating to RQ2 followed a survey design (Saunders et al., 2019). The time horizon was cross-sectional as the survey instrument was distributed at a specific point in time and therefore met the cross-sectional design criteria (Bell et al., 2019).

4.2.2 Methodological choice and approach

Research methodologies relates to the different ways data is collected (Bell et al., 2019). This can encompass either a qualitative or quantitative approach (Bell et al., 2019). Bell et al. (2019) noted that the quantitative approach was concerned with the analysis of a data sample in order to generalise the phenomenon across the entire population. In this study, a quantitative approach was adopted that allowed for the scientific evaluation of the data in order to generalise the results. Furthermore, empirical analysis is the primary means by which quantitative data is analysed (Crane et al., 2018).

All hypotheses were ideally positioned for analysis via a quantitative approach and the extant literature has many examples that adopted this approach (Callan & Thomas, 2009; Mcguire et al., 1988; Nyeadi et al., 2018; Demetriades & Auret, 2014). Crane et al. (2018) also noted that quantitative methods were ideally positioned for research into CSR, providing a further justification for its use in this study. In addition, a quantitative approach was also used by Prutina (2015) when evaluating the culture traits of a CSR-embedded culture.

A deductive approach was utilised to test all hypotheses, via deductive reasoning, by applying existing theory (Bell et al., 2019). In contrast, an inductive approach seeks to develop theory based on the data that was analysed (Bell et al., 2019), which was not the case in this research.

4.3 Data collection design

Saunders et al. (2019) depicted a research ‘onion’, a figurative representation of the research design approach. It places the data collection process and data analysis at the centre of the research process.

4.3.1 Population, sampling and setting

The research setting was within the country of South Africa, a developing country. The location addresses the gap identified by Ikram et al. (2020) in Chapter 1. Within this setting, the population was situated.

The Johannesburg Stock Exchange (“JSE”) requires companies that are listed on its exchange, to make available to the public certain information which allows investors to make informed investment decisions. This includes information of a financial nature. Considering the research questions and the ease of accessing financial data, the populations were derived from the pool of JSE listed companies.

The aim of the first research question was to compare the financial performance of CSR companies to conventional firms. In order to derive a population of companies that engaged in CSR activities, the FTSE/JSE Responsible Investment Top 30 (hereafter referred to as ‘CSR Top 30 index’) was utilised as a proxy for CSR companies in South Africa (JSE, n.d.). This index encompasses the 30 best CSR companies based on the results obtained from the FTSE Russell ESG rating system which considers environmental, social and governance aspects. These three aspects were aligned to CSR which considers multiple stakeholders, including the environment. The ratings methodology also included measuring the company’s commitment to social sustainability and evaluated good governance towards long-term sustainability. The index is re-rated semi-annually, based on the findings of the FTSE Russell ratings review. It should be noted that no separate ranking is provided for the 30 companies in the index. They are merely in the index or not.

From the population of companies comprising the CSR Top 30 index, a sample was taken to address RQ1. Only companies that, over a four-year period between 2018 and 2021, remained in the CSR Top 30 index, were included in the sample of CSR firms. The sample of CSR firms consisted of 20 companies.

The population that represented conventional firms, also referred to as non-CSR firms, were all other companies listed on the JSE, except for those that were in the CSR sample. The sample of conventional firms comprises 20 firms that mirrored the sample of CSR firms in relating to sector and size. No conventional firm had remained in the index for more than two years.

With respect to RQ2, the population comprised the 20 CSR companies identified in RQ1. The sample consisted of 12 companies for which survey responses were received.

Companies that remained in the CSR Top 30 index over a four-year period had developed a track-record of consistently engaging in CSR activities. The rational for including companies that had displayed a track-record of being in the index was two-fold. Firstly, testing the financial performance of companies over a four-year period would result in a more robust assessment of performance than had, for example, only one year been considered. Secondly, considering the second research question, which sought to identify traits of a CSR-embedded culture, it stood to reason that these companies had embraced CSR and that their culture was representative of CSR-embeddedness. Furthermore, based on the literary findings, corporate culture is difficult to change, suggesting that the corporate culture would have remained unchanged over the time horizon in question.

4.3.2 Level and unit of analysis, and sampling frame

The level of analysis refers to the level at which the data is being analysed (Wilson, 2014) whilst the unit of analysis refers to the unit of measurement and analysis (Bell et al., 2019). For the hypotheses relating to RQ1, the level and unit of analysis was at the JSE listed company level, as the financial data was analysed by company.

Hypothesis 3 tested whether two culture traits were identified based on the survey responses that were received. The statistical analysis was performed on each survey respondent. Therefore, the unit of analysis was at the individual employee level.

However, in order to assess whether the CSR sample possessed these two traits, the results were consolidated and the level of analysis was at the group level.

Hypothesis 4 and 5 sought to evaluate whether each of the two identified culture traits were present in both managers and non-managers. The unit of analysis was at the individual employee level, however, the results were consolidated into two groups, managers and non-managers. The level of analysis was therefore at the group level.

Sekaran and Bougie (2016) defined the sampling frame as the "(physical) representation of all the elements in the population from which the sample is drawn" (p. 240). For RQ1, the sampling frame consisted of all companies that were listed on the JSE between 2018 to 2021. For RQ2, the sampling frame comprised all permanent employees of the 20 identified CSR companies.

4.3.3 Data collection process

The hypotheses relating to RQ1 relied solely on data collected from secondary sources. A Bloomberg platform was accessed to download publicly available information relating to the financial performance of the sample of 20 CSR companies, as well as the 20 conventional firms for each of the calendar years from 2018 to 2021.

The hypotheses relating to RQ2 sought to evaluate the culture traits of the population of 20 CSR companies. This was done by means of a survey instrument that was compiled by the researcher based on the key findings of the Literature Review. Guidance was also sought from the survey instrument that Prutina (2015) developed which led to the identification of two culture traits. The survey was further compiled with the South African landscape in mind. The survey targeted the 20 companies that comprised the CSR Top 30 index and was disseminated over the period 15 August to 19 September 2022.

In probability sampling, survey participants have the same, known probability of being selected as sample subjects (Bell et al., 2019). This is the approach recommended by academics due to the ability of the findings from the sample to be generalised to the population (Sekaran & Bougie, 2016). However, this was not a feasible approach as employees could not be contacted at random and therefore did not have an equal probability of being selected. Therefore, nonprobability sampling was also utilised. As a first port of call, the researcher's LinkedIn connections specific to the 20 companies were targeted, making use of convenience sampling, a form of nonprobability sampling (Sekaran & Bougie, 2016). However, as employees within a broad range of companies were being targeted, these connections were grossly insufficient, and networking was utilised to find entry points into the selected companies. This approach assisted in gaining a broader range of participants. Snowball sampling, a non-random sampling method, was then used by asking survey participants to forward the survey to colleagues within their firms (Bell et al., 2019). No restrictions were placed on the type of survey participants, neither on age, employment tenure or seniority. The survey was kept short and straightforward in order to increase the chances of completion.

4.3.4 Measurement of financial performance

Extant literature was considered when determining the metrics appropriate to evaluate firm financial performance. It was found that no consensus measure of financial performance existed (Nyeadi et al., 2018). Financial performance was described as a "complex and multidimensional phenomenon" (Choongo, 2017, p. 8) and, therefore, the literature recommended the use of both stock market and accounting measures to evaluate financial performance (Maqbool & Zameer, 2018). Including both types of measures provided a holistic view of firm performance whilst providing greater depth to the analysis and simultaneously mitigating its respective risks. On the one hand, stock market measures were susceptible to market fluctuations and reflected subjective investor sentiment (Maqbool & Zameer, 2018). On the other hand, accounting measures were at risk of being manipulated by management. Several studies adopted this bifurcated approach (Mcguire et al., 1988; Nyeadi et al., 2018). Furthermore, by utilising several performance metrics, this research contributed towards addressing the call for further research raised by Callan and Thomas (2009), namely, to investigate how different financial metrics impact the empirical findings.

In terms of stock market measures, two such measures were used. Firstly, share price returns, a typical indicator of financial performance (Schönborn et al., 2019), were evaluated for each of the four years in question. Share price returns, in other words the change in the price of the share, relates to the return earned by investors who hold the given stock. This is the measure against which most management incentive schemes are evaluated (Harrison et al., 2020). The shortcoming of this approach is that it does not capture the company's risk profile (Cochran & Wood, 1984). A further issue relates to the concept of the 'efficient capital hypothesis', the assumption that the share price reflects current available information and that the share price is therefore a reflection of the company's true value (Cochran & Wood, 1984).

Secondly, Tobin's Q values were analysed. These values evaluate whether a company is under or overvalued (Hayes, 2021) by evaluating "the ratio between the market value of firm to its replacement cost" (Lee et al., 2018, p. 34). This measure was popularized in the academic literature as it served as a proxy for firm value (Cho et al., 2019). It is also a well-suited metric in evaluating financial performance in CSR studies (Callan & Thomas, 2009).

To augment the stock market measures, accounting measures were utilised. Accounting measures included the return on equity ("ROE") which "captures a firm's profitability from the perspective of shareholders" (Lee et al., 2018, p. 34). This metric was used in several studies in the emerging market context (Demetriades & Auret, 2014; Maqbool & Zameer, 2018). In addition, the return on investment ("ROI") was evaluated, another typical indicator of firm performance (Schönborn et al., 2019) which has been used extensively (Choongo, 2017).

In addition to the above, the current ratio ("CR"), a measure of liquidity and the debt-to-equity ratio ("DER"), a measure of solvency, were incorporated (Abusalah et al., 2012). The current ratio "measures whether or not a firm has enough resources to pay its debts over the next 12 months" (Abusalah et al., 2012, p. 2), and serves as a predictor of financial failure, including bankruptcy and insolvency. A ratio above 1.5 is considered good, whilst a ratio below 1.0 is considered poor (Fernando, 2022). The DER measures the company's ability to return its debt (Abdullah et al., 2018), thereby impacting performance. These ratios not only provide an indication of financial performance, but also serve as an early-warning sign for deteriorating performance (Abusalah et al., 2012).

The above six measures were selected, which included both stock market and accounting measures, in order to provide a robust and holistic assessment of firm financial performance.

4.3.5 Research instrument

A survey is a "system for collecting information from or about people to describe, compare, or explain their knowledge, attitudes, and behaviour" (Sekaran & Bougie, 2016, p. 97). It is the predominant data collection method found in business (Sekaran & Bougie, 2016). A survey was the research instrument that was selected to gather data to evaluate the hypotheses relevant to RQ2.

Bearing in mind the paucity of research in the field of CSR-orientated corporate culture, and the extremely limited information pertaining to developing countries, the researcher was compelled to create a survey. The researcher lent on the findings from the Literature Review, the survey that Prutina (2015) used, as well as the context of South African, when developing the survey. The aim of the survey was to establish whether CSR-embedded corporate cultures exhibited specific culture traits in South Africa.

The survey encompassed 15 items that were expressed as a 5-point Likert scale per Table 2.

Table 2: Five-point Likert scale

Survey rating
Strongly agree
Agree
Neither agree nor disagree
Disagree
Strongly disagree

Source: Author's compilation

The survey commenced with an introduction page as detailed in 4.3.6 Ethical considerations. The survey itself comprised four sections: personal, corporate, people and engagement. The first section, personal, asked participants to identify the company that they worked for as well as indicate whether they held a senior position in the firm. The company details were included in order to be able to monitor from which company responses had been received, in order to cater for any people who mistakenly received the survey but their firm was not part of the CSR population of 20 companies, yet still completed it. Given the findings from the Literature Review that indicated that CSR-embedded corporate culture was one whereby the culture of CSR had permeated all levels of seniority, it was important to differentiate the cultural traits at both senior and junior levels. All questions had to be completed for respondents to be able to submit the survey. The survey took an average of 3 minutes to complete.

Following the demographic information, a brief clarification note was included as to what was meant by CSR. It read "for the purpose of this survey, CSR are any activities that focus on making a positive impact to society and / or the environment". This note served to ensure that all respondents understood what was mean by CSR.

Thereafter, 15 statements across 3 sections were included for evaluation. A copy of the survey is provided in the Annexure, link as follows: Survey. Each statement was allocated a section based on the researcher's view of what would make the survey completion process as simple and straightforward as possible. The 'corporate' section included statements that related to the company. The 'people' section included statements about softer issues and people. Lastly, 'engagement' encompasses statements that were primarily activity based.

Prutina (2015) compiled a survey and following exploratory factor analysis, identify two culture traits that described an embedded CSR culture in Bosnia and Herzegovina. These culture traits were labelled 'employee engagement' in CSR and 'CSR values'. Employee engagement created a sense of trust and belonging with employees, whilst the second trait, CSR values, formed the foundation of organisational authenticity. The 15 statements were based on insights gained from the Literature Review, the South African landscape, as well as the statements that were included in the survey of Prutina (2015). The researcher designed the survey anticipating that these two traits might be present in the South African sample.

Table 3 details each statement, otherwise known as an 'item' (Bell et al., 2019), that was included in the survey. It details the section where the item was found. Furthermore, it includes a justification for the inclusion of the item in the survey based on the source of the research. In addition, the construct that is being tested together with its underlying characteristic is listed.

Table 3: Survey outline

No.	Item	Section	Source	Construct	Characteristic
1	CSR is important to our company	Corporate	Survey: Prutina (2015)	CSR values	Authenticity
2	Our company has a higher purpose that entails contributing positively to society and/or the environment	Corporate	Survey: Prutina (2015)	CSR values	Authenticity
3	Our company measures CSR performance	Corporate	Survey: Prutina (2015)	CSR values	Authenticity
4	I believe our company is genuinely committed to contributing positively to society and/or the environment	Corporate	a "genuine commitment to change" (Agudelo et al., 2019, p. 11) is required	CSR values	Authenticity

5	Our senior executives are committed to CSR	People	Survey: Prutina (2015)	CSR values	Authenticity
6	My personal values are aligned with our company's values	People	Survey: Prutina (2015)	CSR values	Authenticity
7	I trust the senior executives of our company	People	Survey: Prutina (2015)	Employee engagement	Trust & belonging
8	I feel a sense of loyalty towards our company	People	Survey: Prutina (2015)	Employee engagement	Trust & belonging
9	Our company cares about my well-being	People	Schönborn et al. (2019) empathizes employee wellbeing	Employee engagement	Trust & belonging
10	I have a work-life balance	People	Schönborn et al. (2019) empathizes employee wellbeing	Employee engagement	Trust & belonging
11	Gender and ethnic diversity is encouraged	People	South Africa & the elements that impact culture which include gender diversity and race (Hsieh et al., 2018).	Employee engagement	Trust & belonging
12	I receive regular training	Engagement	Schönborn et al. (2019) empathizes employee wellbeing	Employee engagement	Trust & belonging
13	Our company encourages employees to participate in CSR activities	Engagement	Survey: Prutina (2015)	Employee engagement	Trust & belonging
14	I participate in CSR activities of our company	Engagement	Survey: Prutina (2015)	CSR values	Authenticity
15	I am concerned about greenwashing within our company	Engagement	CSR claims are not supported by actual CSR activities (Gatti et al., 2019).	CSR values	Authenticity

Source: Author's compilation

When considering the concerns raised in the Literature Review on the proliferation of greenwashing activities, the researcher was compelled to include items 4 and 15. Furthermore, in the context of South African and the inequalities of apartheid, item 11 was included in addition to support provided by the Literature Review from Hsieh et al. (2018).

4.3.6 Ethical considerations

After framing the research setting and considering it in conjunction with the research design and methodology, ethical issues were considered in preparation for the ethical clearance submission. Approval from the Ethics Committee was required before commencing the data collection process. Key points that were considered by the researcher was that the research would not cause any respondents harm or any other disadvantage by participating in the research. All respondents were professionals who were educated and fully understood the nature of the research.

The survey included an introductory page introducing the researcher, the nature of the research, confirmation of anonymity and that the research was voluntary and that one could withdraw at any time without penalty, see Introduction to the survey. In terms of anonymity, the researcher recorded that no names of respondents or companies would be reported and the data would be safely stored without identifiers. The contact details of the researcher's supervisor were also provided.

Ethical clearance was received on 18 July 2022, see Ethical clearance form.

4.4 Quality controls

4.4.1 Research quality and rigor

Rigor is a characteristic of good scientific research that is enhanced by a carefully constructed research design and methodology, to ensure that the conclusions drawn from the study are valid and free from other influences such as biases that could have impacted the study (Sekaran & Bougie, 2016). Rigor allows the research to be replicable by other researchers, as well as ensures that the conclusions are generalisable with a high degree of confidence and precision and is demonstrated via the evaluation of validity and reliability (Heale & Twycross, 2015). Good scientific research provides evidence where reliability and validity have been addressed.

In this study, several quality control measures were conducted to ensure that the results were credible. These were detailed in throughout the Results Chapter.

4.4.2 Validity

“Validity is defined as the extent to which a concept is accurately measured in a quantitative study” (Heale & Twycross, 2015, p.66) and is considered an important criterion in research, as it impacts the integrity of the conclusions that can be drawn from a study (Bell et al., 2019). Internal validity refers to the ability to draw causal conclusions from the data, whereas external validity refers to the feature of generalizability (Sekaran & Bougie, 2016). Measurement validity, on the other hand, is concerned with whether the research instrument measures what it intended to measure (Bell et al., 2019). Face validity and construct validity are examples of measurement validity.

Construct validity refers to “establishing correct operational measures for the constructs being studied” (Wilson, 2014, p. 161). Exploratory factor analysis is a statistical tool that tests for the construct validity of the survey instrument (Uz Zaman et al., 2020). This tool was used to establish the construct validity of the instrument.

Content validity relates to how much of the content we are trying to measure is sampled in the measure (Sekaran & Bougie, 2016). Out of the 15 items, roughly half were concerned with CSR values, whilst the other half measured employee engagement. Content validity was established by taking great care that the survey statements adequately represented the content domain by ensuing that the source of the item for inclusion in the survey was established and was relevant.

4.4.3 Reliability

Reliability refers to the accuracy of the instrument in being able to consistently yield the same results if it is used in the same manner on different occasions (Heale & Twycross, 2015). Reliability has three attributes; internal consistency (homogeneity), stability and equivalence (Heale & Twycross, 2015). Internal consistency can be tested in numerous ways, but the most common test is the Cronbach alpha coefficient (Heale & Twycross, 2015).

A Cronbach alpha coefficient less that 0.6 is considered poor, whilst above 0.7 is acceptable and above 0.8 is considered good (Sekaran & Bougie, 2016; Heale & Twycross, 2015). See Table 4 below for guidelines.

Table 4: Cronbach's Alpha guidelines

Cronbach's Alpha	Internal consistency
α≥ 0.9	Excellent
0.9> α ≥ 0.8	Good
0.8> α ≥ 0.7	Acceptable
0.7> α ≥ 0.6	Questionable
0.6> α ≥ 0.	Poor
0.5 > α	Unacceptable

Source: Sekaran & Bougie, 2016; Heale & Twycross, 2015

Cronbach's Alpha was calculated on several occasions and the outcome noted in the Results Chapter.

4.5 Data analysis approach RQ1

4.5.1 Overview

The statistics services of the University of Pretoria was engaged to assist in the statistical analysis of the research data. Three steps were followed, which are outlined in Table 5, when analysing the secondary data.

Table 5: Overview of the data analysis approach for RQ1

Steps	Method	Rationale
1. Screening and cleaning	Frequency tables	Ensure no errors are present in data file
2. Preliminary analysis	Descriptive statistics: measures	Descriptive statistics, assess normality
	Descriptive statistics: Box plots	Descriptive statistics, describe and explore the data
	Normality	Assess normality and identify statistical technique
3. Statistical technique	Independent sample t-test (or Mann-Whitney U Test if t-test not appropriate)	Test whether the mean (or median) of the financial measures differ

Source: Author's creation

4.5.2 Step 1: Screening and cleaning

The first step in analysing the data entailed running a frequency table to ensure all entries had been captured and that no errors were present. Where missing data was present, only those companies with data for at least three of the four years were included. Once the researcher was comfortable that the data was ready for analysis, descriptive statistics were run.

4.5.3 Step 2: Preliminary analysis

Descriptive statistics are a tool to assess the characteristics of a data set (Pallant, 2020). Descriptive measures fall within three categories, namely, central tendency, measures of variability and shape (Hayes, 2022).

a) Descriptive statistics: Measures

As a first port of call, descriptive measures as outlined in Table 6 were produced.

Table 6: Overview of descriptive measures used

Descriptive Measures	**Description**
Categorical variables:	
Frequency	The count frequency
Proportions	Obtained from the frequencies
Number of mission values	The number of missing values present in the variable
Continuous variables:	
Minimum	The minimum numerical value of the variable
Maximum	The maximum numerical value of the variable
Mean	Average
Standard deviation	Measure of variability
Median	Middle number

Source: University of Pretoria statistics department

b) Descriptive statistics: Box plots

Box plots provide a visual summary of the data that assists in determining whether data is normally distributed (McLeod, 2019) and is applicable for continuous variables.

Figure 7 represents an example of a normally distributed box plot which is symmetrical (each quartile is the same length). When the median is not centred, it indicates that the data is skewed and leads the researcher to conclude that the data is not normally distributed.

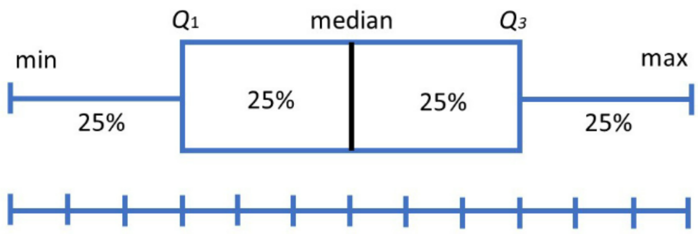

Figure 7: Box plot example

Source: Adopted from McLeod, S. A. (2019)

When comparing two box plots, when the median line of a box plot falls outside the median of a comparative box plot, it could indicate that there is a difference between the medians of the two groups (McLeod, 2019).

c) Normality

The assessment of normality is important as it informs the statistical tests that are appropriate for the data (Dodge, 2006). The descriptive statistics comprising the descriptive measures and the box plots were used to assess normality visually. However, reliance cannot be based solely on visual aids.

Two renowned tests for normality are the Shapiro-Wilk test and the Kolmogorov-Smirnof test (Y. Kim et al., 2021). The Shapiro-Wilk test was selected, as this method is more appropriate to use on small samples (Zylstra, 1994). The null hypothesis tested whether the population was normally distributed. If the p-value was less than 0.1, the null hypothesis is rejected (Shapiro & Wilk, 1965).

4.5.4 Step 3: Statistical Technique

a) Independent samples t-test

If the data is shown to be normally distributed, a two-sample t test for comparing the means from two populations, would be used (Dodge, 2006). According to Pallant (2020), this test has the following criteria which need to be met:

a) The two samples are independent of one another
b) The two populations have equal variance or spread
c) The two populations are normally distributed

If the sample is not normally distributed, as was the case in this research, the Mann-Whitney U test can serve as an alternative (Main & Engelhardt, 1992).

b) Mann-Whitney U test

The Mann-Whitney U test is a non-parametric test and tests the difference between two independent groups (Pallant, 2020), in this case the CSR and conventional groups. Whereas the null hypothesis of the two-sample t test is testing for equal means, the null hypothesis of the Mann-Whitney U test is testing for equal medians (Pallant, 2020). Rejecting the null hypothesis means there is evidence that the medians of the two populations are not equal.

Non-parametric tests are also more suited for very small samples or when data is measured on ordinal (ranked) scales (Pallant, 2020) as was the case in this study.

4.6 Data analysis approach: RQ2

4.6.1 Overview

The statistics services of the University of Pretoria was engaged to assist in the statistical analysis of the research data. Seven steps were used when analysing the survey data. These steps are outlines in Table 7. Each step is subsequently discussed.

Table 7: Overview of the data analysis approach for RQ2

Steps	Method	Rationale
1. Screening and cleaning	Frequency tables	Ensure no errors are present in data file
2. Preliminary analysis	Descriptive statistics: measures and graphs	Descriptive statistics, explore the data
	Cronbach's Alpha	Reliability of instrument:
	Spearman correlation, Kaiser Meyer Olkin measure, Bartlett's test	Assess the suitability of the data for factor analysis
3. Statistical technique	Exploratory Factor Analysis (Iteration 1)	Test whether the survey data presents distinct factors
4. Cleaning	Deletion	Remove items based on outcome of Factor Analysis
5. Statistical technique	Exploratory Factor Analysis (Iteration 2), Cronbach Alpha	Finalise items on survey based on final factors identified in Iteration 2, and check reliability
6. Preliminary analysis	Descriptive statistics and Shapiro-wilk test for normality	Test for normality, and identify suitable statistical technique
7. Statistical technique	Independent sample t-test (or Mann-Whitney U test) depending on data suitability)	Test whether the factor scores of senior managers and non-senior managers are the same for Factor 1 and 2

Source: Author's compilation

4.6.2 Step 1: Screening and cleaning

The first step in analysing the data entailed running a frequency table to ensure all entries had been captured and that no errors were present. Once the researcher was comfortable that the survey data was ready for analysis, descriptive statistics were run.

4.6.3 Step 2: Preliminary analysis

Descriptive statistics are a tool to assess the characteristics of a data set (Pallant, 2020).

a) Descriptive statistics: Measures and graphs

As a first port of call, descriptive measures were calculated, as outlined in Descriptive statistics: Measures. A histogram served as a visual representation of the data to illustrate the spread of responses according to the Likert scale.

b) Reliability of survey instrument

Bell et al., (2019) defined reliability as the "consistency of a measure of a concept" (p. 172). Internal reliability refers to whether the indicators, that make up a scale for a concept, are consistent amongst themselves (Heale & Twycross, 2015). The Cronbach test for internal reliability was conducted, in order to confirm the reliability of the survey instrument. The details of the test were presented in 4.4.3 Reliability.

4.6.4 Step 3: Statistical Technique

a) Exploratory Factor Analysis

Exploratory Factor Analysis (EFA) is used extensively by researchers involved in the development and evaluation of tests and scales (Pallant, 2020). The purpose of an Exploratory Factor Analysis is to test data in order to ascertain its underlying theoretical structure (Hair et al., 2020). This is achieved by investigating any unobservable sources of influence, which are correlated into groups, known as factors (Habing, 2000). In other words, it encompasses a complex set of procedures, "used to identify the interrelationships among a large set of observed variables and then, through data reduction, to group a smaller set of these variables into factors that have common characteristics" (Pett et al., 2011, p. 2). The association between the factor and the variable is called a factor loading (Pett et al., 2011).

“Exploratory Factor Analysis (EFA) is used when the researcher does not know how many factors are necessary to explain the interrelationships among a set of items” (Pett et al., 2011, p. 3), as was the case in this research. Previous works by Prutina (2015) indicated the presence of two factors after performing EFA, namley CSR values and employee engagement. This research investigated whether these factors were present in the South African context. Finch (2020a) recommended that the researcher should have a sense of the number of factors that are likely to be found when performing EFA (in this case the researcher expected two factors). Furthermore, the researcher should have an idea of how the observed variables would be expected to be grouped together, e.g., items 1, 2, 3, and 4 should be measuring a common construct, CSR values for example, and thus should group together on a common factor (Finch, 2020a). These recommendations were followed, and the detailed grouping by item is provided in <u>4.3.5 Research instrument</u>.

Considering the research question that seeks to investigate the presence of CSR-embedded culture traits in South Africa, EFA is an appropriate tool to investigate the existence of factors that have common characteristics.

Pallant (2020) outlined three steps that should be followed when conducting factor analysis.

i. Assess the suitability of the data for factor analysis

A crucial requirement to perform an EFA is to test the strength of the intercorrelations amongst the survey items (Pallant, 2020). This was done by inspecting the Spearman correlation matrix for evidence that the coefficients were greater than 0.3 (Tabachnick & Fidell, 2013). Correlations range between -1 and +1, where -1 is strongly negatively correlated and +1 is strongly positively correlated (Pallant, 2020). The Spearman correlation is preferred to Pearson correlation in instances where Likert scale data is used (Uz Zaman et al., 2020). Furthermore, two additional tests were run, as recommended by Pallant (2020); the Kaiser-Meyer-Olkin (KMO) measure for sampling adequacy, and the Bartlett’s test of Sphericity. The KMO measure, which varies from 0 to 1, is a measure of sampling adequacy which indicates whether it is worthwhile, or not, to analyse a correlation matrix (Pallant, 2020). The Bartlett’s test for Sphericity should be significant ($p<0.05$) for the factor analysis to be appropriate (Pallant, 2020) which would indicate worthwhile correlations between the items.

Table 8 outlines the interpretations of the KMO measures (Kaiser & United States Coast Guard Academy, 1974). A KMO recommended value is 0.7 for a good factor analysis.

Table 8: KMO interpretation

KMO measure	Interpretation
KMO≥ 0.9	Marvellous
0.9> KMO ≥ 0.8	Meritorious
0.8> KMO ≥ 0.7	Average
0.7> KMO ≥ 0.6	Mediocre
0.6> KMO ≥ 0.	Terrible
0.5 > KMO	Unacceptable

Source: Kaiser & United States Coast Guard Academy, 1974

Another requirement for factor analysis is having a suitable sample size. Pallant (2020) suggested that a 1:5 ratio between participants to items was adequate, whilst others prefer a 1:10 ratio (Nunnally, 1978). The sample size in this instance was 1:3 and was therefore noted as a limitation of the research.

ii. Factor extraction

Factor extraction involves determining the smallest number of factors that can be used to best represent the interrelations among a set of variables (Pallant, 2020). The two most popular factor extraction methods are Principal Axis Factoring and Maximum Likelihood Factoring (Finch, 2020b). The latter is deemed a better choice when the data is relatively normally distributed (Finch, 2020b). As a result, Principal Axis Factoring was used in this study.

In factor analysis, each factor has an associated eigenvalue (Finch, 2020b). “The factor with the largest eigenvalue accounts for the largest portion of variance in the set of observed indicators” (Finch, 2020b, p. 4). “Communalities are the values representing the unique variance of a variables that is finally explained after the variable has become part of a factor. This concept is of important as when a variable is included in a factor, it loses some of its shared variance and only a part of it is expressed in the factor” (Uz Zaman et al., 2020, p. 62). Furthermore, items with communality values below 0.4 should be removed (Uz Zaman et al., 2020).

In addition, Kaiser's criterion where 'eigenvalues greater than 1' were assessed based on eyeballing the 'Total Variance Explained' table (Pallant, 2020). Another approach that was adopted was assessing the scree test, by inspecting the plot to see where the shape of the graph changed (Cartell & Vogelmann, 1977). All factors above the elbow were retained (Pallant, 2020).

Both Kaiser's criterion and the scree test tend to overestimate the number of factors and Pallant (2020) recommended performing Parallel Analysis, whereby only eigenvalues that exceed the corresponding values are attained (Pallant, 2020). Two factors were suggested by the scree plot, and as such, Parallel Analysis was not necessary, but performed regardless.

iii. Rotate and interpret the factors

Factor rotation refers to a process whereby a set of extracted factor loadings are transformed, such that each measure is related to a single factor (Finch, 2020c). These are typically split into two broad categories; orthogonal or oblique (Ledesma et al., 2021). Orthogonal rotation is underpinned by the assumption that the factors are uncorrelated, something which is difficult to prove, whereas the oblique approach allows for the factors to be correlated (Pallant, 2020). An oblique approach was taken, specifically the Oblimin rotation method.

4.6.5 Step 4: Cleaning

Factor loadings above 0.5 were adequate for Likert scale data. However, factor loadings below 0.5 were removed, (Uz Zaman et al., 2020).

4.6.6 Step 5: Statistical Technique

After the first factor analysis was performed, a further factor analysis was run, to confirm sufficiently high factor loadings in each factor and sufficiently high communality values, to reach the final solution. In addition, the Cronbach Alpha was calculated for each factor and the correlation matrix was presented to illustrate the underlying correlation structure.

4.6.7 Step 6: Preliminary Analysis

Descriptive statistics and Shapiro-Wilk test for normality were run in line with the requirements to perform the Mann-Whitney U test for Hypothesis 4 and 5.

4.6.8 Step 7: Statistical Technique

The Mann-Whitney U test was performed on the resulting factor scores to investigate if differences existed between senior and non-senior managers per factor identified. Details of this test were presented in Mann-Whitney U test.

4.7 Limitations of the research

This research is subject to several limitations. A list, though not exhaustive, is provided below in accordance with each research question:

4.7.1 RQ1 limitations

- The overall sample was small, namely comprising 20 CSR firms and 20 conventional firms. Therefore, the ability to generalise the results was limited.
- Data analysis was limited by the availability of the financial measures. Some missing financial performance measures resulted in an even smaller sample size, which could have impacted the results.
- Care was taken to select the sample of conventional firms, using sector and size as a guide. However, other selection criteria could have been used, which would have resulted in a different conventional company sample. Therefore, the ability to generalise the results of the conventional firm sample is a limitation.
- A limitation is the time-horizon in question. Only data for the years 2018 to 2021 were evaluated. Extending the time horizon might have yielded different results.
- A further limitation was the selection of the performance metrics as no unified definition of 'financial performance' existed (Nyeadi et al., 2018). Six financial measures, spanning market and accounting measures were selected following the recommendation by Maqbool and Zameer (2018), however, other financial

metrics could have been selected, which might have resulted in a different outcome.

- Lastly, this research does not prove causality. However, whilst the tests were not specifically related to correlations, the import of the method employed meant that the conclusions were justified based on the data.

4.7.2 RQ2 limitations

- As a start, there is no unified definition of CSR (Barauskaite & Streimikiene, 2021) and several synonyms such as sustainability and corporate citizenship exist (Agudelo et al., 2019), each with their own nuances. Respondents, therefore, could have interpret the term based on their own understanding despite the guidelines given in the survey introduction.
- There is no consistent evaluation tool that exists that rates CSR (Barauskaite & Streimikiene, 2021) and, therefore, a proxy was used to identify CSR companies via the use of the CSR Top 30 index. However, this index does not provide a ranking by individual company. In addition, reliance was placed on the FTSE/Russel ratings methodology. However, when considering that a standardized ratings methodology nor CSR definitions exits, the ratings might include items that fall outside of the scope of CSR and are not comparable with other ratings agencies.
- The survey was a self-constructed instrument, with only some overlap with the questions posed by Prutina (2015). Despite testing for the reliability of the research instrument, with strong results, it remains a limitation of this research.
- The survey took the form of a Likert scale, therefore limiting the detail that was received from the respondents. Further, the survey was short, which limited the scope of the statements. A longer survey could have provided more detail but decreased the probability of completion.
- The sample size was very small, below the minimum 1:5 item-to-respondent ratio, thereby limiting the robustness of the statistical analysis (Pallant, 2020). Reliability and validity checks were performed throughout the statistical analysis, in order to gain a greater degree of comfort that the sample size was not limiting the outcome. However, the sample size remains a significant limitation.
- Random sampling is the ideal sampling design. However, convenience sampling and snowball sampling (non-probability sampling) was used for expedience's sake, which limited generalizability (Bell, et al., 2019).

- Furthermore, the survey was disseminated online. Therefore, a limitation is self-selection bias, in other words, certain people are more included to respond to online survey invitations, whilst others typically do not participate (Sekaran & Bougie, 2016).

5. RESULTS

5.1 Introduction and roadmap

This chapter outlines the statistical results that were obtained after following the quantitative methodology which was outlined in Chapter 4. This chapter is structured in such a way that it commences with the hypothesis tests associated with RQ1, followed by those for RQ2. There are several sub-sections per heading, but for the sake of simplicity, they have not been included in the below diagram.

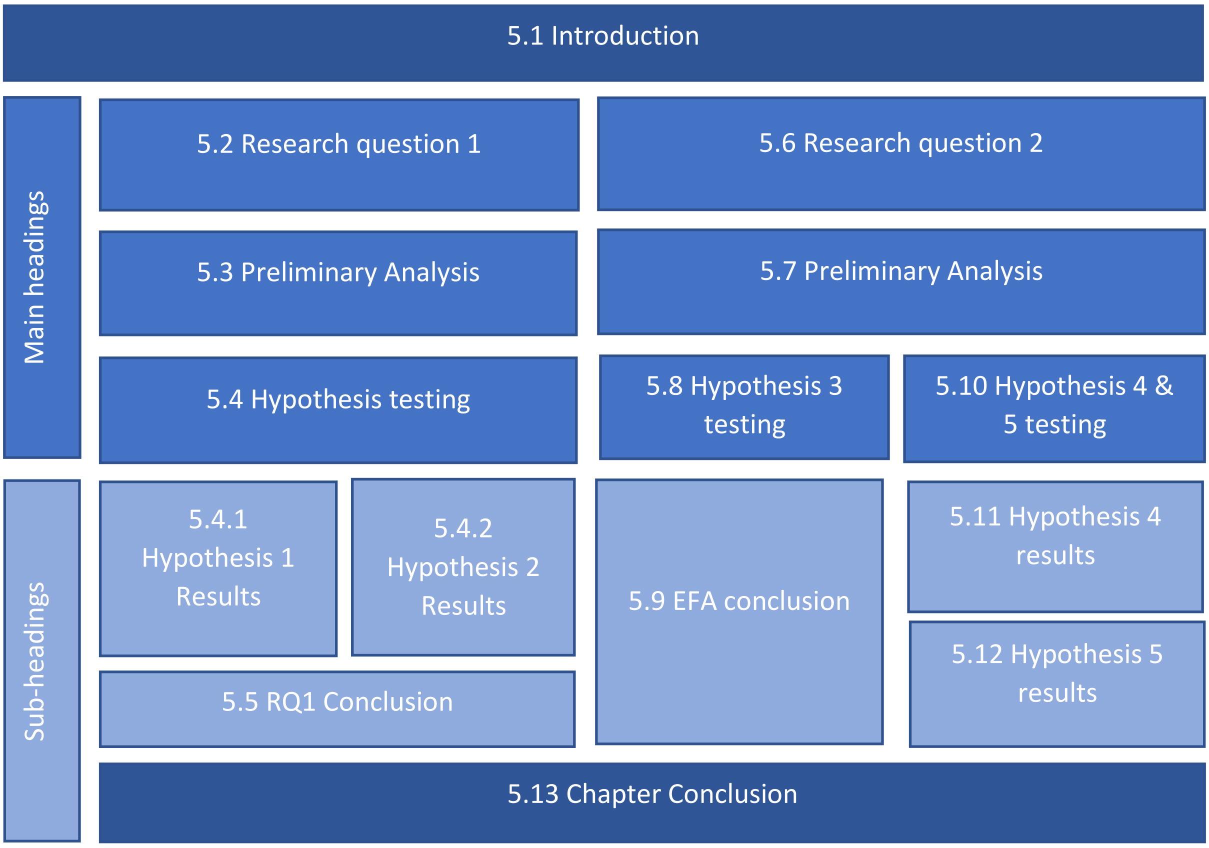

Figure 8: Road map of the Results Chapter
Source: Author's compilation

5.2 Research question 1

Research question 1 is defined as follows: Does the financial performance of CSR companies differ from the financial performance of conventional firms in South Africa?

The aim of this analysis is to assess the financial performance of CSR companies and compare them to conventional firms, using six financial performance metrics. The analysis is performed for each of the four years from 2018 to 2021, as well as for an average of those years.

5.3 Preliminary Analysis

The results of the preliminary analysis, as outlined in 4.6.3 Step 2: Preliminary analysis are presented in this section. This section includes descriptive statistics, namely descriptive measures and box plots, as well as a test for normality, in order to ascertain which statistical method would be most appropriate to use for the hypotheses.

a) Descriptive statistics: Measures

The descriptive measures, as listed in Descriptive statistics: Measures were compiled and included in the annexure: Descriptive statistics p.a.. These included six tables, one for each financial variable for each of the four years under analysis for both CSR and non-CSR companies. Also, in a similar fashion, a further six tables were presented for the averages over those four years, included in the annexure: Descriptive statistics: Average financial measures over the 4 years. The researcher felt that including these tables in the body of the report would create unnecessary clutter and that more would be gained by only including the box plots.

b) Descriptive statistics: Box plots

Box plots for each of the six financial variables for each of the four years under analysis, as well as for an average over those four years, are presented below. Results for CSR companies are depicted in blue, whilst conventional firms are indicated in orange. The graphs are presented with some high-level comments as follows:

5.3.1 Total return per annum

Based on a visual assessment of Figure 9, there is a likely difference between the median performance of CSR and conventional firms using the Total return in 2018 and 2021 as the median line of the one box lies outside of the other box. Also, in particular, the CSR data in 2019, 2020 and 2021, and the conventional firm data in 2018 and 2021 do not appear to be normally distributed as the quartiles are not the same size.

Figure 9: Total return p.a. for each of four years

5.3.2 Current ratio per annum

Based on a visual assessment of Figure 10, it is unlikely that there is a difference between the median performance of CSR and conventional firms using the Current ratio across all four years as the median lines do not fall outside of the boxes.

Also, the data does not appear to be normally distributed with the exception of the conventional firm data in 2020.

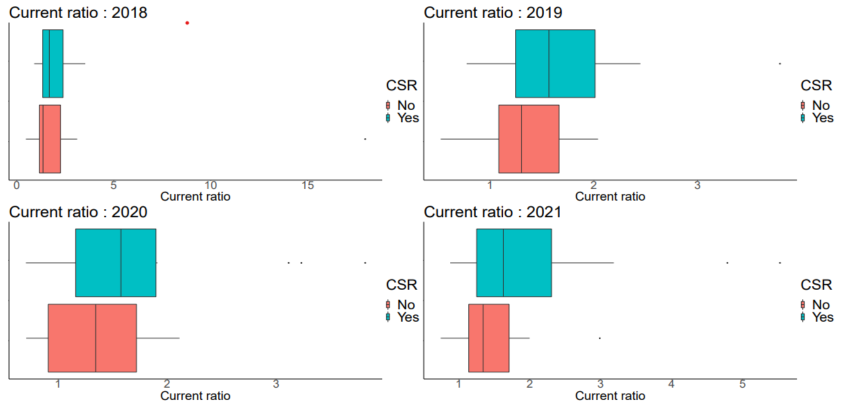

Figure 10: Current ratio p.a. for each of the four years

5.3.3 Debt to Equity ratio per annum

Based on a visual assessment of Figure 11, it is unlikely that there is a difference between the median performance of CSR and conventional firms using the Debt-to-Equity ratio across all four years.

Also, the data does not appear to be normally distributed with the exception of the data relating to conventional firms in 2019 and 2020.

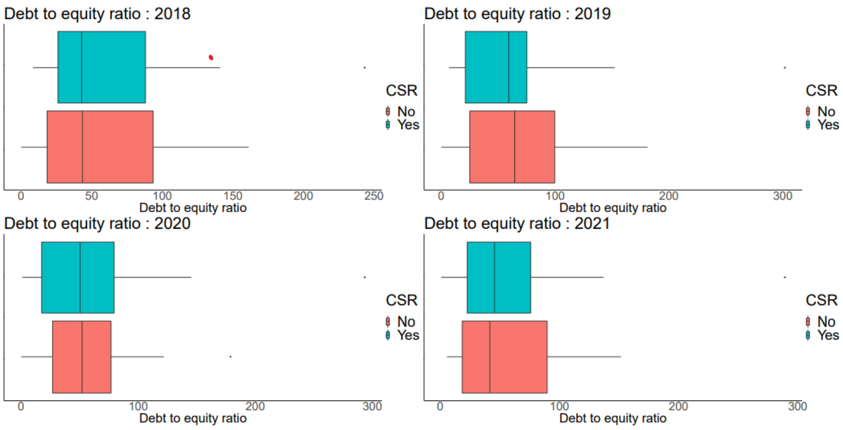

Figure 11: Debt to Equity ratio p.a. for each of the four years

5.3.4 Return on Equity per annum

Based on a visual assessment of Figure 12, there is a likely difference between the median CSR and conventional firm performance using the Return on Equity in 2018, 2019 and 2020. Also, none of the data seems to be normally distributed.

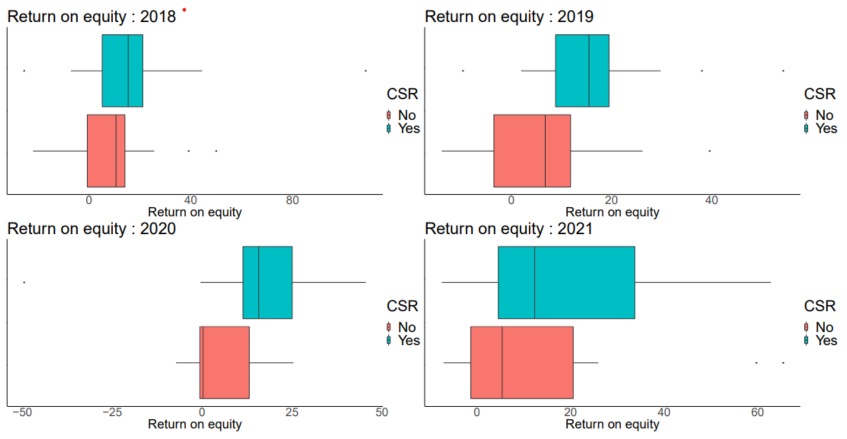

Figure 12: Return on Equity p.a. for each of the four years

5.3.5 Return on Investment per annum

Based on a visual assessment of Figure 13, there is a likely difference between the median CSR and conventional firm performance using the Return on Investment in 2019 and 2020; and the data does not appear to be normally distributed with the exception of CSR firms in 2018.

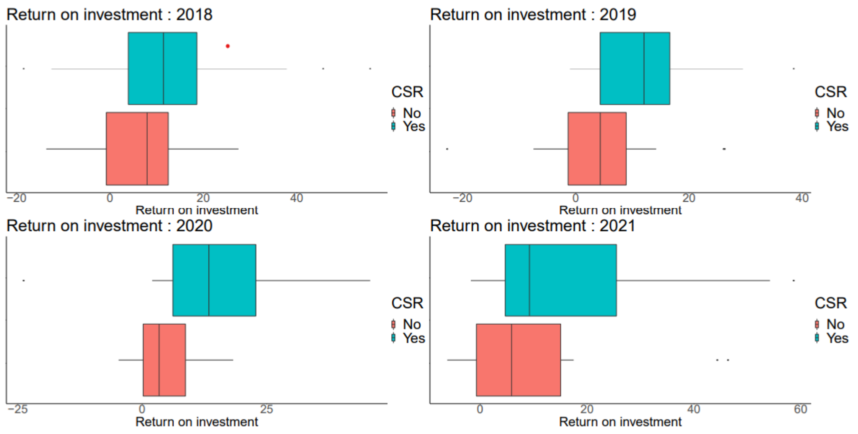

Figure 13: Return on Investment p.a. for each of the four years

5.3.6 Tobin Q values

Based on a visual assessment of Figure 14, it is unlikely that the median performance between CSR and conventional firms differs using Tobin-Q; the data also does not appear normally distributed.

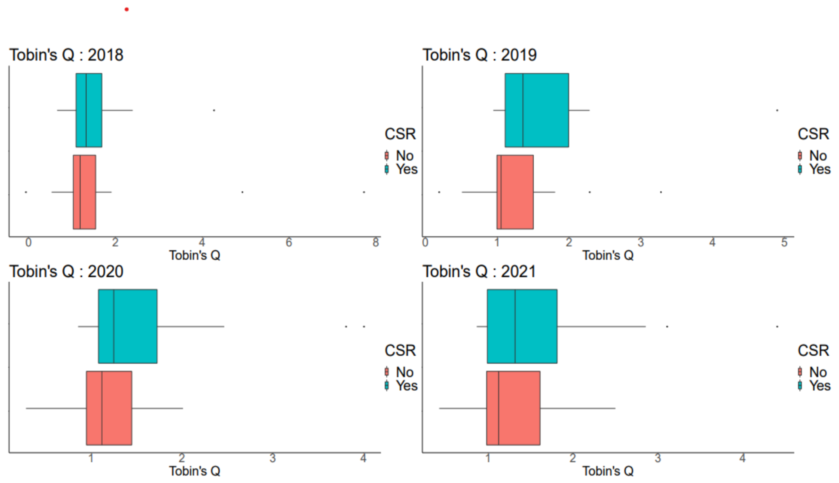

Figure 14: Tobin Q values p.a. for each of the four years

5.3.7 Averages over 4 years

Based on a visual assessment of Figure 15, it appears unlikely that the median performance between CSR and conventional firms across all six financial measures differs. The data also does not appear to be normally distributed with the exception of the average Total return.

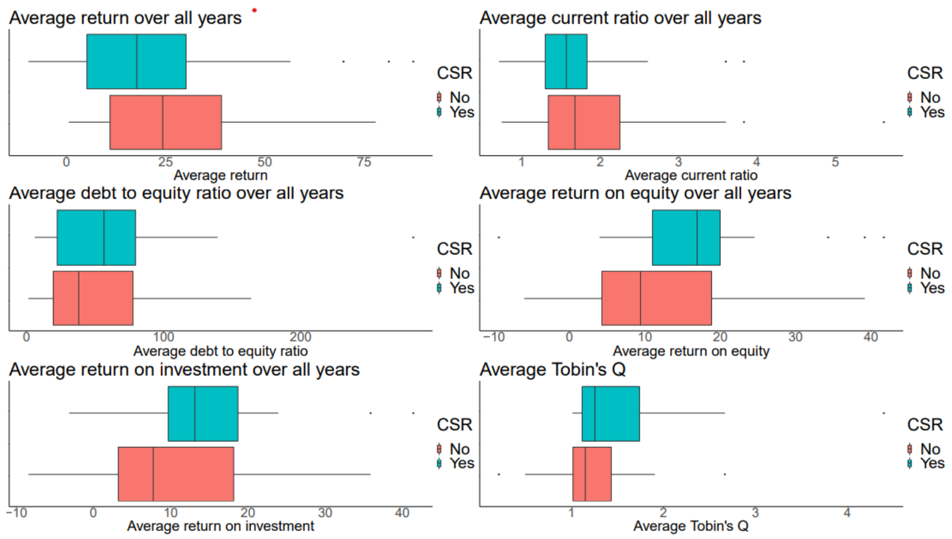

Figure 15: Averages over four years

c) Normality

When considering the box plot described in Descriptive statistics: Box plots, which depicts a normal distribution, and comparing that to the above box plots, it would suggest that the data is not consistently normally distributed.

In addition to a visual assessment of the data, the Shapiro-Wilk test was performed to test for normality. The detailed outcome is listed in the annexure: Shapiro-Wilk test. If the p-value was less than 0.1 the null hypothesis was rejected. If the p-value was higher than 0.1 the null hypothesis was not rejected. The null hypothesis, where the data is normally distributed, was rejected in many instances. As a result, the preceding statistical analyses used a Mann-Whitney U test, that does not require the criterion of normally distributed data to be met.

5.4 Hypothesis testing

The Mann-Whitney U test was used to determine whether the median performance of CSR and conventional firms differed.

For the sake of clarity, Hypothesis 1 and 2 are re-written, to capture the Mann-Whitney U test more accurately.

Table 9: RQ1 Hypotheses reframed for Mann-Whitney U test

Original hypothesis	Reframed hypothesis
Hypothesis 1 H_o: Mean Performance $_{CSR}$ = Mean Performance $_{non\text{-}CSR}$ H_a: Mean Performance $_{CSR}$ ≠ Mean Performance $_{non\text{-}CSR}$	**Hypothesis 1** H_o: Median $_{CSR}$ = Median $_{non\text{-}CSR}$ H_a: Median $_{CSR}$ ≠ Median $_{non\text{-}CSR}$
Hypothesis 2 H_o: Mean Performance $_{CSR}$ ≤ Mean Performance $_{non\text{-}CSR}$ H_a: Mean Performance $_{CSR}$ > Mean Performance $_{non\text{-}CSR}$	**Hypothesis 2** H_o: Median $_{CSR}$ ≤ Median $_{non\text{-}CSR}$ H_a: Median $_{CSR}$ > Median $_{non\text{-}CSR}$

The Mann-Whitney U test is conducted at a 0.1 level of significance. If the p-value is less than 0.1, the null hypothesis is rejected. If the p-value is greater than 0.1, the null hypothesis is not rejected.

5.4.1 Hypothesis 1 results

Results of the hypotheses tested for each of the four years in question, as well as for an average of those years is presented in Table 10. When looking at the average over four years for the Total Return p.a., the p-value was 0.372 (greater than the 0.1 level of significance), concluding that the hypotheses for this variable could not be rejected. With a p-value of 0.2997 on average over the four years the hypothesis for the Current ratio p.a could also not be rejected. The same reasoning applied across all financial measures over the average four-year period.

Furthermore, the same assessment was made for each of the four years, resulting in the hypotheses either being rejected, or not being rejected for each financial variable. The null hypothesis, that the medians of CSR and non-CSR companies was equal, was rejected for six cases, namely: Total return of 2018; Total return of 2021; Return on Equity of 2019; Return on Equity of 2020; Return on Investment of 2019; and the Return on Investment of 2020.

Table 10: Hypothesis 1 results from the Mann-Whitney U test

	2018	2019	2020	2021	Average over 4 years
Total return p.a					
p-value	0.0036	0.7986	0.6852	0.0462	0.372
Conclusion	Reject	Do not reject	Do not reject	Reject	Do not reject
Current ratio p.a					
p-value	0.5826	0.189	0.2671	0.202	0.2997
Conclusion	Do not reject	Do not reject	Do not reject	Do not reject	Do not reject
DTE p.a					
p-value	0.6267	0.7171	0.7788	0.992	0.4476
Conclusion	Do not reject	Do not reject	Do not reject	Do not reject	Do not reject
ROE p.a					
p-value	0.1949	0.0179	0.0221	0.2436	0.1604
Conclusion	Do not reject	Reject	Reject	Do not reject	Do not reject

ROI p.a					
p-value	0.4114	0.0504	0.0076	0.1679	0.162
Conclusion	Do not reject	Reject	Reject	Do not reject	Do not reject
Tobin's Q p.a					
p-value	0.3026	0.1016	0.1574	0.3299	0.1848
Conclusion	Do not reject	Do not reject	Do not reject	Do not reject	Do not reject

5.4.2 Hypothesis 2 results

In six instances, the median performance of CSR companies was not equal to the median performance of conventional firms. A further Mann-Whitney U test on those six cases was performed, as per Hypothesis 2. The results are presented in Table 11.

The Mann-Whitney U test is conducted at a 0.05 level of significance. If the p-value is less than 0.05, the null hypothesis is rejected. If the p-value is greater than 0.05, the null hypothesis is not rejected. The null hypothesis, that the medians of CSR companies are less than or equal to that of non-CSR companies, was rejected in five of the six instances. The exception was the Total Return of 2021, where the null hypothesis was not rejected.

Table 11: Hypothesis 2 results from the Mann-Whitney U test

	p-value	Conclusion
Total return of 2018	0.0018	Reject
Total return of 2021	0.9785	Do not reject
Return on Equity of 2019	0.009	Reject
Return on Equity of 2020	0.011	Reject
Return on Investment of 2019	0.0252	Reject
Return on Investment of 2020	0.0038	Reject

5.5 RQ1: Conclusion

Hypothesis 1 tested whether the median performance of CSR companies and non-CSR companies was equal. On average, over the 4-year period, the null hypothesis across all financial variables, was not rejected.

However, in six instances during specific years, the null hypothesis was rejected for some financial variables. Hypothesis 2, where the null hypothesis was that the median financial performance of CSR companies was less than or equal to the median performance of non-CSR companies, was tested in these six instances. The results indicated that in five of the six cases (the exception being the Total Return in 2021), the null hypothesis, namely that the median financial performance of CSR companies was less than or equal to the median performance of non-CSR companies, was rejected.

5.6 Research question 2

Research question 2 was defined as follows: Is a CSR-embedded culture characterized by specific cultural traits in South Africa?

The aim of this analysis was to identify whether specific culture traits can be associated with companies that have embraced and embedded CSR into their business practises in the South African context, as illustrated by Hypothesis 3. The research further aims to confirm whether these traits were exhibited across the organisation, regardless of the level of seniority of the employees as illustrated by Hypothesis 4 and 5.

5.7 Preliminary Analysis

The Preliminary Analysis is divided into three sections; the survey questionnaire and spread of responses, the survey demographics and the preliminary testing that was conducted on the data. This included checking for reliability of the survey instrument and to confirm that exploratory factor analysis was the appropriate statistical method to be used under these circumstances.

5.7.1 Survey questionnaire and spread of responses

A total of 33 survey responses was received from 12 companies that remained in the CSR Top 30 index over a four-year period between 2018 and 2021, from the population of 20 companies.

The spread of the 33 responses for each of the 15 items on the survey are depicted in Figure 16. The various colours represent the Likert scale applied to the survey.

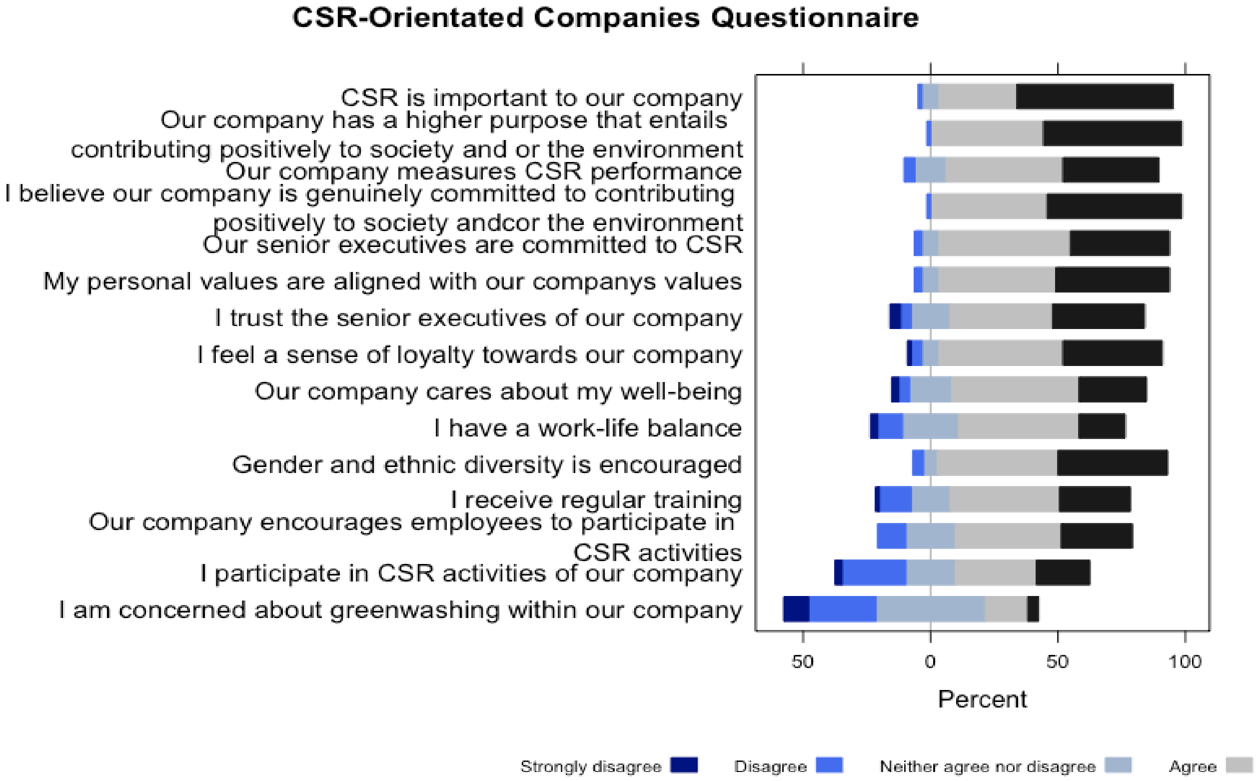

Figure 16: CSR-survey responses

5.7.2 Survey demographics

Of relevance to this study, is assessing whether cultural traits are displayed by both senior managers and non-senior as outlines in Hypothesis 4 and 5. Figure 17 presents the breakdown of the 33 survey responses by level of seniority. Of those responses, 70% were received from senior staff.

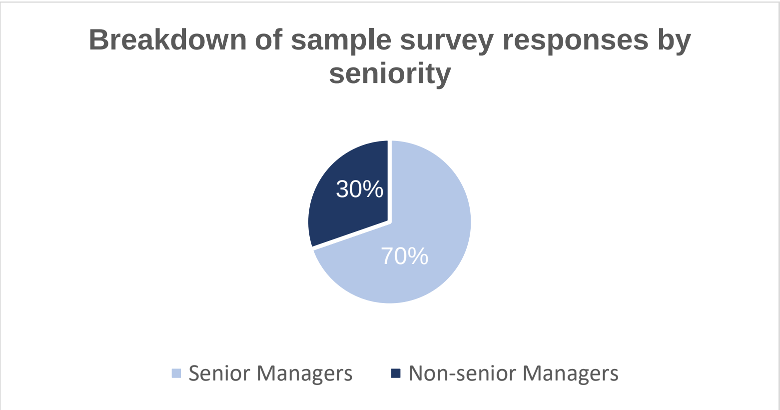

Figure 17: Survey demographics by seniority

5.7.3 Preliminary testing

Before proceeding with the statistical analysis, preliminary testing was conducted to check the reliability of the research instrument and to assess whether exploratory factor analysis was an appropriate statistical method.

a) Reliability of research instrument

The Cronbach Alpha value was computed to ensure that the survey instrument was reliable. “The Cronbach alpha measure is a measure of internal consistency, that is, how closely related a set of items are as a group” (Bilal et al., 2021, p. 702). It is considered to be a measure of scale reliability. The outcome is shown in Table 12. A Cronbach Alpha value of 0.8656 indicates that the data had good internal consistency.

Table 12: Cronbach Alpha Iteration 1

Cronbach Alpha	No. of Items	Internal consistency rating
0.8656	15	Good

b) Assess the suitability of the data for factor analysis

Based on the criteria associated with the use of Factor Analysis, the following was concluded:

- **Spearman correlation:** The correlation coefficients were mostly above 0.3, therefore, factor analysis was an appropriate method. The correlation table was relatively large and, therefore, was not shown here due to its size.
- **Kaiser-Meyer-Olkin measure:** The Kaiser-Olkin measure was calculated as 0.7685, indicating that the result was considered average, and that factor analysis could be performed.
- **Bartlett’s test:** Since the p-value was small, approximating zero, it indicated that factor analysis would be appropriate.

Table 13: Bartlett's Test Iteration 1

Chi-Square Test Statistic	327.5
P-Value	<0.0001
Df	105

In conclusion, all three tests supported the use of factor analysis.

5.8 Hypothesis 3 testing

Correlation analysis and Exploratory Factor Analysis were used to analyze the survey results to identify the constructs that characterized the culture of CSR companies, which had appeared in the CSR sample.

Once these factors were identified, the Mann-Whitney U test was performed on the resulting factor scores, to investigate if differences existed between senior and non-senior managers per construct identified, as illustrated by Hypothesis 4 and 5.

5.8.1 Factor Analysis: Iteration 1

In this section, EFA was performed on companies contained in the sample. This narrowed down the factor analysis to specifically investigate the CSR culture traits of companies that had consistently remained in the CSR Top 30 index, for a time period of four years.

After conducting the factor analysis, the results were interpreted. Parallel analysis suggested the presence of two factors, as depicted in Figure 18.

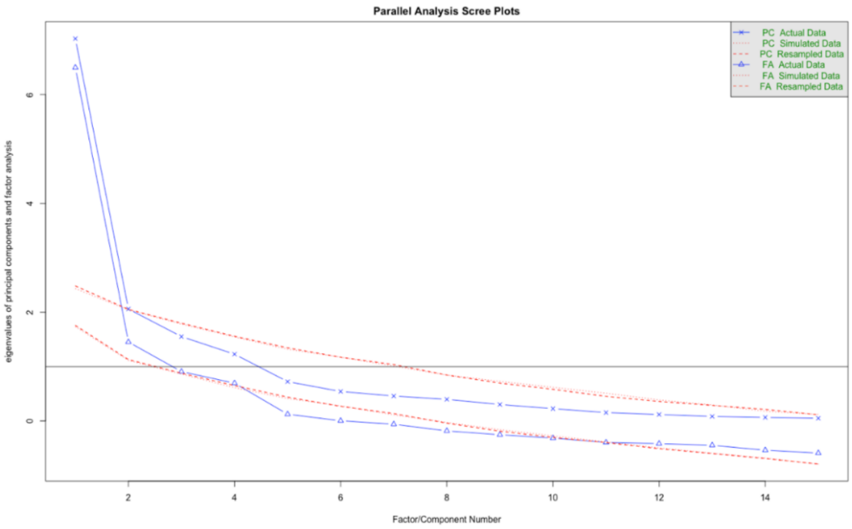

Figure 18: Parallel Analysis Scree Plot Iteration 1

Furthermore, Factor 1 explained the most variation, namely 32% of the variation found. The two-factor solution accounted for 55% of the variance in the data as depicted in Table 14.

Table 14: Factor information 1

	PA1	**PA2**
SS loadings	4.74	3.57
Proportion Var	0.32	0.24
Cumulative Var	0.32	0.55
Proportion Explained	0.57	0.43
Cumulative Proportion	0.57	1

Table 15 sets out the factor loading per item and were assessed.

Table 15: Factor loading

No.	Item	PA1	PA2
1	CSR is important to our company	-	0.6122
2	Our company has a higher purpose that entails contributing positively to society and/or the environment	-	0.917
3	Our company measures CSR performance	-	0.8176
4	I believe our company is genuinely committed to contributing positively to society and/or the environment	-	0.8244
5	Our senior executives are committed to CSR	0.7009	-
6	My personal values are aligned with our company's values	0.745	-
7	I trust the senior executives of our company	0.668	-
8	I feel a sense of loyalty towards our company	0.6676	-
9	Our company cares about my well-being	0.605	-
10	I have a work-life balance	-	0.4075
11	Gender and ethnic diversity is encouraged	0.8152	-
12	I receive regular training	0.4551	-
13	Our company encourages employees to participate in CSR activities	0.871	-
14	I participate in CSR activities of our company	0.5311	-
15	I am concerned about greenwashing within our company	-	0.4483

Strong factor loadings were found across most items, which was a good indication of the presence of two strong factors. There were only a few loadings which appeared to be lower than 0.5. The items with factor loadings less than 0.5 were removed.

For Factor 1, Item 12, 'I receive regular training' with a factor loading of 0.4551 was removed. For Factor 2, Item 10, 'I have a work-life balance' with a factor loading of 0.4075 and Item 15, 'I am concerned about greenwashing within our company' with a factor loading of 0.4483 were removed.

5.8.2 Factor Analysis: Iteration 1 outcome

The outcome of the Factor Analysis is presented in Figure 19.

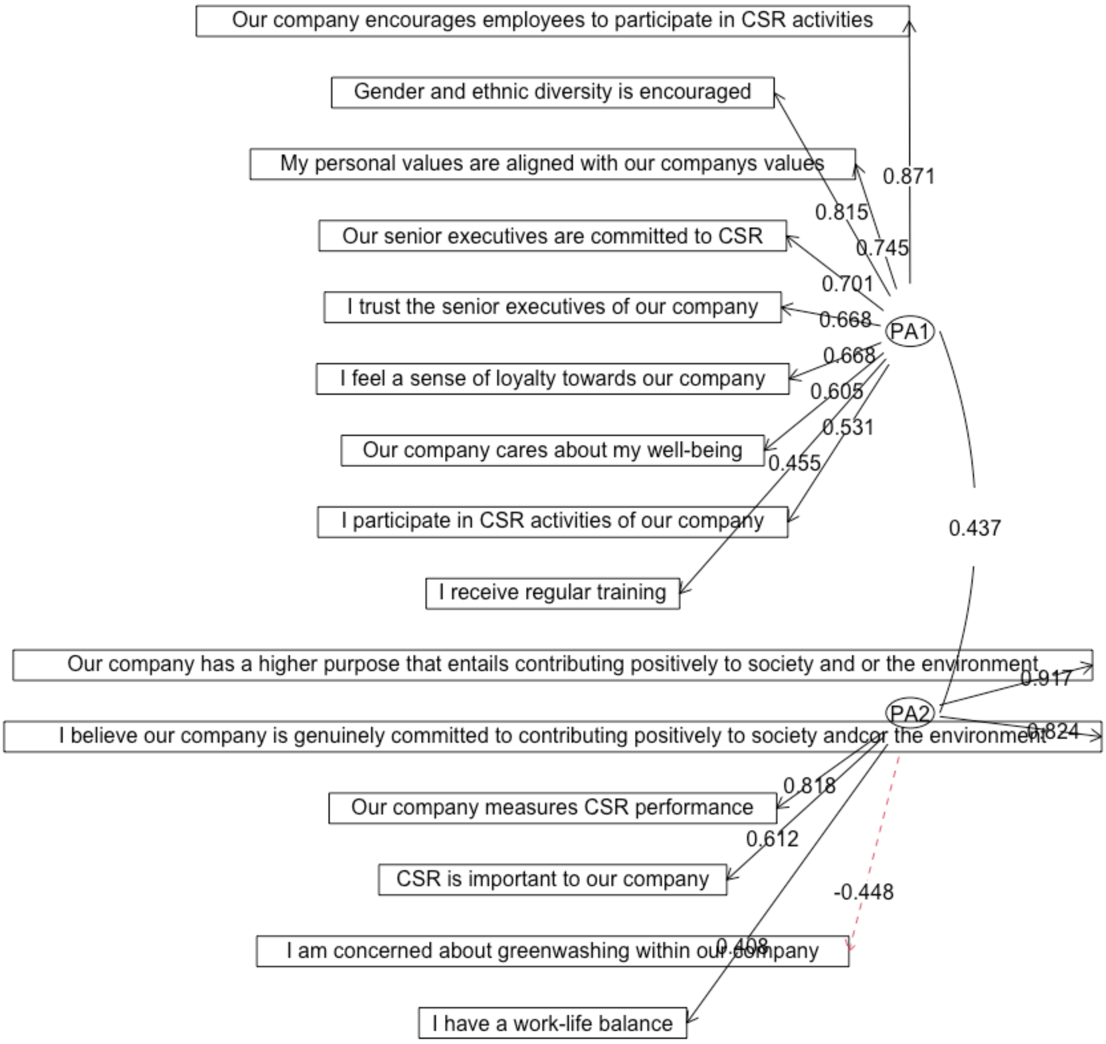

Figure 19: Factor Analysis

Based on the communality values, depicted in the annexure: Factor 1 Communality values; Items 10, 12 and 15 fell below the 0.4 threshold. In addition, one additional variable was identified and needed to be removed, namely Item 14, 'I participate in CSR activities of our company' with a communality value of 0.2955.

In conclusion, the EFA identified two factors relating to 11 items on the scale, following the removal of items 10, 12, 14 and 15.

5.8.3 Factor Analysis: Iteration 2

Following the removal of the above four items, the process was performed again for the 11 items to ensure that there was sufficiently high factor loading in each factor and sufficiently high communality values to reach a final solution. The same steps as previously followed were repeated.

a) Assessing data suitability for factor analysis

- **Spearman correlation:** The data's correlation matrix once again confirmed that factor analysis was an appropriate method.
- **Kaiser-Meyer-Olkin measure:** The Kaiser-Olkin measure was calculated as 0.812, indicating that the result was considered average but that factor analysis could be performed.
- **Bartlett's test:** Since the p-value approximated zero, factor analysis was appropriate.

Table 16: Bartlett's Test Iteration 2

Chi-Square Test Statistic	225.3
P-Value	<0.0001
Df	55

b) Reliability of research instrument

The Cronbach alpha value was computed again to ensure that the survey instrument was valid. A Cronbach Alpha value of 0.9001 per Table 17 indicated that the data had excellent internal consistency.

Table 17: Cronbach Alpha results Iteration 2

Cronbach Alpha	No. of Items	Internal consistency rating
0.9001	11	Excellent

5.8.4 Factor Analysis: Iteration 2 test

Once again, a parallel analysis was run to double-check whether two factors were suggested. The scree plot indicated two factors above the elbow.

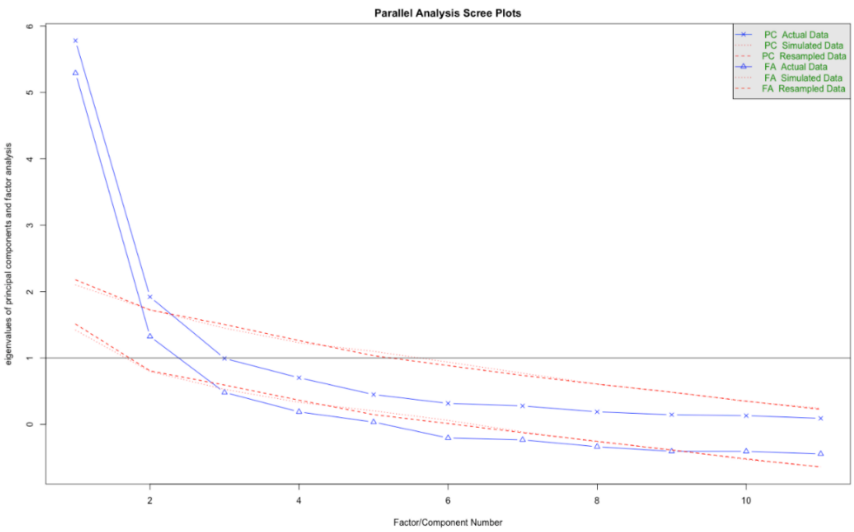

Figure 20: Parallel Analysis Scree Plot Iteration 2

Furthermore, Factor 1 explained the most variation, namely 37%. Also, the two-factor solution accounted for 64% of the variation in the data, a notable improvement over the first iteration which yielded 55%. Table 18 summarizes the findings.

Table 18: Factor Information 2

	PA1	PA2
SS loadings	4.06	2.96
Proportion Var	0.37	0.27
Cumulative Var	0.37	0.64
Proportion Explained	0.58	0.42
Cumulative Proportion	0.58	1

Table 19 sets out the factor loading per item in the survey. These results indicate a strong factor loading which is a good indication of the presence of two strong factors. All factor loadings appeared to be greater than 0.5, which indicated that no further variables needed to be removed.

Table 19: Factor loading final

No.		PA1	PA2
1	CSR is important to our company	-	0.652
2	Our company has a higher purpose that entails contributing positively to society and/or the environment	-	0.8667
3	Our company measures CSR performance	-	0.7374
4	I believe our company is genuinely committed to contributing positively to society and/or the environment	-	0.9303
5	Our senior executives are committed to CSR	0.6511	-
6	My personal values are aligned with our company's values	0.7592	-
7	I trust the senior executives of our company	0.7295	-
8	I feel a sense of loyalty towards our company	0.7398	-
9	Our company cares about my well-being	0.6047	-
10	Gender and ethnic diversity is encouraged	0.9159	-
11	Our company encourages employees to participate in CSR activities	0.7178	-

5.8.5 Factor Analysis: Iteration 2 outcome

The outcome of the second iteration of the Factor Analysis is presented in Figure 21.

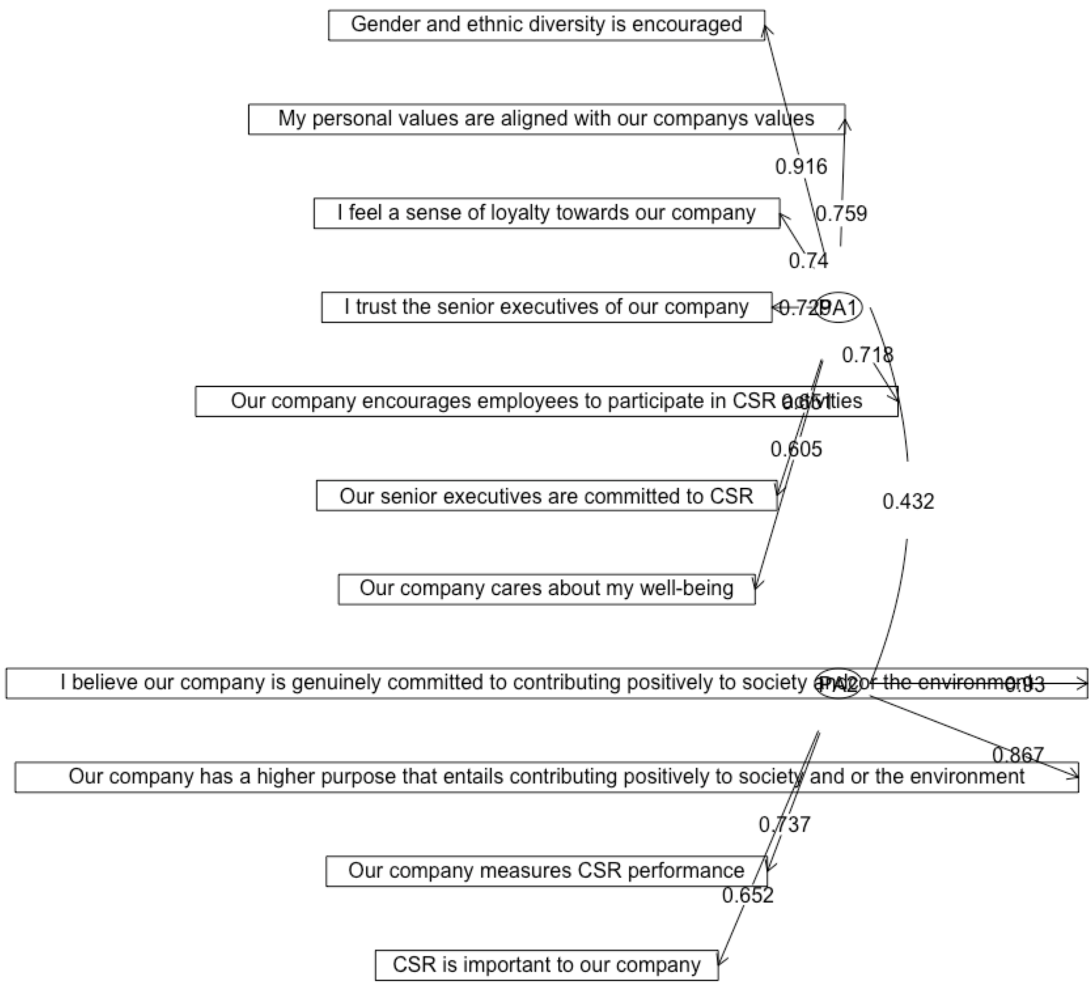

Figure 21: Factor Analysis Final

The associated communality values are presented in Table 20. All communality values were above 0.4, indicating that no further variables needed to be removed. Therefore, this presents the final solution to this factor analysis.

Table 20: Communality values for variables

No.	Variable	Communality
1	CSR is important to our company	0.6699
2	Our company has a higher purpose that entails contributing positively to society and or the environment	0.7624
3	Our company measures CSR performance	0.5182
4	I believe our company is genuinely committed to contributing positively to society and/or the environment	0.8528
5	Our senior executives are committed to CSR	0.5176
6	My personal values are aligned with our company's values	0.7208
7	I trust the senior executives of our company	0.6227
8	I feel a sense of loyalty towards our company	0.6459
9	Our company cares about my well-being	0.5485
11	Gender and ethnic diversity are encouraged	0.712
13	Our company encourages employees to participate in CSR activities	0.4552

a) Cronbach Alpha per factor

The Cronbach Alpha value per factor was evaluated, see Table 21. The Cronbach Alpha in each final factor was high and indicated strong internal reliability

Table 21: Cronbach Alpha per factor

	Cronbach Alpha
Factor 1	0.8982
Factor 2	0.8685

.

b) Correlation matrix

Lastly, the final correlation structure between the final 11 items is presented in Table 22.

Table 22: Correlation matrix

	Item 1	Item 2	Item 3	Item 4	Item 5	Item 6	Item 7	Item 8	Item 9	Item 10	Item 11
Item 1	1.000	0.647	0.523	0.792	0.601	0.585	0.420	0.488	0.441	0.365	0.361
Item 2	0.647	1.000	0.643	0.802	0.385	0.419	0.424	0.463	0.438	0.152	0.120
Item 3	0.523	0.643	1.000	0.624	0.136	0.354	0.342	0.312	0.485	0.094	0.028
Item 4	0.792	0.802	0.624	1.000	0.464	0.490	0.305	0.377	0.384	0.131	0.208
Item 5	0.601	0.385	0.136	0.464	1.000	0.542	0.478	0.549	0.434	0.553	0.678
Item 6	0.585	0.419	0.354	0.490	0.542	1.000	0.652	0.662	0.609	0.717	0.566
Item 7	0.420	0.424	0.342	0.305	0.478	0.652	1.000	0.699	0.815	0.580	0.426
Item 8	0.488	0.463	0.312	0.377	0.549	0.662	0.699	1.000	0.550	0.746	0.394
Item 9	0.441	0.438	0.485	0.384	0.434	0.609	0.815	0.550	1.000	0.442	0.512
Item 10	0.365	0.152	0.094	0.131	0.553	0.717	0.580	0.746	0.442	1.000	0.494
Item 11	0.361	0.120	0.028	0.208	0.678	0.566	0.426	0.394	0.512	0.494	1.000

5.8.5 Hypothesis 3 results

Following the aforementioned factor analyses, the following items belong to factor 1:

CSR is important to our company (Item 1); Our company has a higher purpose that entails contributing positively to society and or the environment (Item 2); Our company measures CSR performance (Item 3), and, I believe our company is genuinely committed to contributing positively to society and/or the environment (Item 4).

The following items belong to factor 2:

Our senior executives are committed to CSR (Item 5); My personal values are aligned with our company values (Item 6); I trust the senior executives of our company (Item 7); I feel a sense of loyalty towards our company (Item 8); Our company cares about my well-being (Item 9); Gender and ethnic diversity are encouraged (Item 11), and, Our company encourages employees to participate in CSR activities (Item 13).

5.9 Exploratory Factor Analysis conclusion

Table 23 outlines how the final results following the factor analyses compared to the constructs that were identified by Prutina (2015). Items that were removed following the factor analyses were marked as 'Deleted'.

Overall, the factors that were identified by Prutina (2015) mostly aligned to the factors that were identified following the EFA of this study. Furthermore, several items that were added to the survey by the researcher also aligned to the two identified factors.

Table 23: Construct comparison with results from EFA

No.	Item	Construct	Construct following EFA
1	CSR is important to our company	CSR values	CSR values
2	Our company has a higher purpose that entails contributing positively to society and/or the environment	CSR values	CSR values
3	Our company measures CSR performance	CSR values	CSR values
4	I believe our company is genuinely committed to contributing positively to society and/or the environment	CSR values	CSR values
5	Our senior executives are committed to CSR	CSR values	Employee Engagement
6	My personal values are aligned with our company's values	CSR values	Employee Engagement
7	I trust the senior executives of our company	Employee engagement	Employee engagement
8	I feel a sense of loyalty towards our company	Employee engagement	Employee engagement
9	Our company cares about my well-being	Employee engagement	Employee engagement

10	I have a work-life balance	Employee engagement	Deleted
11	Gender and ethnic diversity is encouraged	Employee engagement	Employee engagement
12	I receive regular training	Employee engagement	Deleted
13	Our company encourages employees to participate in CSR activities	Employee engagement	Employee engagement
14	I participate in CSR activities of our company	CSR values	Deleted
15	I am concerned about greenwashing within our company	CSR values	Deleted

5.10 Hypothesis 4 and 5 testing

For ease of reference, Hypothesis 4 and 5 are presented below again, the aim of which was to confirm whether the factors identified in Hypothesis 3, in this instance two factors (CSR values and employee engagement), were exhibited across the organization, regardless of the level of seniority of the employee. Essentially, the hypothesis tests for differences in senior manager and non-senior manager factor scores following the outcome of Hypothesis 3.

Hypothesis 4

H_o: There will be no significant differences between senior managers and non-senior managers on Factor 1

H_a: There will be a significant difference between senior managers and non-senior managers on Factor 1

Hypothesis 5:

H_o: There will be no significant differences between senior managers and non-senior managers on Factor 2

H_a: There will be a significant difference between senior managers and non-senior managers on Factor 2

This section commences with an overview of the descriptive statistics, followed by a test for normality in order to determine the statistical tool most appropriate for the data. This is followed by the statistical test for both factors and a conclusion.

5.10.1 Descriptive statistics: Factor scores

The following box plots visually illustrate the factor scores split between the senior and non-senior managers for the companies which were included in the factor analysis. Neither box plot seems to indicate that the data was normally distributed as the size of the quartiles differed.

Figure 22 would also indicate that it is unlikely that the median between the two groups for Factor 1 differs as the median line of the one box does not fall outside the other's box.

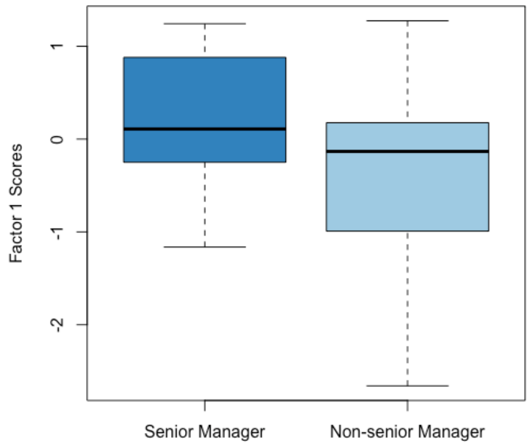

Figure 22: Box plot of factor 1 scores by seniority

Figure 23 also indicates that it is unlikely that the median between the two groups differs for Factor 2 for the same reason given above.

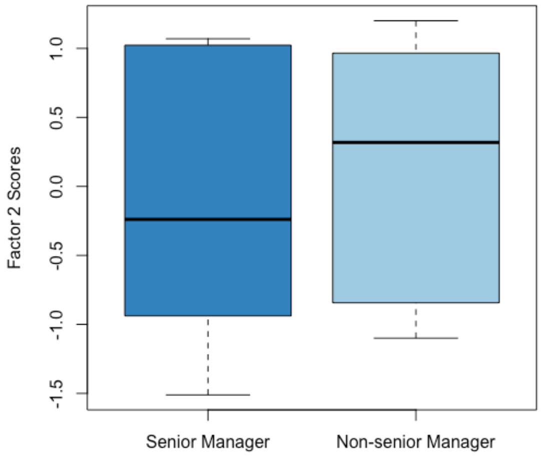

Figure 23: Box plot of factor 2 scores by seniority

When looking at a histogram of the factor scores, Figure 24, neither factor looks normally distributed as the histograms do not present a bell shape (Bell et al., 2020).

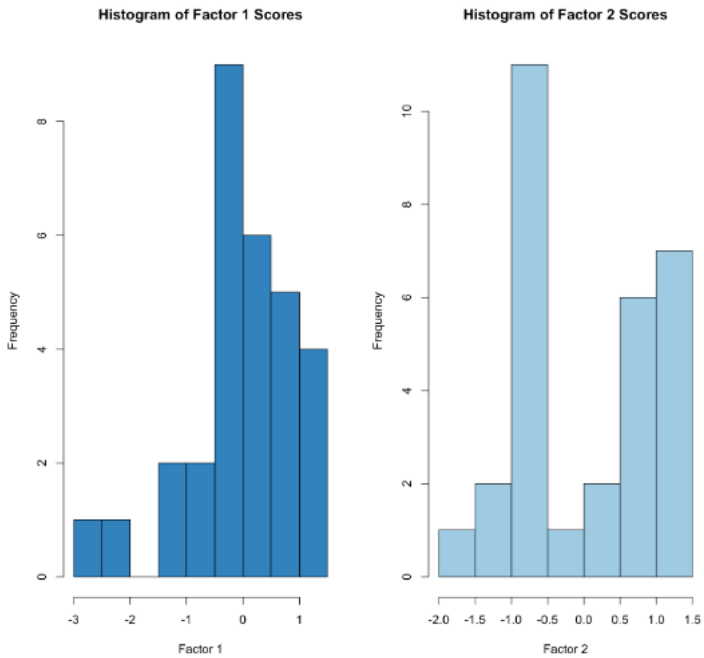

Figure 24: Histogram of factor scores

5.10.2 Test for normality

In addition to the visual cues provided by the descriptive statistics which seem to indicate that the data was not normally distributed, the Shapiro-Wilk test for normality was performed for both factor scores in order to provide substantive evidence of the violation of the normality assumption, and hence support of the use of the Mann-Whitney U test. The outcome is presented in Table 24. Since the Shapiro-Wilk p-values fell below a 0.05 level of significance, the null hypothesis was rejected, indicating that the factor scores were not normally distributed.

Table 24: Normality test of the factor scores

	Shapiro-Wilk p-value
Factor 1	0.0387
Factor 2	0.0002

5.11 Hypothesis 4 results

Following the preceding test for normality, the Mann-Whitney U test was performed on Factor 1, the outcome of which is depicted in Table 25. The p-value of 0.3907 is larger than 0.05, which indicates that the null hypothesis is not rejected, in other words, there are no significant differences between senior and non-senior managers for factor 1.

Table 25: Mann-Whitney U test for differences between senior and non-senior managers for Factor 1

	Values
Test Statistic	120
P-value	0.3907

5.12 Hypothesis 5 results

The Mann-Whitney U test was performed on factor 2, the outcome of which is depicted in Table 26. The p-value of 0.5822 is larger than 0.05, which indicates that the null hypothesis is not rejected, in other words, there are no significant differences between senior and non-senior managers for factor 2.

Table 26: Mann-Whitney U test for differences between senior and non-senior managers for factor 2

	Values
Test Statistic	87
P-value	0.5822

In conclusion, no significant differences between senior and non-senior managers across either factor was found.

5.13 Chapter Conclusion

The results of the hypothesis tests are summarized in Table 27.

Table 27: Hypothesis test conclusions

RQ1	RQ2
Hypothesis 1: H_o: Median Performance $_{CSR}$ = Median Performance $_{non\text{-}CSR}$ H_a: Median Performance $_{CSR}$ ≠ Median Performance $_{non\text{-}CSR}$ **H_o is not rejected**	**Hypothesis 3:** H_o: Two cultural traits can be identified in CSR-embedded companies in South Africa. H_a: Two cultural traits cannot be identified in CSR-embedded companies in South Africa **H_o is not rejected**
Hypothesis 2: H_o: Median Performance $_{CSR}$ ≤ Median Performance $_{non\text{-}CSR}$ H_a: Median Performance $_{CSR}$ > Median Performance $_{non\text{-}CSR}$ **H_o is not rejected**	**Hypothesis 4:** H_o: There will be no significant differences between senior managers and non-senior managers on Factor 1 H_a: There will be a significant difference between senior managers and non-senior managers on Factor 1 **H_o is not rejected**
	Hypothesis 5: H_o: There will be no significant differences between senior managers and non-senior managers on Factor 2 H_a: There will be a significant difference between senior managers and non-senior managers on Factor 2 **H_o is not rejected**

6. DISCUSSION

The purpose of this chapter is to discuss the results presented in Chapter 5 and place these in relation to the findings of the Literature Review of Chapter 3. This chapter is organised by research question, commencing with a discussion of the hypotheses relating to research question 1, followed by those for research question 2. The order in which each hypothesis is addressed corresponds to the order in which the results were presented in the previous chapter.

The results of the hypotheses tests in the previous chapter confirmed the conceptual framework set out in 3.4 Conceptual framework. For ease of reference, the conceptual framework is re-confirmed in Figure 25.

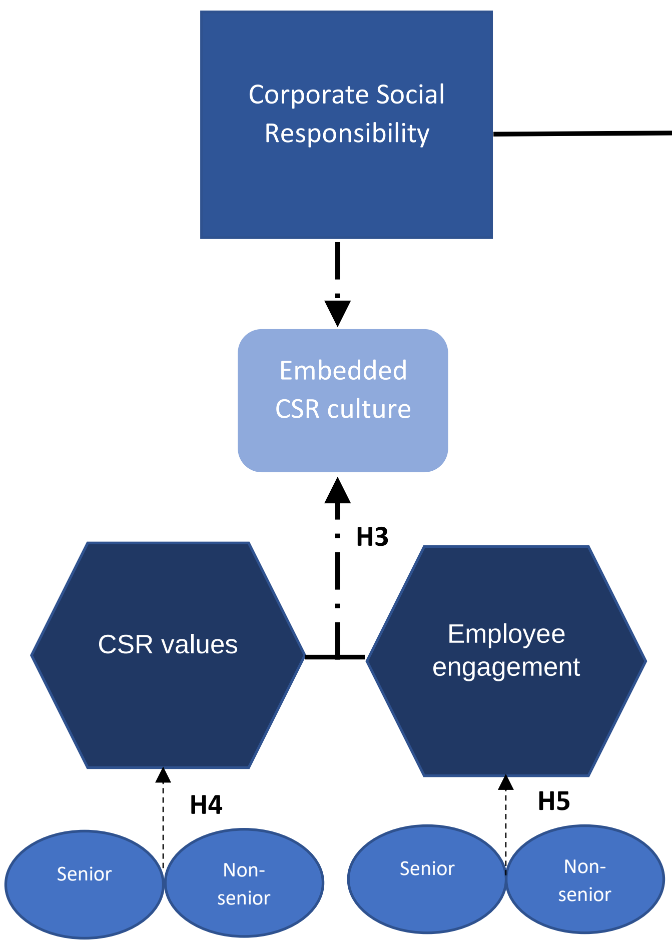

Figure 25: Conceptual framework after hypotheses testing

Source: Author's compilation

6.1 Research question 1

Research question 1 was developed to investigate whether the financial performance of CSR companies differed to the financial performance of conventional firms. The litany of research examining the relationship between CSR and firm financial performance highlights its importance in the academic literature (Callan & Thomas, 2009) and its relevance to the business community. ‘Green’ bonds issuances, for example, have increased from USD 120 billion in 2017 to USD 500 billion in 2018 (Awaysheh et al., 2020) and firms with better CSR credentials appear to be able to raise more capital. The US Sustainable Foundation noted that the number of CSR funds has grown substantially with over USD11.6 trillion under management (Awaysheh et al., 2020). These examples are indicative of a shifting tide towards CSR and the relevance to business.

The body of literature exploring the relationship between CSR and firm financial performance, which was primarily conducted in developed countries, has had mixed results (Kong et al., 2020). In addition to the lack of clarity surrounding CSR and its impact on financial performance, there is a paucity of research in developing countries (Ikram et al., 2020). The identification of these research gaps led to the development of Hypothesis 1, to explore whether the financial performance of CSR firms and conventional firms differed.

The financial performance was evaluated across six financial measures between CSR companies and conventional firms, for a sample of 20 companies respectively, over a four-year time period between 2018 and 2021, as outlined in Chapter 3. The results of the hypothesis tests were presented in Hypothesis 1 results and are summarised as follows:

Over an average of four years from 2018 to 2021, the null hypothesis testing for equal medians between the financial performance of CSR companies and conventional firms was not rejected. In other words, there was not enough evidence to suggest that the medians between the two groups differed. These results were the same across all financial measures. When analysing the performance in each of the four years, the results for the Current ratio, the Debt-to-Equity ratio and the Tobin-Q value corresponded with the results based on the average measures, that the median financial performance between CSR and conventional firms did not differ. The null hypothesis when using the Return on Equity and Return on Investment, was rejected in 2019 and 2020. The null hypothesis when using the Total Return was rejected in 2018 and 2021. Put differently, out of the 30 scenarios that were tested (six financial variables across 5 date points), six tests rejected the null hypothesis. These results highlighted the following:

1. Not all financial measures yielded the same results.
2. The results differed according to the year under assessment. In each year, at least one financial measure resulted in the null hypothesis being rejected.
3. The results of the ROE and ROI were aligned, whereas the results of the Total Return were in an opposing direction.
4. Over an average of four years, the results were congruous, the null hypothesis was not rejected across all financial measures.

In the six instances where the null hypothesis was rejected, it was appropriate to test Hypothesis 2. The aim of Hypothesis 2 was to establish whether in instances where the median performance between CSR and conventional firms differed, that CSR firms did not underperform conventional firms. The purpose of this this was to provide evidence that supports CSR activities by dispelling the managerial perception that CSR is detrimental to firm financial performance.

The null hypothesis of Hypothesis 2 stated that the median performance of CSR firms was less than or equal to the median performance of conventional firms. In all instances, with the exception of the Total Return of 2021, the null hypothesis was rejected. These results highlighted the following:

1. When the median performance between the two groups differed, the median performance of the CSR companies was not less than the median performance of the conventional firms with the exception of one case (out of 30 iterations).

What follows is an analysis of how the results of this study compared to the literature, as well as an analysis of the potential drivers and influences on these results based on extant literature. The analysis will commence with a discussion of the findings across various meta-analyses.

Extant literature has been inconclusive with respect to CSR and its impact on financial performance. K. Huang et al. (2020) conducted a meta-analysis which covered a 30-year time span and included an analysis of 437 primary studies. Results indicated that 49.7% reported an insignificant effect of CSR on firm performance, 39.8% a positive impact and the remaining 10.5% a negative impact (K. Huang et al., 2020). Earlier studies by Margolis et al. (2009) which entailed a review of 251 studies found a 28% positive relationship whilst Margolis and Walsh (2003) found a 50% positive relationship amongst 109 studies. The remainder were largely statistically insignificant, and on occasion negative.

The results of this research aligned broadly with findings from the meta-analyses, namely that CSR had a mostly insignificant, or slightly positive effect on financial performance. This research also found that for the most part no negative relationship was present; in other words, on average over the four-year time period, CSR companies did not underperform conventional firms. This aligned with findings by K. Huang et al. (2020) and previous studies that showed a minimal negative effect of CSR on financial performance.

To reconcile the mixed results and to obtain a true reflection of CSR on financial performance, K. Huang et al. (2020) performed another meta-analysis. K. Huang et al. (2020) showed that when adjusting for macro-economic fluctuations, a positive influence of CSR on financial performance was found in 86% of cases. Of those cases, no single study had directly controlled for macro-economic fluctuations. K. Huang et al. (2020) argued that the overarching influence impacting financial performance was the prevailing macro-economic environment. As a result of these findings, K. Huang et al. (2020) recommended that researchers perform their studies in time periods when economic fluctuations were not prevalent in order to circumvent the need to control for macro-economic variables directly. During times of economic stress, such as during low Gross Domestic Product ("GDP") growth rates and economic shocks, financial performance was impacted negatively, which detracted from the positive influence CSR was having on financial performance.

Based on this recommendation, the results of this study should be considered in light of the economic conditions that were prevalent during the period over which this study was conducted. During the four-year time horizon in question, the South African macro-economic environment was volatile. The years 2018 and 2019 had depressed GDP growth rates of 0.8% and 0.1% p.a., respectively (Countryeconomy, 2018; Countryeconomy, 2019). This was followed by an economic shock resulting in GDP contracting by 7% because of the impact of the Covid-19 pandemic (Countryeconomy, 2020). The GDP growth rate in 2021 then showed a recovery of 5% p.a (Countryeconomy, 2021). In conclusion, this study was performed during a period of macro-economic fluctuations, which would likely have impacted financial performance and the results of the study. Despite the fact that both CSR and conventional firms were subjected to the same macro-economic environment, the positive effect CSR might have had on financial performance may, therefore, have been dampened.

Various other reasons, secondary to the macro-economic climate (K. Huang et al., 2020), are cited for the lack of consensus amongst academics for the mixed literary results. Amongst those are the differences in the measurement methods of CSR, exacerbated by the multifarious definitions of the term (Barauskaite & Streimikiene, 2021). In addition, there is an inconsistent approach employed across the literature to assess financial performance as there is no unified measure of ‘financial performance’ (Barauskaite & Streimikiene, 2021). Both aspects will now be unpacked sequentially.

Currently, CSR, instead of being captured by a universally accepted definition, is being defined by a collection of ideas and concepts that centre around a common stakeholder-centric theme (Barauskaite & Streimikiene, 2021). The most widely accepted definition of CSR is the one provided by the Oxford Handbook for Corporate Social Responsibility, namely that CSR is “the commitments of business firms to seek those strategies, to settle on those decisions, or to pursue those lines of activity that are according to societal values and expectations” (Barauskaite & Streimikiene, 2021, p. 280). More recently, the European Commission provided a definition, namely “the company’s responsibility for its impact on the environment and society” (p. 280). Aside from numerous definitions scattered across the literature, further complexity arises in that CSR is referred to by several names including corporate citizenship, sustainable development and corporate responsibility (Agudelo et al., 2019). Each term has its own nuances, but centres around this common CSR-theme, which is the concern for the greater role business plays in society and the environment (Prutina, 2015). The impact of this ambiguity on studies investigating the relationship between CSR and financial performance is that these studies compare the effect of a theme, rather than a consistently applied definition, which can give rise to a litany of inconsistencies that can call into question the outcome of such studies.

In addition to CSR being an umbrella term, differences are also apparent in terms of how CSR is measured throughout the literature. Four different approaches are typically adopted (Barauskaite & Streimikiene, 2021). The most common approach is using a reputation index. In the USA, the Dow Jones Sustainability index is considered the most reliable index as it covers a broad range of CSR aspects (Harabida & Radi, 2021). Its advantage, and the reason this method was applied in this research by using the CSR Top 30 index, is the ease of accessing data. However, its disadvantage is that reliance is placed on external rating agencies whose methodologies are scientifically unsubstantiated. Other methods include CSR content analysis whereby a company’s financial reports and publications are assessed. In instances where no ratings were available, some scholars have used surveys as a means to collect CSR data. The last approach entails using one-dimensional measures of CSR. It is the least desirable method as it often leads to biased outcomes.

As illustrated, each method has shortcomings and assesses CSR from a different perspective. The broad concept that is captured by CSR and the various methods used to assess CSR opens the risk that meta-analyses do not accounting for such differences, and therefore reach incorrect or incomplete conclusions. In particular, conclusions drawn from studies that base their assessments of CSR using one-dimensional measurement approaches such as using ‘environmental management’, which could entail for example measuring the percentage of recycled firm waste and using that as a measure of CSR, need to be interrogated as these do not capture the breadth of CSR adequately.

Finding CSR ratings at a company level is also challenging (Awaysheh et al., 2020). Furthermore, rating agencies apply different methodologies which do not always provide sufficient granularity to assess the impact of industry, country or global trends (Chatterji et al., 2016). Awaysheh (2020) noted that CSR scores tend to cluster around an industry median, and therefore, recommended comparing ‘best in class’ to ‘worst in class’ CSR firms within industries. This recommendation is similar to the approach adopted in this research which compared the ‘best in class’ CSR firms to conventional firms which are arguably comparable to ‘worst in class’ firms as defined by Awaysheh (2020). The impact of different methodologies applied across ratings agencies, combined with a lack of granularity, results in an inconsistent scientific approach applied to research studies, making comparability difficult.

In addition to the amorphic field of CSR, the means by which firm performance is measured is also riddled with inconsistencies across the literature. The approach adopted in this research was to use both stock market-based and accounting-based measures in order to provide a broader perspective on financial performance, based on the recommendations provided by Maqbool and Zameer (2018). This approach, however, is not consistent across the literature. To highlight the disparity across approaches and methodologies, Table 28 has been included. In most instances, a neutral or positive relationship was identified using an array of CSR and financial measures.

Table 28: Review of extant literature on the relationship between CSR and financial performance

Authors	Year	Relationship	CSR measure	Financial performance measure
Guidry and Patten	2010	Neutral	Published sustainability reports	Share price
Ahmed, Islam and Hasan	2012	Positive	CSR index using surveys	Earnings per share, share price to earnings ratio, yield of shares
Babalola	2012	Negative	Investments in CSR	Profit after tax
Kanwal, Khanam, Nasreen and Hameed	2013	Positive	Social expenditure	Return on Assets (ROA), Net income
Mentor	2016	Negative	ESG index	Change in stock return, company market value
Zakari	2017	Positive	Social expenditure	Earnings, Earnings after tax, earnings per share
Selcuk and Kiymaz	2017	Negative	Content analysis	ROA
Resmi, Begum, Hassam	2018	Neutral	Investment in CSR	ROA, earnings per share
Menezes	2019	Neutral	Expenditures for sustainability and CSR financing	ROA, earnings per share

Source: Barauskaite and Streimikiene (2021)

Across the various financial measures, the impact on financial performance also differs. Accounting measures, such as ROE and ROI were found to be more correlated with CSR than market-based methods (Q. Wang et al., 2016). Therefore, the choice of financial performance measure led to systematically different outcomes across empirical studies. It is worth noting that this study supported these findings, as the outcomes using ROE and ROI were aligned and favourable to CSR in 2019 and 2020, whereas the market-based measure using the Total Return was in an opposing direction, in one instance in 2021, whereby the CSR firms did not outperform the conventional firms. The findings of this study would seem to support the notion that financial performance should not solely be measured using market-based metrics as these could lead to inaccurate conclusions that are punitive towards CSR, and that measuring financial performance using market-based and accounting-based measures is a preferable approach.

Not only does the choice of financial measure matter, the country context influences the outcomes too. The relationship between CSR and financial performance is stronger in developed countries than in developing countries (Q. Wang et al., 2016). Developed countries are supported by well-developed market and institutional systems which results in a more visible CSR effort. CSR visibility is important as it provides a positive signal to stakeholders which in turn has a positive effect on financial performance. Developing countries do not have this luxury and as a result CSR efforts do not translate into financial results as easily. In this study, CSR and conventional firms on average, over a four-year period, had a median performance that did not differ. This result seems to be supported by the above developing-country findings.

In addition to various performance measures, each measurement type applies a different measurement approach. Accounting measures capture historic performance, whereas market-based measures reflect a current view of firm value (Awaysheh et al., 2020). A challenge with CSR is that its benefits might not be seen in the short-term; in other words, there exists a lag between implementing CSR and seeing its benefits. Studies typically do not account for such time-lags (Awaysheh et al., 2020). Several non-financial benefits of CSR have been identified, including improved firm reputation (Javed et al., 2020), investor friendliness (Cho et al., 2019) and staff retention (Chaudhary, 2019), however, these are not captured in traditional performance measures as these only focus on financial performance by applying a shareholder-focused mindset. The field of accounting has remained unchanged despite the evolution of CSR and its stakeholder-centric fundamentals. A call to update the current measurement models to take a more holistic view of firm performance is developing in the literature (Harrison et al., 2020), and is being referred to as sustainable accounting (Hörisch et al., 2020). A new approach is calling for financial performance to be de-emphasized and for attention to be shifted towards accounting that includes the value created for all stakeholders (Hörisch et al., 2020). The approach calls into question whether measures based on traditional accounting systems are appropriate to capture the effect of CSR.

In addition to the above-mentioned challenges surrounding the measurement of CSR and financial performance, Callan and Thomas (2009) made two noteworthy observations. Firstly, studies into the relationship between CSR and financial performance span many years, dating back to the 1970s when the theme first emerged

(Bragdon & Marlin, 1972). Since then, the field of CSR has evolved significantly. More recently CSR has gained prominence following the call by leading business personality for a different stakeholder-centric approach to be adopted so that the environmental disasters and societal injustices of the past are not repeated (Harrison et al., 2020). Callan and Thomas (2009) concluded that many studies on CSR are dated. This should be kept in mind when comparing the results of this study to the findings of the meta-analysis performed by K. Huang et al. (2020) which covered a 30-year timeframe. Furthermore, earlier studies were largely conducted in developed countries, therefore, findings from these studies might be altogether inappropriate to generalise to a developing market context (Javed et al., 2020).

Secondly, another observed shortcoming was the impact of model specifications (Callan & Thomas, 2009). Callan and Thomas (2009) noted that many studies use regression models that do not account for the lag between CSR and financial performance, nor do they provide theoretical models based on empirical evidence. Further, they do not account for control variables, such as industry and firm size that could have a significant impact on the results drawn from these studies. Large firms, for example, have more resources to commit to CSR which in turn could have a greater impact on financial performance.

To illustrate the sensitivity and implications of erroneous model assumptions, Callan and Thomas (2009) point towards a study performed by Waddock and Graves in 1997 which showed a positive relationship between CSR and firm performance. This study was subsequently criticized for not including ‘R&D intensity’ as a variable which is highly correlated with CSR (McWilliams & Siegel, 2000). Once adjustments were made to the initial model to include the additional variable, a neutral relationship between CSR and firm performance was found.

Research designs and methodologies are another source of research shortcomings that result in biased findings (K. Huang et al., 2020). Whilst cross-sectional research typically does not account for firm heterogeneity and differences in underlying industry effects, event studies typically focus on financial performance pertaining to shareholders without considering stakeholders (Callan & Thomas, 2009). Both approaches lead to inaccurate results. Additional issues arise from the use of samples that are too small and therefore provide findings that are not generalisable (Callan & Thomas, 2009).

Another approach that was adopted in order to explore the relationship between CSR and financial performance was to examine the share price impact following the announcement that a company was either added to or deleted from a CSR- indexed fund

(Durand et al., 2019). These results were also inconclusive. What was shown, however, was that being included in a CSR-index led to greater analyst coverage and an increased spread of shareholders comprising long-term investors. Therefore, benefits, such as having a shareholder base that was committed over the long-term, should be considered as a benefit in light of the CSR-performance debate.

As a result of mixed CSR-performance linked evidence, scholars suggest that these two constructs are in fact not linked, but are rather contingent on certain contextual factors, such as the country specific issues relating to the macro-environment, as well as firm-specific factors such as the strategic orientation of the firm (Javed et al., 2020). Therefore, these contextual factors should be considered when conducting research into the relationship between CSR and firm performance. The use of moderating variables, Javed et al., (2020) assert, can assist in this contingency approach which seeks to explore under what circumstances a positive influence on financial performance would be found. However, the contingency perspective lacks theoretical support, in part due to the aforementioned vague construct definitions as well as the use of inappropriate research design approaches (Javed et al., 2016).

In conclusion, the results of this study indicated an overarching neutral relationship between CSR and firm performance relative to the performance of conventional firms, and in some cases a positive one. These results seem to align to the findings of W. Wang et al. (2016) who found a weaker link between CSR and financial performance in developing countries relative to developed countries. Furthermore, the results seem to align broadly to the outcome of the various meta-analyses that showed a minimal negative relationship between CSR and financial performance, and therefore, do not support shareholder primacy, which asserts that CSR is detrimental to financial returns. Across all six variables and over five date-points (with one exception) an either neutral or positive effect was found. Lastly, the results supported the notion that both market and accounting measures should be used to assess financial performance.

However, the field of CSR is marred with significant complexities as a result of the contextual factors that influence CSR, and the results of this study need to be read in this context. The limitations of the research design and methodology also need to be taken into account when putting weight on these findings. Furthermore, it should be noted that this study assessed firm financial performance whilst not taking into account any non-financial benefits derived from CSR activities. Therefore, it would be prudent not to conclude that CSR does not create value above that of conventional firms who have not participated in CSR activities.

6.2 Research question 2

Research question 2 was developed to investigate whether a CSR-embedded culture exhibits specific corporate culture traits in South Africa.

Scholars agree that CSR should be authentically embraced by companies and integrated into the company's daily practises (Schaefer et al., 2019). Treating CSR as an ad-hoc activity, by, for example, engaging in the occasional philanthropic activity, is insufficient, and will not result in the company reaping the full benefits of CSR. Furthermore, in order to make a meaningful impact to society, a half-hearted approach to CSR will not suffice. Customers are quick to recognise when companies promote CSR without substance (Ferrón-Vílchez et al., 2021). These activities, referred to as greenwashing, can damage a company's reputation (Gatti et al., 2019) and negate any short-term benefits that might have been gained through the greenwashing process. Once CSR is fully embedded, a CSR-embedded culture results (Prutina, 2015). A CSR-embedded culture exemplifies the ideal CSR corporate culture (Prutina 2015; Maon et al., 2010). Despite the recognition of the pivotal role corporate culture plays in a firm's success, and the academic focus on embedding CSR within the company, the literature pertaining to a CSR-orientated culture is still in its infancy. Prutina (2015) identified two elements that serve to identify a CSR-embedded culture, namely CSR values and employee engagement in CSR. The limitation for this research is that it was performed on one company and in one country, and the author called for the research to be extended. Heeding this call, research question 2 was developed, seeking to investigate whether an embedded CSR culture exhibited specific corporate culture traits in South Africa. To the researcher's knowledge, Prutina's work was the only one of its kind that identified specific cultural traits associated with a CSR-embedded culture. This talks to the novelty of this current study.

This study followed a similar research design to Prutina's work. A survey instrument was developed and Exploratory Factor Analysis was performed which distilled 15 items on the scale to 11 items with two distinct factors. The researcher developed a survey using the findings from the Literature review, the South African context and the survey by Prutina (2015) in order to assess the corporate culture traits of a sample of JSE listed companies. The population consisted of 20 companies that had remained in the CSR Top 30 index for four years. The null hypothesis of Hypothesis 3 tested whether two culture traits could be identified in CSR-embedded cultures in South Africa. The researcher proposed that since the companies had demonstrated a track record of CSR activity, the companies in the sample would likely have developed a CSR-embedded culture. Hypotheses 4 and 5 were developed to confirm that this was indeed the case. The two traits identified in Hypothesis 3 were exhibited by both senior managers and non-managers, confirming that a CSR-embedded culture was in place.

The two factors that were identified following the EFA aligned closely to the results obtained by the research conducted by Prutina (2015) which had identified two dimensions of a CSR-embedded culture, namely shared CSR values and employee engagement in CSR. The results were summarised in 5.9 Exploratory Factor Analysis conclusion.

What follows is an exploration of the two identified culture traits and a discussion on specific items of the scale, that were both included and excluded from the final results. Furthermore, the literature review is expanded to address the results of this study.

6.2.1 Discussion on the items of the scale

The first factor that was identified following the EFA was labeled ‘CSR values’ and encompassed the following items: Item 1: CSR is important to our company; Item 2: Our company has a higher purpose that entails contributing positively to society and/ or the environment; Item 3: Our company measures CSR performance, and, Item 4: I believe our company is genuinely committed to contributing positively to society and/or the environment.

When ethical values are practised, which include responsibility, honesty and fairness, then CSR values are present (Prutina, 2015). In an embedded CSR culture, CSR values are put into practise on a daily basis throughout the organisation. The authenticity of the company’s CSR activities is evaluation through the existence of these values within the organization. The characteristic of CSR values is therefore displayed as CSR authenticity. Each of the above four items, therefore, relate to an assessment of the importance the company places on CSR, which, when the importance is high, is characterised by authentic commitment to CSR.

The first three items were found on the scale produced by Prutina (2015). Item 4 was added to the scale based on research by Agudelo et al. (2019) who promoted the idea that genuine commitment to CSR is required by firms in order for CSR to be impactful. Employees, as they are closest to the company, are well positioned to assess whether the company is genuinely committed to CSR. As a result, item 4 provided the employee’s perspective on the company’s CSR commitment level. The results of the EFA indicated that in CSR-embedded companies, the employees believe that the company is committed to CSR and that it is an activity that is important to the firm. This importance is displayed in their corporate purpose, which extends beyond the shareholder-centric, profit-focused paradigm to one that is considerate of society and the planet, as displayed by their 'higher purpose'. Furthermore, because CSR is integrated within the firm, its progress is measured, in other words, CSR goals are set against which performance is measured.

The second factor that was identified was labeled 'employee engagement' and encompassed the following items: Item 5: Our senior executives are committed to CSR; Item 6: My personal values are aligned with our company values; Item 7: I trust the senior executives of our company; Item 8: I feel a sense of loyalty towards our company; Item 9: Our company cares about my well-being; Item 11: Gender and ethnic diversity are encouraged, and, Item 13: Our company encourages employees to participate in CSR activities.

In order for CSR to be embedded within the firm, it needs the buy-in from all staff (Yang et al., 2019). It is, therefore, not only an activity reserved for the senior leadership of the firm. In CSR-embedded firms, employees play a central role in CSR. The characteristics of 'employee engagement' is the creation of a sense of trust and belonging (Prutina, 2015). This translates into the creation of loyalty towards the firm (Schönborn et al., 2019). The benefit for the firm is reduced staff turnover levels and a productive and motivated workforce that is deeply aligned with the firm's values (Chaudhary, 2019).

It is somewhat self-evident that in order for CSR to be embedded within the firm, the company's leadership 'need to walk the talk' and be committed to CSR if they are to lead and inspire their staff to commit to CSR. The inclusion of item 5 indicates that employees believe that their leadership is commitment to CSR. Item 6 relates to the alignment of values between the company and the employee and confirms that in CSR-embedded cultures this alignment is present. The results of this research, however, diverge from the findings of Prutina (2015) as items 5 and 6 corresponded to the second factor, and not the first as was the case with Prutina (2015). Leadership commitment and value alignment resulted in a sense of trust and belonging in this study, whereas in Prutina's work, it was characterised by a sense of authenticity. Regardless of this anomaly, items 5 and 6 contribute towards a CSR-embedded culture. The inclusion of items 7 and 8 confirm the literary findings that CSR-embedded cultures foster trust (Jones et al., 2007) and create loyalty towards the firm (Schönborn et al., 2019).

Item 9 was included by the researcher based on findings from Schönborn et al. (2019) who postulated that a CSR culture was one where the firm's values and practices focused on creating societal and employee well-being. The argument was further supported by the idea that if companies looked after their employees, they were more likely to care about other stakeholders and act in a socially responsible manner. By supporting employee wellbeing, employees develop a sense of trust and belonging which is exhibited as employee engagement. The results of this study support the emphasis on employee wellbeing as a factor that contributed towards creating a CSR-embedded culture.

The inclusion of item 11 relating to the encouragement of gender and ethnic diversity. It was included following the findings from Hsieh et al. (2018) who highlighted that diversified teams performed better. Furthermore, it was of interest to the researcher to investigate how this item would fare in light of the South African apartheid history. The results of this study indicated that diversity contributed towards the element of employee engagement and that it was an item that identified a CSR-embedded culture.

Item 13 relating to the company encouraging employees to participate in CSR activities. This aligned to the findings of Prutina (2015) who associated this item with employee engagement. These results confirm that within a CSR-embedded culture, employees are encouraged to participate in CSR activities.

What follows is a discussion on the items of the scale that were deleted following the EFA. The following deleted items did not correlate to CSR values or employee engagement: Item 10: I have a work-life balance; Item 12: I receive regular training; Item 14: I participate in CSR activities of our company, and, Item 15: I am concerned about greenwashing within our company.

Item 10 was initially added to the scale following findings by Schönborn et al. (2019) who empathized the importance of employee well-being to create a CSR culture. Interestingly, this item was deleted, indicating that a work-life balance, which is typically demonstrated by not working excessive overtime and contributes towards employee well-being, was not associated with the two identified traits of a CSR-embedded culture. The researcher moots that 'working hard' was a general feature of the listed South African business environment and that, therefore, it did not influence either trait. Furthermore, South Africa is not governed by the same labour laws with respect to the number of hours an employee works, compared to the European Union (Janza, 2021), and therefore the findings in a developed market were not comparable to South Africa. In conclusion, these findings indicate that a work-like balance did not contribute towards a culture trait of employee engagement in CSR which results in a sense of trust and belonging; nor a culture of shared CSR values that is characterized by authenticity.

Item 12 was initially included in the scale for the same reason as item 11; that a sense of employee well-being was achieved by training employees regularly. However, the deletion of item 12 indicates that employee training was not associated with either trait. The researcher postulates that training relates to improving the work skills of employees and that, therefore, employees do not associate training with a culture trait of employee engagement in CSR or shared CSR values.

Item 14, relating to employee participation in CSR, was included in the survey of Prutina (2015) and was supported by findings from Schönborn et al. (2019) on the basis that in order to become socially responsible, commitment and engagement from everyone in the organisation was required. Item 14 was deleted from the final results of the current research. The researcher posits that in the South African context, employees work hard to fulfil their job duties and, therefore, do not feel the need to participate in CSR activities over and above their job requirements. What seemed to be more important for the two traits associated with a CSR-embedded culture was to invite employees to participate in CSR (see the inclusion of item 13), rather than the act of employee CSR participation itself. The researcher further hypothesizes that in developed markets, employees are more likely to participate in CSR than in a developing country like South Africa where employees are burdened with additional societal challenges.

Item 15 was included as part of the increasing greenwashing activities (Gatti et al., 2019). These results indicate that greenwashing was not associated with shared CSR values or employee engagement in CSR. These findings make sense in the environment that is created by a CSR-embedded culture, namely that of trust (Jones et al., 2007), value alignment and loyalty (Schönborn et al., 2019).

In conclusion, the results of this study added three items to the scale, namely items 4, 9 and 11 which contributed towards two factors, CSR values and employee engagement. One item, item 14, which related to employee participating in CSR and which was present in Prutina’s survey, was deleted. In particular, the inclusion of item 11, relating to gender and ethnic diversity and the removal of item 14, relating to employee participation is CSR, are novel research findings.

6.2.2 Literature in the context of this study

a) Synopsis of CSR and corporate culture

This portion of the discussion commences with two quotes to augment the previous assertion surrounding the gap in the extant research relating to CSR culture, as discussed by Prutina (2015): “There is next to no research that explores the relationship between organizational culture and CSR explicitly” (Barker et al., 2014, p. 26). Furthermore, “there is very little specifically written on the notion of CSR culture” (p. 26). These two statements highlight that CSR culture is a new frontier in academic research, in particular relating to the cultural elements that define a CSR culture. What follows is a discussion on the developments of the field, particularly in relation to these research results. Literature older than five years was included given the limited recent research.

Scholars concur that that a firm’s corporate culture has significant impact (Hsieh et al., 2018; Maldonado et al., 2018). A positive culture can enhance firm performance (Pathiranage et al., 2020), improve employee engagement (Hsieh et al., 2018) and create a happier workforce (Espasandín-Bustelo et al., 2021). It can also enhance a firm’s reputation, seen as a company’s most valuable intangible resource (Almeida & Coelho, 2019). A weak culture can have the opposite effect, leading to an unmotivated workforce prone to high staff turnover levels and reduced firm performance (Pathiranage et al., 2020). Taken to the extreme, a toxic culture can result in corporate scandals and governance breaches (van Rooij & Fine, 2018). Corporate culture has taken centre stage in the management literature. It can be equated to the heart of an organisation, which influences all other functions and, therefore, scholars have placed it ahead of corporate strategy (Hsieh et al., 2018).

CSR corporate culture is one that emphasises values over financial matters. It “endows an organization with its distinctive character of being ethical, equitable and transparent in relation to social groups and the environment” (Prutina, 2015, p. 444). No other definitions of CSR culture are known to the researcher. This definition highlights that that CSR culture entails meeting the needs of all relevant stakeholders and that these needs are continuously balanced amongst stakeholder groups for their benefit. When CSR is integral to the firm, and not seen as an ad-hoc activity, it becomes embedded in the corporate culture. Prutina (2015) defined this as a ’CSR-embedded’ culture. The literature on CSR culture, of which the ‘CSR-embedded culture’ is a subset, is still in its infancy. Against the backdrop of expanding CSR literature, and the importance of corporate culture in an organisation, it stands to reason that developing the field of CSR culture is vital for the success and ongoing proliferation of CSR.

CSR has evolved from its roots in philanthropy to increasingly being seen as a company's responsibility (Ashrafi et al., 2020). It is considered 'the right thing to do', an argument based on ethics, particularly relevant following an array of negative corporate action that has seen the environment and society at large being adversely affected. From this ethical vantage point, however, CSR activities must be genuinely adopted by the company. Stakeholders are quick to realise when firms lack authenticity, or engages in greenwashing activities, that fool stakeholders to purposefully gain an advantage (Gatti et al., 2019). When companies genuinely adopt CSR practices, they 'live and breathe' this CSR-spirit, and it permeates all facets of the organisation. Only by integrating CSR into the company, can all CSR-benefits be unlocked. Stakeholders admire and want to be associated with firms that practise CSR (Javed et al., 2020). This leads to loyalty over time, even transforming them into brand ambassadors (Javed et al., 2020). Furthermore, employees respond through increased productivity levels and lower staff turnover rates (Chaudhary, 2019).

To date CSR has been studied as an overlay to existing corporate culture types, however, Prutina (2015) noted that this approach was inappropriate. These frameworks focused on rationality, and therefore omitted the human condition such as feelings, the desire to be meaningful, recognition and emotions. A CSR culture framework requires both rational control and the human elements. Prutina (2015) proposed a CSR culture framework based on CSR progression, which culminated in a CSR-embedded culture.

The importance of corporate culture has been clearly acknowledged by scholars, however, the interplay between CSR and corporate culture remained underexplored. Pasricha et al. (2018) suggest that it could be an important factor that heightens the pursuit of CSR activities and as such warranted further investigation.

b) CSR embeddedness

A key notion pertaining to this study is CSR embeddedness. The sample of CSR companies whose culture traits were investigated were assumed to have had an embedded CSR culture on the basis that the companies had been included in the CSR Top 30 index consistently for four years. Furthermore, the results of Hypothesis 4 and 5 provided evidence that the culture traits were represented in both managers and non-managers, and that CSR had indeed permeated the organisation and created a CSR-embedded culture.

At this point, an exploration of the literature pertaining to CSR embeddedness is required as it forms the basis for an analysis of the concept of embedded CSR-culture.

Galpin et al. (2015) outlined a linear progress in order to embed CSR within the organisation's processes to create a CSR culture. Figure 26 provides an overview of the process. Galpin et al. (2015) noted that no model existed that fostered a culture of sustainability, nor was any guidance provided that assisted managers in creating such a culture. These observations were shared by Barker et al. (2014) and Prutina (2015).

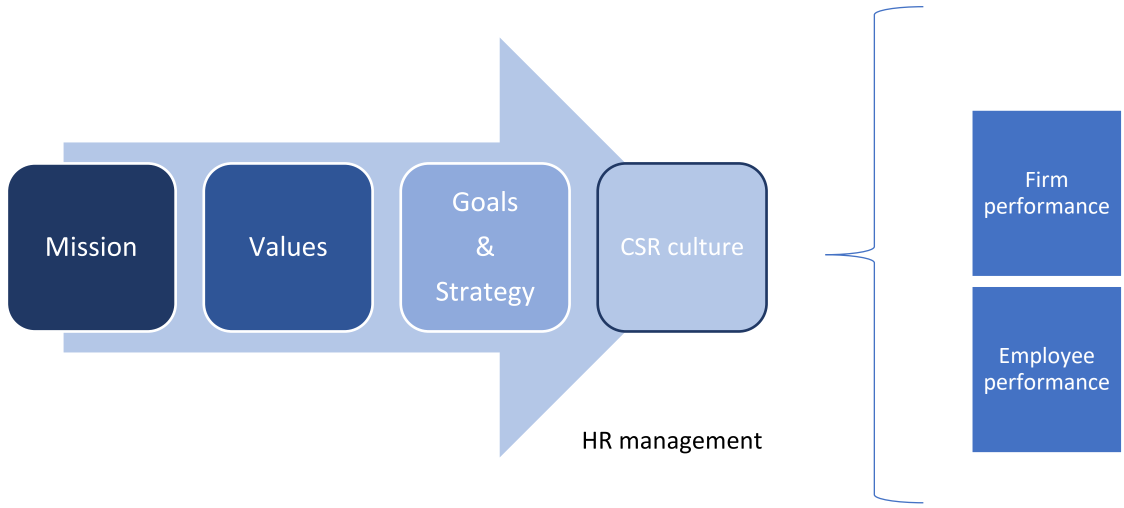

Figure 26: Culture of sustainability model

Source: Adapted from Galpin et al. (2015)

According to Galpin et al. (2015), the CSR embeddedness process begins with setting the sustainability direction of the firm by defining the company's mission statement that encompasses CSR. An example of such a statement was the US retail chain 'Whole Foods' who stated: 'Whole People, Whole Planet" (Galpin et al., 2015, p. 4). This statement highlighted both a social and environmental mission and is aligned to CSR.

What followed in the process was to articulate the company's values that incorporates CSR. This sets the tone for the behaviour that are expected of employees. An example is the consumer product giant 'Procter & Gamble' who stated: "We are accountable for all of our own actions: these are safety, protecting the environment, and supporting our communities" (Galpin et al., 2015, p. 5).

Next, goals are set and extended into the company's strategy which are cascade down the organisation. The Human Resources department plays a key role in reinforcing sustainability by directing and rewarding employee performance via bonuses and promoting employee CSR participation as part of their job role, and beyond. Also, they assist in establishing firm performance benefits such as improved firm reputation and finding new market niches.

Whilst significant detail underpins each step, what this process highlights is that management need to lead from the front, and that CSR needs to be integrated with firm intent and be part of the company's strategy, in order for a CSR culture to result. Galpin et al. (2015) note that in reality, this is not a linear process but an iterative one that requires constant adaptation. In conclusion, embedding CSR is a process that impacts the entire organization and which provides several benefits. Employee performance is enhanced as employees are engaged and committed to the firm. Also, the company's reputation is enhanced leading to customer loyalty and ultimately improved financial performance.

c) CSR values and employee engagement

Based on the above process, the company sets the direction of the firm and develops values accordingly, that are founded on CSR principles. When CSR values are aligned with the values of the employees, it provides several benefits. Creating CSR based corporate values serves as a signal to the company's stakeholders, employees being a key stakeholder, who respond positively to this indicator by improving firm commitment and motivation (Galpin et al., 2015). When employees identify with the values of their company, it also creates a sense of commonality which fulfils a psychological need to belong and be meaningful (Chaudhary, 2019). Staff retention levels are improved and productivity levels increased (Chaudhary, 2019). Creating shared values serves to align the company with employee behaviours. The current study demonstrates that CSR values are a trait that identifies a CSR-embedded culture.

However, resistance towards CSR values can emerge. Barker et el. (2014) highlighted that if employees perceive an inconsistency between a firm's actions and its CSR values, an embedded CSR culture will not result. Subcultures can emerge based on employee's personal experiences often times based on expectation gaps and broken psychological contracts between the employee and the firm. Barker et el. (2014) stress that the repetition by managers of CSR values does not automatically translate into these values being embraced by staff. In a nutshell, the company needs to align its actions to its values in order for one ‘dominant’ CSR-embedded culture to emerge. These findings support the current study which tested whether the cultural traits were exhibited by both managers and non-managers. Had the outcome between the two groups differed it might have indicated a lack of embeddedness and the potential that subcultures existed within the organisation.

Employee engagement in the context of this study relates specifically to characteristics that create a sense of trust and belonging via, for example, firm loyalty, employee well-being and gender and ethnic diversity. Employee engagement, however, is typically defined as “harnessing the organization members’ selves to their work roles; in engagement people employ and express themselves physically, cognitively and emotionally during role performances” (Chaudhary, 2019, p. 633). Put differently, it is the amount of energy and enthusiasm employees put into their jobs. Employee engagement emanates from the fields of psychology and organizational behaviour (Farrukh et al., 2020). Linking CSR with employee engagement, however, is still in its infancy (Chaudhary, 2019) but has been shown to improve job satisfaction and performance, whilst improving staff retention levels, which is an important and valuable company benefit.

6.3 Summary

The results of this study demonstrated that the financial performance of CSR firms on average between 2018 and 2021 did not differ to conventional firms across all financial measures. These results are consistent with the extant literature that found a predominantly neutral effect of CSR on financial performance in developing countries (Q. Wang et al., 2016). Furthermore, when analysing the results by year, in six instances, the financial performance differed between CSR and conventional firms. In five of those six cases, the results indicated that CSR firms did not underperform conventional firms. Therefore, CSR was not an activity that was detrimental to shareholders. These results also highlighted two findings. Firstly, the results of this study differed depending on the financial measure used. Secondly, the results differed according to the year being evaluated.

Several research shortcomings were also identified making comparability between studies challenging, in particular in emerging countries. Most noteworthy was the impact of the macro-economic environment, which, in turbulent times, suppressed the positive effect of CSR on financial performance (Q. Wang et al., 2016). Following further analysis, this study was found to have been conducted in a volatile macro-economic climate that may have impact the results of this study.

This study further identified two CSR-embedded culture traits that defined a CSR-embedded culture in South Africa, namely CSR values and employee engagement which thereby serves as an extension to extant literature. In the South African listed context, gender and ethnic diversity were considered items that contributed towards creating employee engagement in CSR. Whilst it was important that employees were invited to engage in CSR activities, employee participation did not contribute towards the two traits of a CSR-embedded culture. In addition, having a work-life balance, being sent on regular training or being concerned about greenwashing, did not form part of either trait that contributed towards a CSR-embedded culture. However, the results corroborated the findings of Schönborn et al. (2019) who asserted that a CSR culture was concerned with employee wellbeing. Both culture traits were also identified in managers and non-managers. This would suggest that CSR was embedded in the firm as both culture traits were exhibited throughout the organisation.

7. CONCLUSION

7.1 Introduction

Studies into the relationship between CSR and firm financial performance have gained prominence over the last decade as the field of CSR has come to the forefront (Alshehhi et al., 2018). Against the backdrop of the changing sentiment towards the role of business which is underpinned by the debate between shareholder primacy and shareholder theory, the merits of CSR have been challenged. Critics of CSR espouse that CSR should not be the responsibility of the firm, and that it is in fact harmful to the company on several fronts (Rönnegard & Smith, 2018). Aside from distracting managers' attention away from their core responsibilities, the cost implications of CSR negatively impact financial performance and, therefore, is an activity detrimental to shareholders (Harrison et al., 2020; Saha et al., 2019). In order to appease critics, scholars have explored this relationship, but have found inconclusive results (Kong et al., 2020). Several challenges have been identified that have contributed towards these mixed results (K. Huang et al., 2020). Among these are model errors, lack of clarity relating to construct definitions and inconsistent measurement approaches (K. Huang et al., 2020). Furthermore, most studies have been performed in developed countries whose results might not be applicable to developing countries (Ikram et al., 2020).

The first research question in this study sought to explore the relationship between CSR and financial performance in a developing country, namely South Africa. The study compared the median financial performance of CSR companies to conventional firms over a four-year timeframe from 2018 to 2019 using six different financial measures. The sample of CSR companies was drawn from the CSR Top 30 index and included companies that had remained in the index for four years, demonstrating consistent CSR credentials. The sample of conventional firms mirrored the CSR sample in terms of sector and size; however, these companies were not part of the CSR Top 30 index. The null hypothesis of Hypothesis 1 was whether the median performance of CSR and conventional firms differed. In instances where the null hypothesis was rejected, Hypothesis 2 was tested. The null hypothesis stated that the performance of CSR firms was less than and or equal to the financial performance of conventional firms. Hypothesis 2 was developed to contribute towards the argument that CSR is not detrimental to firm performance.

The results indicated that the median financial performance of CSR and conventional firms, on average over a four-year period, between 2018 and 2021, did not differ. When comparing the performance over each of the four years, however, in six instances, the median performance differed. In five of the six cases, CSR firms did not underperform conventional firms. This study concludes that over the time-horizon in question, these results aligned broadly with the existing literature (Q. Wang et al., 2016). Furthermore, seldom did CSR firms underperform conventional firms, which too was aligned with the extant literature (K. Huang et al., 2020). Lastly, the study highlighted the importance of selecting both market and accounting measures to evaluate financial performance, as the results of this study differed depending on the financial performance measure that was used.

Research question 2 was developed to investigate whether CSR companies exhibit specific corporate culture traits in South Africa. Scholars agree that CSR should be embedded in the firm's processes, and so become a part of the company's ethos and not treated as an ad-hoc activity (Agudelo et al., 2019). In order to meaningfully address the environmental and societal challenges of our time, a genuine commitment to CSR is needed (Agudelo et al., 2019) to shift the needle towards a better future. Once CSR has been successfully integrated within a firm, a CSR-embedded culture results (Prutina, 2015). Two corporate culture traits of companies who have successfully embedded CSR were identified by Prutina (2015).

This study was conducted by means of a survey instrument. To that end, a survey was constructed by the researcher based on the earlier work by Prutina (2015), findings from the literature review and an understanding of the South African landscape. This survey was disseminated to the CSR companies identified in Hypothesis 1 which were likely to have had a CSR-embedded culture on the basis that they had remained in the CSR Top 30 index for an extended period of time. The results, following an Exploratory Factor Analysis and a refinement of the initial survey scale, identified two culture traits that were present in the CSR sample, which served to answer Hypothesis 3. These traits were identified as CSR values and employee engagement. These traits were also found in the study by Prutina (2015), but with some nuances.

Given the emphasis placed on embedding CSR in the firm and the consensus in the literature that all staff need to be engaged (Yang et al., 2019), Hypothesis 4 and 5 tested whether the identified culture traits were found in both senior and non-senior managers. The survey asked respondents to indicate in which category they fell, for the purpose of this analysis. The results of both hypotheses indicated that both culture traits were found in senior and non-senior managers which was indicative of CSR embeddedness.

What follows is a summary of the principal conclusions and research contributions that were reached by this study, including recommendations for management, limitations of the research and suggestions for future research. Each research question will be addressed in turn.

7.2 Principal conclusions

The principal conclusions will commence with research question 1: Does the financial performance of CSR companies differ from the financial performance of conventional firms in South Africa?

The results of this study indicated that CSR firms and conventional firms did not, on average, perform differently between the years 2018 to 2021 regardless of the financial measure used to assess financial performance. These results corroborate findings that indicated a neutral relationship between CSR and financial performance in developing countries (Q. Wang et al., 2016). However, in certain years, and using certain financial measures, the median performance of CSR and conventional firms differed in six instances. In those instances, CSR firms performed better than conventional firms. Therefore, this study confirmed that in instances where the median performance of CSR and conventional firms differed, CSR firms usually outperformed conventional firms. These results highlight that CSR is seldom detrimental to firm performance within this research setting, and that the costs associated with CSR, a primary concern of shareholder theory activists (Saha et al., 2019), is unfounded in this instance.

Furthermore, the outcome of the statistical analyses differed across financial measures, adding support to the recommendation rendered by Maqbool and Zameer (2018) to use a variety of performance measures, including market-based and accounting measures, when assessing the relationship between CSR and financial performance. In one instance in 2021, the Total Return, a market-based measure, concluded that CSR firms underperformed conventional firms; the accounting measures ROE and ROI, on the other hand, were aligned and the results indicated an outperformance to conventional firms in 2019 and 2020. These results seem to support the findings of Q. Wang et al. (2016) who identified that CSR was less correlated to financial performance using market-based measures that accounting measures.

What follows are the principal conclusions that were reached from research question 2: Is a CSR-embedded culture characterized by specific cultural traits in South Africa?

The results of this study identified two distinct factors that were associated with a CSR embedded culture. These traits were consistent with the traits identified by Prutina (2015) and were labelled CSR values and employee engagement. Furthermore, these culture traits were exhibited by both senior and non-senior employees, consistent with a CSR-embedded culture (Prutina, 2015; Yang et al., 2019).

7.3 Research contribution

Kong et al. (2020) pointed to the inconclusive results that research relating to the relationship between CSR and financial performance has yielded. A gap in this research was identified in this study, namely that research evaluating this relationship is primarily conducted in developed countries and that further research was required in developing countries (Ikram et al., 2020). This study, therefore, contributed towards research exploring this relationship in a developing country, namely South Africa. This was done by analysing whether the financial performance of CSR and conventional firms differed between 2018 and 2021. This study also used a broad range of financial measures to assess financial performance and demonstrated that on average, the results were financial-measure agnostic. However, when certain years were analyses in isolation, the results differed between financial measures. This study, therefore, contributes to the existing body of literature in support of the use of multiple financial measures, particularly spanning across both market and accounting measures (Maqbool & Zameer, 2018).

Furthermore, this research provided support of CSR by demonstrating that engaging in CSR was not detrimental to firm financial performance. This result contributed to the extant literature by lending support to Stakeholder Theory and its underlying premise that CSR and financial performance can co-exist (Freeman & Dmytriyev, 2020); in other words, CSR companies will not be worse off with respect to financial performance. This answers the pivotal question raised by Callan and Thomas (2009) earlier, namely “do firms face a trade-off between increasing their social responsibility and enhancing profitability, or might the two goals be noncompeting?” (p. 75). The results of this study indicate that they are non-competing.

In addition, this research contributes towards the empirical evidence relating to a CSR corporate culture, by identifying two traits of a CSR-embedded culture in the South African listed company environment, namely CSR values and employee engagement. These findings contribute towards expanding the embryonic academic field of CSR culture in order to expand the knowledge on how such a culture is identified.

Lastly, this research also assists in the development of a research instrument appropriate in the South African context. The survey instrument contained items on the scale that correlated to the two culture traits identified by Prutina (2015), but which were unique to this study. This included that employees believe that their company is genuinely committed to contributing positively to society and/or the environment; that their company cares about their well-being; and, that gender and ethnic diversity are encouraged. Furthermore, employee participation was not found to contribute towards the employee engagement in CSR, whilst being asked to participate in such activities was part of employee engagement.

7.4 Recommendations for management

Stakeholders are increasingly seeing CSR as an essential component of business (Latif & Sajjad, 2018). The responsibilities placed on managers to act in a socially responsible manner is therefore growing. It is vital to equip managers with relevant skills and knowledge in order to adapt to and navigate this changing business environment.

The results of this research indicated that during 2018 to 2021, the median financial performance of CSR and conventional firms did not differ. However, performance was only measured from a monetary perspective, and the non-financial benefits of CSR are numerous yet were not taken into account. Scholars have called for financial measures to be expanded to include a more holistic view of firm performance which encompasses non-financial factors, de-emphasising the focus placed on shareholder value (Barney & Harrison, 2020). In light of the shifting business narrative in favour of a stakeholder-centric approach (Wise, 2021), it is recommended that managers consider the non-financial benefits of CSR when assessing the results of this research, which should not deter them from pursuing CSR, even in instances when the research indicated that the performance between conventional firms and CSR firms does not differ.

Furthermore, where the median financial performance of CSR companies differed to conventional firms, CSR firms outperformed. These results should provide managers with comfort that CSR is rarely detrimental to the firm when interrogated from a purely financial point of view, and that, therefore, it is recommended that managers adopt CSR practices.

In order to adopt CSR effectively, the literature agrees that CSR should be embraced by the firm and embedded into daily practices, and not viewed as an ad-hoc activity (Agudelo et al., 2019). When implemented successfully, a CSR-embedded culture is created (Prutina, 2015). It is pivotal that managers are aware of the culture traits associated with a CSR-embedded culture as, firstly, it provides them with a means of identifying such a culture, and secondly, it gives them a sense of direction if a CSR-embedded culture is not yet in place. Following the results of this study, it is recommended that managers nurture two corporate culture traits, namely CSR values and employee engagement. The characteristic of a CSR-embedded culture is CSR authenticity, in other words, exhibiting a genuine commitment to CSR, as well as ensuring that employees feel a sense of trust and belonging in the firm.

In this regard the following additional recommendations are made to managers based on the inclusion of the specific items on the scale:

The inclusion of item 2 suggests that managers should ensure that the company has a 'higher' purpose that extends beyond making money. The inclusion of item 3 indicates that measuring CSR progress is advantageous in creating a CSR embedded culture. The inclusion of item 5 suggests that managers should ensure that they are committed to CSR. Furthermore, the inclusion of item 9 suggests that managers should show interest in the well-being of their employees. The addition of item 11 indicates that managers should foster gender and ethnic diversity, and lastly, the inclusion of item 13 indicates that it is recommended for managers to encourage employees to participate in CSR activities. Based on the findings of this research, following the above recommendations, would assist managers in developing a CSR-embedded culture.

In conclusion, managers need to be aware that the debate as to the relationship between CSR and firm performance might well be overtaken by a discussion centred around how best to go about integrating CSR within the firm. Therefore, this study provides invaluable insights and recommendations to managers that can assist them to identify and foster the appropriate corporate culture.

7.5 Limitations of the research

The fundamental aim of this research was to lend support to CSR. This research evaluated the effect of CSR on firm performance taking a shareholder perspective by evaluating company financial performance. It did not take any non-financial benefits of CSR into account. By utilising financial measures to evaluate firm performance, it serves as a limitation of this study as it does not provide a multi-dimensional perspective on the influence of CSR on holistic firm performance. Scholars argue that traditional accounting measures should be updated to account for value creation for all stakeholders which also incorporate non-financial benefits (Barney & Harrison, 2020). The outcome of this study might have been different had non-financial measures been included as they may have shown that the median holistic performance of CSR companies holistically outperformed that of conventional firms.

A current limitation of this research is that because no unified definition of 'financial performance' exists (Nyeadi et al., 2018), six different financial performance measures were selected. The outcome of this study might have been different had other measures been selected, especially in light of the findings that suggest that not all financial measures yield the same results.

This study is further limited by the complex nature of CSR, the unclear construct definitions and inconsistent measurement methods (Barauskaite & Streimikiene, 2021; Q. Wang et al., 2016). This might give rise to uncertainty as to whether these findings are comparable to other results found in comparable studies. Furthermore, this study was performed during a period marked by low economic growth and an economic shock which is likely to have impacted the results negatively (Q. Wang et al., 2016). Even though both the CSR companies and conventional firms will have suffered under the same macro-environment environment, one is unable to assess whether the CSR companies would have performed differently in a stable macro environment.

A further limitation of this research was that RQ2 was exploratory in nature. The CSR-embedded culture construct was gleaned by the framework developed by Prutina (2015). However, this framework is yet to be evaluated with the necessary academic rigor given the embryonic state of the field. Furthermore, the two culture traits that were identified have not been evaluated thoroughly enough to generalise these findings. This study also does not assess the strength of the culture traits, only whether they are present.

7.6 Suggestions for future research

Shareholder Theory, the predominant theory that has permeated academia and dominated the corporate psyche, has been shown to have significant shortcomings (Cardoni et al., 2020). A focus on this doctrine by business and management has resulted in irresponsible corporate behaviour in the pursuit of profit. The consequences have been far reaching, including causing environmental degradation and large-scale financial losses effecting society at large (Cho et al., 2019). The need for CSR, it can be argued, is undeniable. It follows that research into the relationship between CSR and financial performance will likely continue. This presents numerous suggestions for future research that might close the gap on current theoretical shortcomings.

Current inconsistencies in the research relate to erroneous conclusions drawn from incomplete model assumptions, such as missing control variables, or the use of vastly different approaches to measuring CSR (K. Huang et al., 2020). In addition, the lack of clarity surrounding the definition of CSR is further complicated by the use of alternative terms in the literature relating to CSR, such as sustainability and corporate citizenship (Agudelo et al., 2019). Comparing research results also proves a challenge as some studies are too dated to be relevant given the progress made in the field of CSR (Callan & Thomas, 2009). Therefore, re-testing previous research to account for these anomalies will assist in the advancement of CSR studies. Standardising the measurement of CSR and developing a consistent definition (Barauskaite & Streimikiene, 2021), will also provide avenues for future research.

Furthermore, increasing attention is being focusses on assessing the performance of firms using financial and non-financial indicators (Barney & Harrison, 2020). Updating traditional accounting measures to account for the company's impact on all stakeholders would serve as a meaningful future research contribution. This would assist in measuring the performance of CSR more accurately than the current approach focusing only on its impact on shareholder returns.

When considering the societal need for a different, more stakeholder-friendly approach, the future academic debate is likely to centre around CSR implementation. Therefore, developing a theoretical CSR culture framework provides another opportunity for research, including the exploration and strength of the culture traits exhibited by CSR-embedded cultures in developed and developing countries, across different industries, both in the listed and unlisted market.

The field of CSR-orientated culture is still in its infancy and, therefore, provides a myriad of research opportunities that will ultimately assist managers in running 'better companies' that contribute towards people and planet, which will likely mark a new era of stakeholder-centric business practices.

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APPENDICES

A. Ethical clearance form

GIBS ETHICAL CLEARANCE APPLICATION FORM 2021/22

G. APPROVALS FOR/OF THIS APPLICATION

When the applicant is a student of GIBS, the applicant must please ensure that the supervisor and co-supervisor (where relevant) has signed the form before submission

STUDENT RESEARCHER/APPLICANT:

29. I affirm that all relevant information has been provided in this form and its attachments and that all statements made are correct.

Student Researcher's Name in capital letters:	[redacted]
Date:	15 Jul 2022
Supervisor Name in capital letters:	SAMANTHA SWANEPOEL
Date:	15 Jul 2022
Co-supervisor Name in capital letters:	
Date:	15 Jul 2022

Note: GIBS shall do everything in its power to protect the personal information supplied herein, in accordance to its company privacy policies as well the Protection of Personal Information Act, 2013. Access to all of the above provided personal information is restricted, only employees who need the information to perform a specific job are granted access to this information.

Decision:

Approved

REC comments:

Date: 18 Jul 2022

B. Introduction to the survey

Gordon Institute
of Business Science
University of Pretoria

Corporate culture and Corporate Social Responsibility (CSR)

Welcome to My Survey

Dear Participant,

I am conducting research on the relationship between Corporate Social Responsibility (CSR) and firm financial performance, and am interested to understand whether a firm's corporate culture plays a role in this relationship.

To that end, you are asked to complete a survey relating to my topic. The survey aims to evaluate the corporate culture of your organization relating to CSR practices.

Your participation is voluntary, and you can withdraw at any time without penalty. Your participation is anonymous (i.e. no personal contact details are requested or captured) and only aggregates data will be reported.

By completing this survey, you indicate that you voluntarily participate in this research.

The survey will consist of four sections: personal, corporate, people and engagement.

The survey will take approximately **two minutes** to complete, comprising 17 short questions.

If you have any concerns, please contact myself or my supervisor. Our details are provided below.

Research name: Andrea Reinecke
Email: andreareinecke@gmail.com
Phone: 072 559 6141

Research supervisor name: Samantha Swanepoel
Email: samanthaswanepoel1@gmail.com

By continuing with this survey you are stating that you understand that you give me permission to use this information in my research and that you understand that it is voluntary, confidential and anonymous.

C. Survey

Corporate culture and Corporate Social Responsibility (CSR)

Personal

1. Which company do you work for?

2. Are you a senior manager?

☐ Yes

☐ No

Gordon Institute
of Business Science
University of Pretoria

Corporate culture and Corporate Social Responsibility (CSR)

Corporate

For the purpose of this survey, CSR are any activities that focus on making a positive impact to society and/or the environment.

3. CSR is important to our company

☐ Strongly agree

☐ Agree

☐ Neither agree nor disagree

☐ Disagree

☐ Strongly disagree

4. Our company has a higher purpose that entails contributing positively to society and/or the environment

○ Strongly agree

○ Agree

○ Neither agree nor disagree

○ Disagree

○ Strongly disagree

5. Our company measures CSR performance 0

- Strongly agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree

6. I believe our company is genuinely committed to contributing positively to society and/or the environment 0

- Strongly agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree

Gordon Institute of Business Science
University of Pretoria

Corporate culture and Corporate Social Responsibility (CSR)

People

7. Our senior executives are committed to CSR 0

- Strongly agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree

8. My personal values are aligned with our company's values 0

- Strongly agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree

9. I trust the senior executives of our company 0

- Strongly agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree

10. I feel a sense of loyalty towards our company 0

- [ ] Strongly agree
- [ ] Agree
- [ ] Neither agree nor disagree
- [ ] Disagree
- [ ] Strongly disagree

11. Our company cares about my well-being 0

- [ ] Strongly agree
- [ ] Agree
- [ ] Neither agree nor disagree
- [ ] Disagree
- [ ] Strongly disagree

12. I have a work-life balance 0

- ○ Strongly agree
- ○ Agree
- ○ Neither agree nor disagree
- ○ Disagree
- ○ Strongly disagree

13. Gender and ethnic diversity is encouraged 0

- ○ Strongly agree
- ○ Agree
- ○ Neither agree nor disagree
- ○ Disagree
- ○ Strongly disagree

NEW QUESTION

or Copy and paste questions

PREV NEXT

Gordon Institute
of Business Science
University of Pretoria

Corporate culture and Corporate Social Responsibility (CSR)

Engagement

14. I receive regular training 0

- Strongly agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree

15. Our company encourages employees to participate in CSR activities 0

- Strongly agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree

16. I participate in CSR activities of our company 0

- Strongly agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree

17. I am concerned about greenwashing within our company 0

- Strongly agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree

NEW QUESTION

or Copy and paste questions

PREV DONE

D. Descriptive statistics p.a.

1. Total Return p.a.

Year	CSR	n	min	median	mean	max	std
2018	No	18	-46.67	-17.14	-13.93	32.31	18.97
2018	Yes	19	-42.49	-0.8595	0.8422	48.6	19.82
2019	No	18	-30.89	-0.3951	15.37	130.4	48.69
2019	Yes	19	-41.15	-2.191	8.98	150.4	45.47
2020	No	18	-18.15	55.28	69.26	206.1	68.75
2020	Yes	19	-19.35	51.03	65.55	296.9	79.97
2021	No	19	-17.66	27.08	36.16	127.3	36.29
2021	Yes	19	-25.07	9.779	13.22	57.98	20.14

2. Current ratio p.a.

Year	CSR	n	min	median	mean	max	std
2018	No	13	0.4668	1.347	2.84	17.97	4.613
2018	Yes	14	0.895	1.672	1.846	3.529	0.7554
2019	No	12	0.525	1.303	1.374	2.041	0.4667
2019	Yes	16	0.775	1.568	1.729	3.793	0.7263
2020	No	11	0.708	1.345	1.347	2.114	0.516
2020	Yes	14	0.7052	1.576	1.816	3.817	0.9296
2021	No	13	0.7458	1.343	1.49	2.987	0.5887
2021	Yes	14	0.8794	1.629	2.152	5.528	1.416

3. Debt to Equity ratio p.a.

Year	CSR	n	min	median	mean	max	std
2018	No	17	0	43.41	54.77	161.1	50.1
2018	Yes	16	8.386	42.81	65.34	243.4	61.2
2019	No	16	0	64.53	69.71	181.2	59.21
2019	Yes	18	6.838	59.32	70.39	301.8	72.39
2020	No	14	0.0674	52.04	61.41	178.8	47.83
2020	Yes	18	1.141	50.39	64.73	293.5	71.15
2021	No	17	5.603	41.57	56.86	151.6	47.36
2021	Yes	18	0.8265	45.47	63.7	289.2	70.15

4. Return on Equity p.a.

Year	CSR	n	min	median	mean	max	std
2018	No	17	-21.95	10.62	9.473	49.98	18.02
2018	Yes	18	-25.42	15.41	18.36	108.7	27.73
2019	No	16	-13.88	6.757	6.153	39.59	14.51
2019	Yes	20	-9.636	15.48	16.56	54.27	13.76

2020	No	13	-7.282	0.2323	6.673	25.36	10.81
2020	Yes	18	-49.48	15.7	16.38	45.49	20.03
2021	No	15	-7.165	5.373	13.77	65.46	22.38
2021	Yes	18	-7.542	12.32	19.93	62.83	19.84

5. Return on Investment p.a.

Year	CSR	n	min	median	mean	max	std
2018	No	15	-13.63	7.943	6.362	27.51	11.07
2018	Yes	17	-18.48	11.45	13.52	55.71	19.03
2019	No	14	-22.7	4.322	4.699	26.3	12.63
2019	Yes	19	-1.039	12.04	13.23	38.48	10.76
2020	No	13	-4.745	3.382	4.575	18.26	6.306
2020	Yes	16	-23.81	13.37	14.74	45.77	15.89
2021	No	14	-6.175	5.853	10.73	46.38	16.68
2021	Yes	18	-1.765	9.212	18.06	58.67	18.84

6. Tobin's Q p.a

Year	CSR	n	min	median	mean	max	std
2018	No	17	-0.059	1.188	1.713	7.725	1.858
2018	Yes	18	0.6575	1.326	1.544	4.273	0.798
2019	No	16	0.1913	1.052	1.293	3.281	0.7196
2019	Yes	20	0.9447	1.358	1.651	4.901	0.8841
2020	No	13	0.2827	1.118	1.152	2.011	0.4802
2020	Yes	18	0.8563	1.249	1.646	4.004	0.9222
2021	No	16	0.4254	1.124	1.275	2.499	0.5726
2021	Yes	18	0.8667	1.318	1.66	4.404	0.9468

E. Descriptive statistics: Average financial measures over the 4 years

1. Total Return

CSR	n	min	median	mean	max	std
No	20	0.5698	24.25	26.89	77.94	20.13
Yes	20	-9.617	17.7	24.53	87.41	28.39

2. Current ratio

CSR	n	min	median	mean	max	std
No	17	0.7426	1.678	2.085	5.619	1.244
Yes	20	0.7084	1.567	1.712	3.835	0.8039

3. **Debt to Equity ratio**

CSR	n	min	median	mean	max	std
No	16	1.418	38.12	51.55	163.7	47.44
Yes	18	6.095	56.53	67.52	282	64.96

4. **Return on Equity**

CSR	n	min	median	mean	max	std
No	18	-6.015	9.407	12.2	39.17	12.03
Yes	20	-9.362	16.91	17.02	41.7	11.91

5. **Return on Investment**

CSR	n	min	median	mean	max	std
No	16	-8.413	7.737	10.18	35.87	11.16
Yes	18	-3.13	13.12	15.11	41.4	10.9

6. **Tobin's Q**

CSR	n	min	median	mean	max	std
No	17	0.2101	1.149	1.25	2.667	0.5524
Yes	20	1.008	1.253	1.583	4.396	0.8072

F. Descriptive statistics survey instrument

Metrics	**Descriptive Statistics: N=33**
Missing Values	0 (0 %)
No	33 (100 %)
Variable Name:	**In sample_4_years**
Missing Values	0 (0 %)
Yes	33 (100 %)
Variable Name:	**Which company do you work for**
Missing Values	0 (0 %)
Co1	2 (6.06 %)
Co2	2 (6.06 %)
Co3	1 (3.03 %)
Co4	2 (6.06 %)
Co5	1 (3.03 %)
Co6	11 (33.33 %)
Co7	6 (18.18 %)
Co8	3 (9.09 %)
Co9	1 (3.03 %)

Co10	2 (6.06 %)
Co11	1 (3.03 %)
Co12	1 (3.03 %)
Variable Name:	**Are you a senior manager**
Missing Values	0 (0 %)
No	10 (30.3 %)
Yes	23 (69.7 %)
Variable Name:	**CSR is important to our company**
Missing Values	0 (0 %)
Agree	9 (27.27 %)
Strongly agree	24 (72.73 %)
Variable Name:	**Our company has a higher purpose that entails contributing positively to society and or the environment**
Missing Values	0 (0 %)
Agree	10 (30.3 %)
Strongly agree	23 (69.7 %)
Variable Name:	**Our company measures CSR performance**
Missing Values	0 (0 %)
Agree	8 (24.24 %)
Disagree	1 (3.03 %)
Neither agree nor disagree	3 (9.09 %)
Strongly agree	21 (63.64 %)
Variable Name:	**I believe our company is genuinely committed to contributing positively to society and/or the environment**
Missing Values	3 (9.09 %)
Agree	7 (21.21 %)
Strongly agree	23 (69.7 %)
Variable Name:	**Our senior executives are committed to CSR**
Missing Values	0 (0 %)
Agree	12 (36.36 %)
Neither agree nor disagree	3 (9.09 %)
Strongly agree	18 (54.55 %)
Variable Name:	**My personal values are aligned with our company's values**
Missing Values	0 (0 %)
Agree	14 (42.42 %)
Neither agree nor disagree	3 (9.09 %)
Strongly agree	16 (48.48 %)

Variable Name:	**I trust the senior executives of our company**
Missing Values	0 (0 %)
Agree	12 (36.36 %)
Disagree	2 (6.06 %)
Neither agree nor disagree	4 (12.12 %)
Strongly agree	14 (42.42 %)
Strongly disagree	1 (3.03 %)
Variable Name:	**I feel a sense of loyalty towards our company**
Missing Values	0 (0 %)
Agree	13 (39.39 %)
Disagree	2 (6.06 %)
Neither agree nor disagree	2 (6.06 %)
Strongly agree	16 (48.48 %)
Variable Name:	**Our company cares about my well-being**
Missing Values	0 (0 %)
Agree	16 (48.48 %)
Disagree	2 (6.06 %)
Neither agree nor disagree	4 (12.12 %)
Strongly agree	10 (30.3 %)
Strongly disagree	1 (3.03 %)
Variable Name:	**I have a work-life balance**
Missing Values	0 (0 %)
Agree	18 (54.55 %)
Disagree	2 (6.06 %)
Neither agree nor disagree	7 (21.21 %)
Strongly agree	5 (15.15 %)
Strongly disagree	1 (3.03 %)
Variable Name:	**Gender and ethnic diversity is encouraged**
Missing Values	1 (3.03 %)
Agree	17 (51.52 %)
Disagree	1 (3.03 %)
Strongly agree	14 (42.42 %)
Variable Name:	**I receive regular training**
Missing Values	0 (0 %)
Agree	13 (39.39 %)
Disagree	5 (15.15 %)

Neither agree nor disagree	5 (15.15 %)
Strongly agree	9 (27.27 %)
Strongly disagree	1 (3.03 %)
Variable Name:	**Our company encourages employees to participate in CSR activities**
Missing Values	0 (0 %)
Agree	15 (45.45 %)
Disagree	4 (12.12 %)
Neither agree nor disagree	4 (12.12 %)
Strongly agree	10 (30.3 %)
Variable Name:	**I participate in CSR activities of our company**
Missing Values	0 (0 %)
Agree	11 (33.33 %)
Disagree	8 (24.24 %)
Neither agree nor disagree	6 (18.18 %)
Strongly agree	7 (21.21 %)
Strongly disagree	1 (3.03 %)
Variable Name:	**I am concerned about greenwashing within our company**
Missing Values	0 (0 %)
Agree	4 (12.12 %)
Disagree	10 (30.3 %)
Neither agree nor disagree	10 (30.3 %)
Strongly agree	2 (6.06 %)
Strongly disagree	7 (21.21 %)

G. Shapiro-Wilk test

	CSR	Non-CSR
Return 2018: p-value	0.189592191545281	0.114879542200743
Conclusion	Do not reject H0	Do not reject H0
Return 2019: p-value	0.00224853721662081	0.00118007611077127
Conclusion	Reject H0	Reject H0
Return 2020: p-value	0.00640870517447674	0.0429197916156757
Conclusion	Reject H0	Reject H0
Return 2021: p-value	0.847891455518104	0.287491702418166
Conclusion	Do not reject H0	Do not reject H0
Current ratio: p-value	0.280907653765826	5.42244728974508e-06
Conclusion	Do not reject H0	Reject H0
Current ratio 2019: p-value	0.0334435818328466	0.247601712820843
Conclusion	Reject H0	Do not reject H0
Current ratio 2020: p-value	0.0337275568408069	0.309179266049979
Conclusion	Reject H0	Do not reject H0
Current ratio 2021: p-value	0.0033742970152208	0.159121549921655
Conclusion	Reject H0	Do not reject H0
Debt to equity ratio 2018: p-value	0.00391320928135107	0.0714290361954259
Conclusion	Reject H0	Reject H0
Debt to equity ratio 2019: p-value	0.000578892199917958	0.11368922100938
Conclusion	Reject H0	Do not reject H0
Debt to equity ratio 2020: p-value	0.00087443395900101	0.247847481617985
Conclusion	Reject H0	Do not reject H0
Debt to equity ratio 2021: p-value	0.00083954058214374	0.0259223133651427
Conclusion	Reject H0	Reject H0
Return on equity 2018: p-value	0.00189850973259144	0.530223477670833
Conclusion	Reject H0	Do not reject H0
Return on equity 2019: p-value	0.174161675913932	0.406113993179495
Conclusion	Do not reject H0	Do not reject H0
Return on equity 2020: p-value	0.00205298438276339	0.0972854143035087
Conclusion	Reject H0	Reject H0
Return on equity 2021: p-value	0.0679198021738798	0.00509411718998178

Conclusion	Reject H0	Reject H0
Return on investment 2018: p-value	0.304771496039797	0.762610683691997
Conclusion	Do not reject H0	Do not reject H0
Return on investment 2019: p-value	0.117187651667378	0.443818963274183
Conclusion	Do not reject H0	Do not reject H0
Return on investment 2020: p-value	0.534400548127249	0.688767110594763
Conclusion	Do not reject H0	Do not reject H0
Return on investment 2021: p-value	0.00701010805064999	0.0141444708597779
Conclusion	Reject H0	Reject H0
Tobin's Q 2018: p-value	0.000251948835794387	1.78430893719279e-05
Conclusion	Reject H0	Reject H0
Tobin's Q 2019: p-value	2.65945615668786e-05	0.0356294838897894
Conclusion	Reject H0	Reject H0
Tobin's Q 2020: p-value	0.000313051495085181	0.918839997545982
Conclusion	Reject H0	Do not reject H0
Tobin's Q 2021: p-value	0.000755940871622874	0.293548806381825
Conclusion	Reject H0	Do not reject H0
Average return: p-value	0.0123947182352	0.248645860033456
Conclusion	Reject H0	Do not reject H0
Average current ratio: p-value	0.00172922655401896	0.00599635333805621
Conclusion	Reject H0	Reject H0
Average debt to equity: p-value	0.000682406584380843	0.0269466364530425
Conclusion	Reject H0	Reject H0
Average return on equity: p-value	0.295934860353677	0.434036778357452
Conclusion	Do not reject H0	Do not reject H0
Average return on investment: p-value	0.256193797379204	0.730343235909307
Conclusion	Do not reject H0	Do not reject H0
Average Tobin's Q: p-value	3.22482709393534e-05	0.214799645492602
Conclusion	Reject H0	Do not reject H0

H. Communality values: Iteration 1

No.	Item	Communality Value
1	CSR is important to our company	0.6454
2	Our company has a higher purpose that entails contributing positively to society and or the environment	0.8282
3	Our company measures CSR performance	0.6075
4	I believe our company is genuinely committed to contributing positively to society and/or the environment	0.7167
5	Our senior executives are committed to CSR	0.5406
6	My personal values are aligned with our company's values	0.6882
7	I trust the senior executives of our company	0.5781
8	I feel a sense of loyalty towards our company	0.5800
9	Our company cares about my well-being	0.6010
10	I have a work-life balance	0.3012
11	Gender and ethnic diversity is encouraged	0.5707
12	I receive regular training	0.3892
13	Our company encourages employees to participate in CSR activities	0.6457
14	I participate in CSR activities of our company	0.2955
15	I am concerned about greenwashing within our company	0.3178

I. Additional support acknowledgement

CERTIFICATION OF ADDITIONAL SUPPORT

(Additional support retained or not – to be completed by all students.)

Please note that failure to comply and report on this honestly will result in disciplinary action.

I hereby certify that (please indicate which statement applies):

- ***I DID NOT RECEIVE*** *any additional/outside assistance (that is, statistical, transcriptional, thematic, coding, and/or editorial services) on my research report:* ....
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If any additional services were retained, ***please indicate below which:***

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Please provide the name(s) and contact details of all retained:

NAME: University of Pretoria
EMAIL ADDRESS: gopika.ramkilawan@up.co.za
CONTACT NUMBER: 012 420 3636
TYPE OF SERVICE: Statistical support

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EMAIL ADDRESS: ....
CONTACT NUMBER: ....
TYPE OF SERVICE: ....

NAME: ....

EMAIL ADDRESS: ....

CONTACT NUMBER: ....

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I hereby declare that all *interpretations (statistical and/or thematic) arising from the analysis and write-up of the results for* **my study were completed by myself without outside assistance.**

STUDENT NUMBER:

21751588..

J. MPhil Student and Supervisor Agreement

THE STUDENT AND THE SUPERVISOR:

Confirm that we have read and understood this Memorandum of Agreement and agree to accept its content for the duration of the period of study in respect of the degree as specified below.

Name of student:

.[redacted]..

Student number:

21751588..

Signed at River Club..

on 24 April 2022................................... (date)

Student's signature: [redacted]

....

Name of supervisor:

Samantha Swanepoel..

Supervisor's signature:

....

Signed at Pretoria..

on 27/04/2022.. (date)

K. Copyright declaration form

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Qualification details			
Degree:	MPhil	Year completed:	2022
Title of research:	GIBS The relationship between corporate social responsibility and firm financial performance, and the corporate culture traits associated with CSR, in the context of South Africa		
Supervisor:	Samantha Swanepoel		
Supervisor email:	samanthaswanepoel1@gmail.com		

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Supervisor signature:	Date: 21/11/2022