CSR and Financial Performance of Retail Industry in the UK

By

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Abstract

The study explored the empirical links between corporate social responsibility (CSR) and financial performance of four retail companies (Marks and Spencer, Tesco, Next and Primark) in the UK from 2006-2014. Prior studies have reported the relationships between CSR and financial performance generally as positive, negative or mixed, using either primary or secondary research methods, but the results have been inconclusive. This research has attempted to clarify these with deductive and mixed method approaches. First, donations, community work and carbon emissions were deducted from the literature and the companies' websites, annual reports and CSR reports, as the CSR dimensions, and mapped out onto the companies' revenue, operating profits and return on capital employed using correlation analysis. Second, 250 mall intercept survey questionnaires were administered to London retail shoppers and analyzed to explain their perceptions on the identified CSR dimensions and sales revenue of the selected retail companies.

The secondary data was analyzed with correlations whereas primary data was explored with descriptive statistics and factor analysis. For both methods, the findings revealed a positive correlation between donations and sales revenue (perceived sales revenue) for all the companies except Primark where the donation criterion was not applicable. The implication of this is that, retail managers can imply philanthropic strategies to improve sales revenue. But, findings from both methods show negative correlation between carbon emissions and (perceived) sales revenue for both Marks and Spencer and Tesco whereas community work relates negatively with (perceived) sales revenue for Tesco. Methodologically, these provide some indications that retailers' philanthropic activities can boost sales growth. Future research can widen the methodological approach to different sectors.

Keywords: Corporate social responsibility, financial performance, environmental performance, donations, community work, return on capital employed, operating profit, revenue

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Table of contents

Chapter 3 Conceptual and Research Framework

Chapter 4 Research Methodology and Design

LIST OF TABLES

List of Figures

Abbreviations

CSR	Corporate social responsibility
CSP	Corporate social performance
CFP	corporate financial performance
SRI	Socially responsible initiatives
SA	Social Accountability
GRI	Global Reporting Initiatives
LBG	London Benchmarking Group
WWF	World Wildlife Fund
UNICEF	United Nations International Children’s Emergency Fund
MCS	Microgeneration Certification Scheme
NGO	Non-Governmental Organization

Declaration

I certify that thesis submitted here is, to the best of my knowledge, original and entirely my own work, except as acknowledged, and has not been submitted for the degree at this or any other university. Some information and ideas incorporated therein, and stemming from this research, have been presented in following manuscripts in progress and publications:

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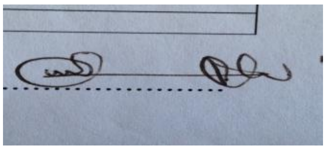

Sign: Ghulam Sughra

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Chapter 1

1.1 Introduction

This research sets out to establish empirically the link between corporate social responsibility and the financial performance of retail companies in the UK from 2006-2014. This is because the relationship between firms' financial performance and their corporate social responsibility (CSR), which describes firms' moral obligations to improve the welfare of the society as part of their operational activities is unclear. There is indication that firms' motive for adopting CSR strategies is to enhance their financial performance which may usually be measured by revenue, profit or investors' contributions (Firer and Williams, 2003). But it is unclear which CSR strategies improve financial performance and what is the relationship between CSR and financial performance (Brammer and Pavelin, 2006; Peter and Mullen, 2009; Ehsan and Ahmad, 2012).

Researchers argue that retailers can use CSR activities to obtain a reputation of being socially responsible, environmentally sensitive and ethically driven (Karna *et al.,* 2003; Porter and Kramer, 2006; Singh and El-Kassar, 2019). This enables the retail firms to differentiate their products from competitors. However, adopting suitable CSR strategies to meet public and stakeholders' expectations is often a challenge for the firms because existing research findings do not show which specific CSR strategies can lead to better social or financial performance. Thus, the relationships between firms' CSR strategies and their financial performance are inconclusive largely due to the methodological approaches used to study such relationships (Margolis and Walsh, 2003; Porter and Kramer, 2006).

While some studies indicate that CSR strategies generate profit (Hellsten and Mallin, 2006; Brammer and Pavelin, 2006; Galema *et al.,* 2008; Statman, 2009; Peter and Mullen, 2009; Ehsan and Ahmad, 2012), others show the negative impact on financial performance (Inoue *et al.*, 2011; Hirigoyen and Rehm, 2015), whereas another group of studies has shown the neutral impact (Dhrymes, 1998; Bauer *et al*., 2007). The extensive research debate on these results are yet unsettled, with retail companies adopting different CSR strategies to satisfy diverse stakeholders, individuals or entities who have specific interest in the companies' activities (McWilliams and Siegel, 2006), as well as achieving their business objectives.

But whether CSR strategies really lead to better financial performance or are futile effort is a question still to be answered in the UK retail industry. Findings from the secondary data investigations do not explain how customers perceive firms' corporate responsibility strategies. A few studies that have explored the link between CSR activities and customer perception using primary data (Ivens and Valta, 2012; Feng and Wang, 2016; Ramanathan, 2018) also do not specify exactly which type of CSR activities can be prioritized by the firms to enable them to attract customers and increase their sales growth.

The retail industry has been selected because of various reasons. First, the retail sector includes any entity or business involved with selling products directly to customers. Second, as the extensive debate on CSR and financial performance lingers on and, retail firms are adopting different strategies to satisfy the diverse stakeholders, individuals or entities who have specific interest in the companies' activities (McWilliams *et al.*, 2006), retailers' CSR reporting has focused on generosity, environment and community in which they operate (Jones *et al.*, 2009). Retail firms are now keen to disclose their CSR reports to customers and demonstrate their commitment to consumer concerns and fair trade (Maignan and Ferrell, 2003; Jones *et al.*, 2009; Perry and Towers, 2009), a transparency endorsed by the UK Department of Trade and Industry in 2004. Yet the research rarely shows the relationships between CSR activities and perceived sales growth specifically to shed light on the customers' effect on firms' CSR strategies (Mohr and Webb, 2005; Loureiro *et al.*, 2012).

This study therefore attempts to address these questions by examining the link between CSR and financial performance of four retail companies in the UK from 2006-2014. Through the collection of secondary and primary data, the researcher tries to understand how CSR strategies can influence return on capital employed (ROCE), operating profit and sales revenue. This introductory chapter presents a concise layout of the overall study with the definition and concepts of CSR, research issues, problem statement, aims and objectives, the study's scope and subject boundaries, research methodology and methods, the study's indicative contribution and its limitations and the outline of the subsequent chapters.

1.2 Development of CSR

CSR is described as a social responsibility of the business to increase profits (Friedman, 1970). It exists to serve the good of the greater community (Weber, 2013). The basic concept of CSR is that firms are held accountable (Hackston and Milne, 1996; Ibrahim *et al*., 2008) and it represents activities and initiatives of the firms with significant social, environmental and economic implications (Du *et al*., 2010). In practice, many studies have been carried out to determine the correlation between CSR and financial performance. However, there is an impression that aggregate results and theoretical conclusions in the literature about the relationship of CSR and financial performance are inconclusive (Jones and Wicks, 1999; Donaldson and Dunfee, 1999; McWilliams and Siegel, 2006).

There are different terms and concepts related to social responsibility of firms, such as 'corporate sustainability', a business approach that creates value for the firm through social and environmental developments, corporate social responsibility or 'corporate citizenship' which involves the social responsibility of the firms to meet ethical, legal and economic requirements, 'stakeholder concept' that firms should consider values and ethics in managing the interests of other groups and 'shareholder value theory' which focuses on the interests of the shareholders. The definition of CSR has been debated over the decades from the business and communicative perspectives but widely-accepted definition is yet to be found (Dobers and Springet, 2010; Grafstrom and Windell, 2011).

CSR debate started in 1930s with the arguments of E. Dodd when he stated that managers had a social responsibility towards the society (Dodd, 1932). However, the real discussion on CSR was set forth in 1953 when Bowen came up with a classic definition of CSR:

"An obligation to pursue policies to make decisions and to follow lines of action which are compatible with the objectives and values of the society" (Bowen, 1953, p. 6).

Friedman (1970) tried to specify the responsibilities of the businessmen and proposed the debate on CSR and financial performance by stating that there was one and only one social responsibility of the business; to use its resources and engage in activities designed to increase its profits so long as it stayed within the rules of the game and engage in open and free competition without deception or fraud (Friedman, 1970). He argued that businesses should not be bothered about CSR as their main goals was profit making and supported CSR only if it added to the financial stability and profitability of the firms. He justified his claims by asserting that the firms cannot have social responsibilities because of three reasons; only human beings can have moral responsibility of their actions, the obligation of business manager is to act solely in the interest of shareholders and the social issues are the province of the state, not the corporation (Friedman, 1970).

Later, Davis and Blomstorm (1975) tried to define balanced approach of organizations' interests and social expectations, "…*the managerial obligation to take actions to protect and improve both the welfare of the society as a whole and the interest of the organization*" (Davis and Blomstrom, 1975, p. 329).

With the progression of globalization, the impact of business on the society and environment became more important as the corporations had more influence on the society which could not only expand the opportunities available to the society but also be detrimental in the sense that corporations had more control over the local politics, work force, local produce and economy. With the realization of the political power that corporations had on the society, governments became more interested in monitoring corporate behavior (Beesley and Evans, 1978).

Despite being the dominant ideology, there has been criticism on focusing the profit maximization and ignoring the roles of corporations in the society (Freeman, 1984). Freeman (1984) exerted the concept of stakeholders by rejecting Friedman's perception that companies had only responsibility towards its shareholders and challenged that dominant model of business proposed by Friedman (1970) was not *"consistent with the law and for the most part it ignores the matters of ethics"* (Freeman, 2008, p. 39). Freeman (1984) defined stakeholders as any group or individual who can affect or is affected by the achievement of the organization's objectives. A mapping of firms' important stakeholders may include communities, employees, investors, suppliers, shareholders, consumers, suppliers, NGOs and governments. He then asserted that managers *"bear a fiduciary relationship with the stakeholders"* (Freeman, 2002, p. 39). Papasolomou-Doukakis *et al*. (2005, p. 264) agreed with Freeman and stated that "*Irrespective of the type of business, there are groups of people who affect or affected by the organisation itself and can therefore be seen as imposing some kind of responsibility on the organisation".*

As there is no universally accepted definition of CSR, it mostly refers to business decision-making joining with ethics, compliance with legal obligations and respect for the communities, people and environment (Weber, 2008). The emphasis on the social responsibility and ethical code of conduct originally came from business executives themselves and demonstrated by the acts of corporate philanthropy, codes of conduct and social give-back policies (Silberhorn and Warren, 2007).

For some researchers, CSR is a simple philosophy about the relationship between business and society (Ofori and Hinson, 2007) and comprises of the actions that seem to further some social good beyond the interest of the firm (McWilliam and Siegel, 2001). For others, it is a sensitive concept, a term that draws attention to a complex range of elements and issues that are related to the function and position of the business enterprise in contemporary society (Blowfield and Murray, 2008). The most common difference in the arguments discussed about CSR are:

1. The social responsibility of the business is to increase profits (Friedman, 1970).
2. Business exists to serve the good of the community (Weber, 2009).

Likewise, Henderson (2001) considered CSR to be set of actions which respond to various stakeholders to improve sustainable development in economic, social and environmental aspects. Stakeholders, shareholders and investors make most of their decisions based on the financial performance (Baron, 2004). Dahlsrud (2008) defines CSR as a social construction and coded the CSR activities into five groups or dimensions, namely environmental, social, economic, voluntariness and stakeholder dimensions. Hoivik and Argandona (2009) maintain that CSR is an ethical concept that demands for actions which are socially responsible.

The conservative view of CSR is that it should be voluntary and should be focused on the company's own willingness based on its level of profits. However, proponents of this group ignore the fact that CSR is self-regulated and argue that it is not voluntary in the sense that it exists because of social and external market forces on the company's social accountability (Mcbarnet *et al*., 2007). Kerr *et al*. (2009), while making the legal analysis of CSR, observed that firms now face greater scrutiny regarding their social and environmental activities. Consultancies and accounting firms use increasingly sophisticated tools to examine corporate undertakings of the firms and failure to perform socially can affect share price of the firms.

A firm may expose itself to legal and financial liability by viewing CSR measures merely and ignoring the legal context. Therefore, responsible corporate behavior is a matter of important legal concern for almost every international firm. It is impractical to expect that firms perform CSR initiatives on their own without the intervention of external forces (Kerr *et al*., 2009). The theory of CSR encourages the firms to consider not only its financial dealings but also the social and environmental consequences that they place on their shareholders and the society.

Since 1980s, considerable global development and trends have impacted further rise of the concept of CSR (Carroll, 2004). CSR pyramid continues to serve as a basic definition of CSR, other authors have used it as a reference point for refined definitions and concept reflecting focus on the shift of era. Alternative concepts and themes, corporate governance, corporate citizenship, environmental responsibility, human rights and additional dimensions of CSR have seen the evolution of CSR during this period (Carroll, 2004).

The researchers may have different viewpoints regarding the concept of CSR, however, one thing is crystal clear that corporations should be responsible for all their actions that affect their surroundings and society at large and must repair any damage they cause as a result of any action. Moreover, they should also be willing to redeploy some of their profits to fix any problems or to generate positive social impact in the society (Lawrence and Weber, 2008).

The role of the companies in the broader social environment created different perspective of CSR from economic view point, for example CSR as maximizing returns to shareholders (Friedman, 1970). CSR is the continuous commitment by a business to behave ethically, contribute to economic development while improving the life of the workforce, their families, local community and society at large (Moir, 2001). However, there has been prolonged debate over the value and legitimacy of corporate responses to CSR concerns. For instance, Murphy (2005) stated CSR as little more than cosmetic treatment whereas others report that firms increase their CSR activities to enhance financial performance (Waddock and Graves, 1997; Hillman and Keim, 2001; Verschoor and Murphy, 2002; Santiago, 2004).

CSR activities had been summarized by KLD database, a program which provides information about companies' activities in the areas of business ethics, human rights, health and safety, climate change and non-carbon emissions. This database categorized CSR activities into seven wider domains i.e. community, corporate governance, diversity and equality (Benefits for the employees, CEO is a woman or from the minority group, board of directors hold four seats for minorities, disabled and women, progressive policies for gay and lesbians), employee relations, environment, human rights and product (KLD, 2017).

Gradually, CSR has become a prominent feature in the modern literature and is of interest to both practitioners and researchers. It is a budding concept and is a sort of self-regulation that companies incorporate into their business model to do good for the society. It is a process which aims to be responsible for the company's actions and encourage a good impact with the help of its activities on the consumers, employees, stakeholders, environment and communities. Former British Chancellor of Exchequer, Gordon Brown is the well-known proponents of developmental CSR, he argued,

"Today corporate social responsibility goes far beyond the old philanthropy of the past-donating money to good causes at the end of the year-and is instead all year round responsibility that companies accept for the environment around them, for the best working practices, for their engagement in their local communities and for their recognition for their brand names depend not only on quality, price and uniqueness, but on how, cumulatively, they interact with companies' workforce, community and environment" (Horriggan, 2010, p. 229).

Modern developmental CSR intermingles social goals with economic goals without any conflict initiated by Gordon Brown. Due to various variables of CSR, it seems to be very difficult to describe what the mix of responsibilities companies should face (Blowfield and Murray, 2011). However, firms should operate within the broader context of the society (Werther and Chandler, 2010).

Although CSR has been present for many decades, *"the analysis of CSR is still embryonic and theoretical frameworks, measurement, and empirical methods have not yet been solved"* (Moneva *et al*., 2007, p. 85). The stakeholder influences are very crucial for factors such as image building, improving financial performance and public relations with the aim of obtaining their support and approval (Moneva *et al*., 2007). One way to achieve this objective is to make all the information available either by making that information available on the annual reports and websites or by producing a separate report regarding their social responsibility activities (Du *et al*., 2010).

1.3 Research Motivation

This study is inspired from an incident in 2009 when BBC broadcasted a program regarding child labor issue in Primark. Whilst working as a sales floor manager, researcher witnessed a protest outside Primark. Despite having protests regarding the un-ethical conduct of Primark, researcher did not see any difference in dealing with customer queues on the sales floor. This incident posited a question in researcher's mind that whether un-ethical behavior can impact the financial performance of the companies or not. Later, this incident motivated researcher to do a dissertation for MA International Business on the topic of CSR and finally it led to a research project for PhD.

1.4 Research Problem

From the last few decades, the debate of CSR and financial performance has been discussed extensively in the business literature (Cox *et al*., 2004; Gauthier, 2005; Chan *et al*., 2014). However, defining and measuring CSR and establishing its direct link with financial performance has been a difficult process for the researchers and academics. Over the years, there have been various researchers who have tried to ponder upon the connection between CSR and financial performance (Brammer and Pavelin, 2006; Inoue *et al*., 2011). From the theories and researches done in the past, one thing is crystal clear that CSR is an ambiguous concept and its relationship with the financial performance is an enigma yet to be solved.

Brammer and Pavelin (2006), Mullen and Peter (2009) and Ehsan and Ahmad (2012) find that CSR leads to profitability whereas Inoue *et al.* (2011) and Momun *et al.* (2013) find negative relationship between CSR and financial performance. Therefore, existing research is deficient in this respect that researchers are not agreed upon the link between CSR and financial performance. Although, there is some evidence that social responsibility is requisite for long term success of business and international competitiveness (Haskins, 2009). This assertion finds specific relevance in developed countries such as UK where unethical behavior is taboo for retail companies from the perspectives of various stakeholders. Using CSR for sustainable economic development is an important mechanism in the retail industry. Could CSR be a supporting aid and an instrument for wealth creation? While CSR discourse have concentrated on the mainstream issues such as charities, reputation building, environmental strategies, what is the purpose of adopting these strategies?

1.5 Research Questions

- Can we determine the relationship between CSR and financial performance measured as ROCE, operating profit and revenue?
- Do retail companies' CSR strategies affect their perceived sales revenue?

1.6 Aim

The aim of this research is to investigate empirically the link between CSR and the financial performance of the retail companies in the UK from 2006-2014.

1.7 Objectives

I. To develop conceptual framework of CSR strategies and financial performance indicators.

II. To examine the relationships between CSR variables and financial performance indicators.

III. To explore the consumer perception of CSR and its relationship with perceived sales revenue of selected retail firms in the UK.
IV. To develop an empirically-based framework of CSR strategies and their relationship with financial performance of retail firms in the UK.

1.8 Methodology and Methods Applied

The study is based on post-positivist orientation which states that reality can be known probabilistically and draws from social constructionism, a theory of knowledge that examines the progress of jointly constructed understanding of the world, to form the understanding of the reality (Popper, 2005). This philosophy is applied to examine the relationship between CSR and financial performance of four retail companies, Marks and Spencer (M&S), Tesco, Primark and Next in the UK. The study developed conceptual framework and formulated four hypotheses to explore the link between CSR and financial performance.

Within the post-positivist paradigm, a combination of primary and secondary data was collected. The researcher collected primary data on consumer perception of CSR and perceived sales growth through mall intercept survey whereas secondary data was collected from the selected retail companies' annual reports and CSR reports published on their websites. The study applied customer focused dimension of stakeholder theory to explore the consumer perception of CSR and their buying behavior to prioritize retailers' CSR strategies and their relationships with financial performance. The researcher designed and administered a questionnaire to 250 retail customers across 16 different shopping centres in London through a mall intercept survey. The questions covered retailers' CSR strategies such as donations, community work and environmental performance to explore the customers' perceptions of such strategies including their attitudes towards favourite retailers, product processes, trust and repeat purchase.

The data was analyzed using correlation coefficient, exploratory factor analysis, descriptive statistics and principle component analysis. Exploratory factor analysis, that constitutes the structure of correlations being modeled with the intent of identifying the specific constructs (Fabrigar and Wegener, 2012) was applied to prioritize the consumer perception of CSR strategies that could relate to perceived sales revenue of the four selected retail companies.

1.9 The scope of the Study

This study proposes to examine the link between CSR and financial performance. More specifically, the researcher seeks to examine the relationship between donations, community work and environmental performance and ROCE, operating profit and revenue of the four selected companies in the UK from the period of 2006-2014. The wide knowledge constructs the research originating from conceptual, theoretical and practical perspectives of the connecting subjects such as donations (Seifert *et al.,* 2004; Brammer and Millington, 2008; Wang *et al.*, 2008), community work (Brammer *et al*., 2007; Khan, 2016) and environmental performance (Andrew *et al.*, 2012; Lu *et al*., 2013; Shah, 2016).

Figure 1.1 shows how the literature on CSR and financial performance helps to make a subject of investigation. The literature review (chapter 2) reveals previous researches on the positive (Orlitzky *et al.,* 2003; Moneva *et al.,* 2007; Peters and Mullen, 2009; Nelling and Web; Odmilion *et al.,* 2010; Mujahid and Abdullah, 2014; Gatsi and Ameyibor, 2016), negative (Aras *et al.,* 2010; Khan *et al.,* 2013) and mixed (Adeneye and Ahmed, 2015) link between CSR and financial performance.

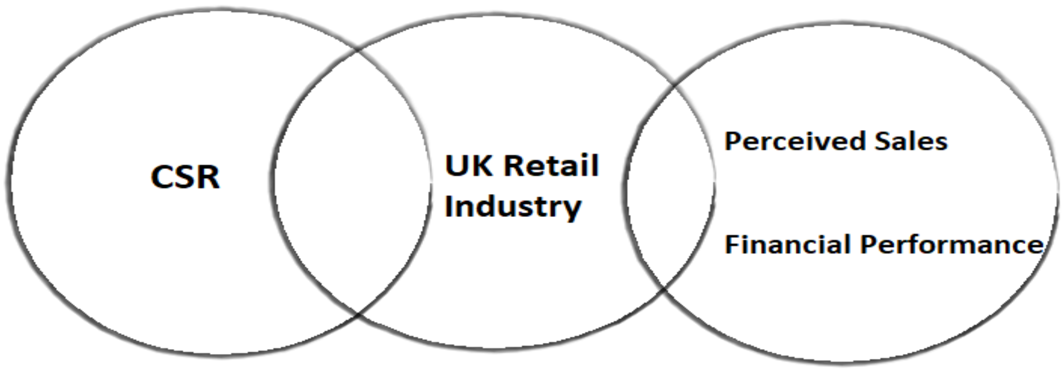


Figure1.1 Boundaries of the study

The study was conducted in UK retail sector. London is the capital city of United Kingdom and is considered the world’s leading financial center for global business and commerce. The

UK's retail industry, centered in London, contributes tens of billion pounds in the economy. According to the figures published by British Fashion Council in 2014, London's fashion industry contributed £26 billion to the UK's economy. The figures incorporated direct effects from wholesale, manufacturing, tourism, financial sector and retail sectors in the UK. According to Brookings Institution, London is the fifth largest metropolitan economy in the world. Moreover, it generates roughly 22% of the UK's GDP. The London Stock Exchange is the largest stock exchange in Europe. Over 70% of FTSE 100 are in the metropolitan areas of London. It is also a major retail centre and had the honor of being highest non-food retail city of the world in 2010.

UK is considered to be a leader in CSR. Since 2000-2010, during Tony Blair's reign, UK was the first country to appoint CSR minister. According to a capital care report, quoted by Stephen Timms, UK MP's speech over CSR on 2nd December 2002, over third of the London's business agree that their firms should do more than law requires specially on the environment and social tasks. Moreover, London is the headquarter of world's famous financial institutions, accountancy firms, environmental organizations, NGOs and insurance companies. In the retail industry, more attention and focus are needed by the companies to focus on developing CSR activities.

1.10 Contribution to Knowledge

Despite the previous researches, the concept of CSR is still ambiguous and needs more explanation. There is an impression that aggregate results and theoretical conclusions which exist in the literature about the relationship of CSR and corporate financial performance are inconclusive (Jones and Wicks, 1999; Donaldson, 1999; McWilliams and Siegel, 2001).

- The researcher has attempted to fill out the gap in the research by investigating the variables of CSR such as donations, community work and environmental performance and the links of these variables with the financial performance indicators have been examined which is a contribution to the body of literature. From the researcher's view point, these variables might have been used individually by the previous researchers, but they have not been used collectively in the research as it has been done in this study. Therefore, this research can solve the problems of the previous researchers and attempts to provide the clear and concise findings. Findings of the study are helpful to the academics, investors and the retail managers.

- By applying longitudinal data from 2006-2014, the researcher finds evidence of positive relationship between philanthropic CSR and revenue in a sample of the UK retail firms. This finding is widely consistent with stakeholder theory of the corporation and enriches the literature on the positive link between CSR and financial performance.

- Three dimensions of CSR i.e. community work, donations and environmental performance have been chosen to reflect the CSR strategies of the retail firms in the UK. Therefore, each variable of CSR was selected based on the strategies adopted by most of the UK retail companies. Moreover, findings of mall intercept survey not only provide a comparison of three dimensions of CSR but also enrich our understanding of CSR from consumer's perspective in the context of the UK retail industry.

- This study strengthens the existing theoretical findings on the positive link between CSR and financial performance. Since there is positive link between donations and sales revenue, retail firms can integrate philanthropic strategies into their expenditure patterns. Furthermore, to boost their financial performance, it is important for the retail firms to invest in CSR which will contribute to the increment of their revenue.

1.11 Limitations and Recommendations

Secondary research is the cheapest form of the research because data already exists for the researcher's acquisition. Although it was easy to acquire secondary data, yet one needs to be aware of the risks or limitations involved in the study of this magnitude. The general criticism involved with secondary data is as follows:

- Secondary data can be vague or general and may not help for decision making.
- The data may be out of date or old.
- There is a possibility of collecting inaccurate data if proper care is not taken.

To minimize risks, the source of data was checked by the researcher. Despite being old, secondary data was in line with the aims and objectives of the study. Therefore, secondary data was important to examine the relationship between variables of CSR and financial performance.

Second part of the data collection was primary data source for this study. Mall intercept survey was used as a research instrument to collect data on the consumer perception of CSR and to explore the link between CSR strategies and perceived sales revenue of the selected retail firms. The limitation involved in this type of survey was subjectivity and bias. To minimize the risk, close ended questions were devised. Moreover, the researcher conducted the survey on multiple locations in London and at different times to ensure that variability within the population of interest could be represented.

Apart from the selected variables of CSR, there may be additional factors that can contribute in enhancing the financial performance. For example, research and development factor has not been included in the research which can play an important role in affecting financial performance of the corporations. Future research can consider this factor and its role in the financial performance. Moreover, as this research has been done in the UK retail industry, there might be some issues of generalizability in other industries or countries.

Lastly, using four retail firms for the past performances may limit generalizability. While considering demographic and methodological limitations for this study, future research can increase sample size and expand the research to other parts of the UK to acquire wider consumer perception of CSR.

1.12 Subsequent Structure of the Study

The subsequent structure of the thesis is covered in the following sequence.

Chapter 2 provides the detailed review of the relevant literature on CSR concepts followed by the philosophical and theoretical background of CSR and the analysis of the link between CSR and financial performance. The discussion is divided into three categories, namely positive links, negative links and neutral links of CSR and financial performance. The journals in the literature review are helpful to validate the broader concept of CSR, formulating hypothesis to find the relationship between CSR and financial performance and an important source of distributing the research findings. Previous research and empirical findings provide a foundation to develop hypothesis in the subsequent chapter.

Chapter 3 provides the summary of the research gap highlighted in the previous chapter. It considers the findings of positive and negative link of CSR and financial performance. The theoretical framework and hypotheses were developed to explain the variables of CSR and financial performance and the rationale of choosing these variables.

Chapter 4 posits the positivist vs interpretivist approach and provides rationale for selecting post positivist approach. It then outlines the research methodology and provides reasoning for selecting mix methodological approach. Following this, it elaborates the reason for combining the primary and secondary data to examine the link between CSR and financial performance. It then defines the population, the sample selection and administration of the data collection. It also outlines the research instruments and techniques which will be used to carry out the research.

Chapter 5 analyses secondary data of four selected retail companies in the UK i.e. Marks and Spencer, Tesco, Next and Primark. Correlation coefficient is performed in MS Excel to examine the link between CSR and financial performance.

Chapter 6 executes and explores the consumer perception of CSR and its link with the perceived sales revenue of the selected retail firms. Descriptive statistics, exploratory factor analysis and principle component analysis of primary data validates the findings of secondary data.

Chapter 7 encapsulates the study and provides discussion of the findings. Moreover, it offers an empirical framework of CSR strategies that can be beneficial for the retail companies.

Chapter 8 contains the summary of the overall study, contribution to knowledge, limitations and recommendations.

1.13 Summary

In recent decades, CSR has gained prominence in both business and academia because companies have responsibility towards different groups of the society or stakeholders. However, the question is whether CSR policies and activities benefit the companies and whether there is any link between CSR and perceived sales revenue of the firms. The subsequent chapter will review the literature in detail and help to understand the problem.

Chapter 2

A Review of Literature on CSR and Financial Performance

2.1 Introduction

This chapter provides information on background and context of CSR and financial performance. Then it presents theories and models of CSR relevant to this study. It throws light on stakeholder theory which states that firms should consider the needs of the customers, investors, suppliers, employees, managers, owners, communities and governments; legitimacy theory which explains how firms should be obliged to act according to the values of the society; and Carroll's model that covers the economic, legal, ethical and philanthropic responsibilities of firms and sustainable development model that invokes firms to be financially, socially, culturally and environmentally accountable in their operations. The chapter then discusses academic literature on CSR and financial performance dividing into three categories such as positive link between CSR and financial performance, negative link between CSR and financial performance and meta-analysis approach of CSR and financial performance. The last section concludes with a summary of the whole discussion and highlights indicative research gaps.

2.2 Background and Context

During the past three decades, researchers have been engaged in search for the causal patterns on the relationship between CSR and financial performance (Wood and Jones, 1995; Michelon, 2010). Many researchers (Reed and Freeman, 1983; Griffin and Mahon, 1997; McWilliams and Siegel, 2001; Wood and Jones, 2002; Phillips *et al.*, 2003, Crane *et al.*, 2008; Brammer and Millington, 2008) have tried to examine the relationship between CSR and financial performance but failed to agree on concise and clear findings.

In 1953, Bowen conceptualized CSR as a social obligation. Carroll (1999) called Bowen the "*Father of Corporate Social Responsibility*" and discussed that the concept of CSR had a diverse history and that there were different ways to define CSR in the academic literature. He proposed a framework through developing a pyramid of CSR that stated how and why companies should fulfil their social obligations. Crane *et al.* (2008) stated that it was unusual to know that a subject such as CSR had been studied for a long time but did not have a common definition or set of principles.

There are three studies that have been categorized to define CSR which could be pin pointed. Klonoski (1991) has differentiated three theories. In this respect, he is of the view that the first group is fundamentalism which states that the corporations are the only legal artefacts and multi-national corporations make use of CSR as a tool to improve profit in compliance with law. The performance of the organizations is affected by their strategic plans and operations in the business market as well as non-market environment (Baron, 2000). Corporate social performance is a construct that captures the elements of non-market strategies. It is defined as business organization's configuration of principles of social responsibility, policies, programs, social responsiveness and observable outcomes as they relate to the societal relationships (Wood, 1991).

Corporate values are set of shared values that establish the way of understanding corporate activities. Thus, these corporate values can affect what a business considers as right things to do. The obligation lies on the part of senior management to play their role to establish and strengthen an ethical environment in the business (Robertson, 2009). To promote ethical values within the business, senior management often publicly notify the importance of ethics and develop policies and codes for ethical conduct (Schwartz, 2005). Ethical perspective of studying CSR is making way for a more economic approach or at least more business-oriented approach (Stormer, 2003; Doane, 2005).

The European Commission (2001) defined CSR as a concept whereby companies integrate social and environmental concerns in their business operations and in their interactions with stakeholders on a voluntary basis. The literature suggests the importance of business ethics which can lead to competitive advantage. However, businesses dealing with ethical obligations can attain competitive advantage and better financial performance by attracting excellent employees, improving company's image of customers, shareholders, and suppliers and avoiding unethical behavior and legal compensations that can damage the company's image (Donker *et al*., 2008).

CSR comprises of the notion that organizations should meet the expectations of the society (Gossling and Vocht, 2007). The pressure of corporate accountability is increasing day by day (Waddock, 2004). This controls the social, moral, legal and financial aspects. As the government restrictions are increasing even in the times of liberalization, consumers' concerns are increasing with the rising transparency of markets. On the top of this customers are asking for sustainable products (Gauthier, 2005). Apart from looking at the financial performance of corporation's portfolio, investors are also valuing the way corporations meet their social responsibilities (Barnett and Salomon, 2006).

While considering the actions of the firm, different stakeholders can have different opinions on what is "socially responsible". For example, Griffin (2000) argues that universal measures for CSR are inadequate because they do not consider the variety of stakeholders' preferences. Stakeholders' evaluation of the firm is quite important because its activities impact the firm's share prices, loyalty of its employees, its consumer support and media attention. In the consistent debate about CSR and corporate financial performance, the potential for stakeholders' demands to compete with one another and consequences of these conflicting demands are rarely considered (Barnett, 2007). Managers are required to clarify the link between CSR and financial performance and balance stakeholder expectations of the firm to be socially responsible against the expectations of financial performance (Bertels and Peloza, 2008).

2.3 CSR and Financial Performance

The question of the relationship between corporate social responsibility and financial performance has been a subject of the investigation by many businessmen, society scholars and researchers all over the world. The performance of business organizations is affected by their strategies and operations in the market and non-market environment (Baron, 2000). There is significant body of work that examines the link between CSR and accounting based indicators of financial performance (Orlitzkey *et al.,* 2003). Barnett (2007) explored that the impact of CSR on the financial value depends on the ability of CSR to influence stakeholders in the firm. Some studies on CSR and CFP show positive results but these connections are sometimes unclear because of methodological concerns and model misspecifications (Margolis and Walsh, 2001; Wu, 2006; Orlitzky *et al.,* 2003).

For instance, Margolis and Walsh (2001) pinpointed 95 empirical studies that were published on this topic between 1972 to 2000. However, there has been great variance within the body of research on this topic mainly because of the differences in the measurements and operationalization of variables, variability in the theoretical perspective and inconsistencies of results and conclusions regarding the relationship between CFP and CSP (Margolis and Walsh, 2001; Orlitzky *et al.,* 2003).

The inconsistencies in the findings can also be due to financial performance measures. While careful consideration is needed to match the theoretical perspective of the research, numerical quantification of the financial reports should also be very precise (Margolis and Walsh, 2002). Although financial matters are precise issues, a wide variety of different corporate financial performance measures have been used in the past studies (Griffin and Mohan, 1997; Margolis and Walsh, 2002). Different studies employed different variables to examine the relationship. Stock price change, earning per share (EPS) growth, price per share change, return on equity (ROE), net income, price earnings (PE) ratio, net profit margin, operating earnings, assets, operating profits, sales revenue and return on capital employed (ROCE) were determined as variables for economic performance (Ullmann, 1985). Some other studies applied stock market based and accounting based measures such as total assets, return on assets (ROA), sales growth, operating income growth and asset growth (Ullmann, 1985; Rodgers *et al.,* 2013).

The selection of the correct financial measures should come out from theoretical perspective to the research design. When the research design is seeking for the correlation of CSR and financial performance for the past period, accounting based measures are considered to be better choice as they measure past performances. In fact, there was a case of past research studies on CSR and financial performance where more than one measure of financial performance was used (Griffin and Mohan, 1997; Rodgers *et al.,* 2013).

2.3.1 Positive Link between CSR and Financial Performance

There are different rationales attributed to the theory of CSR. These rationales include legal, ethical, financial and discretionary rationale. The financial rational of CSR is that companies contribute to CSR to be more profitable (McWilliams and Siegel, 2001). Retail firms involve in CSR strategies to fulfil their short term or long-term goals and actively communicate their achievements to promote images in various stakeholders (Du *et al.*, 2010). The legal rational manifests that companies act in socially responsible manner to comply with international or domestic rules and regulations. The ethical rational relates companies CSR initiatives to the basic completion of ethical standards of the businesses without any strategic goals. Finally, discretionary rationale where companies go beyond social expectations and adopt proactive CSR (McWilliams and Siegel, 2001).

Many studies had been carried out to postulate that CSR activities were positively linked to financial performance (Pava and Krausz, 1996; Preston and Bannon, 1997; Beurden and Gossling, 2008). Corporate reputation can also play a key role in creating positive relationship between CSR and corporate financial performance (CFP) (Beurden and Gossling, 2008). Such a reputation can benefit the company in different ways such as improving the productivity and employee morale. Since the beginning of CSR debate, societies have changed considerably. Therefore, it can be clearly said for the present western society that good ethics is good business (Beurden and Gossling, 2008).

Chand (2006) examined the link between corporate social performance and financial performance and argued that inconsistencies in the results can be because researchers used different types of industries and measures of financial performance. According to Chand (2006), results on CSR and financial performance would be reliable and valid if researchers used single industry and same measures of financial performance. He empirically examined 51 studies and observed that a clear positive link could be indicated between CSR and financial performance by controlling the industry. But the main problem with Chand (2006) study was that he focused on using same measures of financial performance and controlling the industry type but did not mention the same variables for CSR.

Environmental management practices (EMPs) play a key role to enhance financial performance (Orlitzky *et al.,* 2003; Montabon *et al.,* 2007). Montabon *et al.* (2007) investigated the relationship between CSR and financial performance and conducted an empirical research of 45 corporate reports with the help of content analysis approach. The findings revealed significant positive relationship between firm’s financial performance and EMPs. Same approach was adopted by Orlitzky *et al.* (2003) who applied content analysis, meta-analysis and correlation analysis and found a strong positive correlation between corporate environmental performance and corporate financial performance. So, the findings of Montabon *et al.* (2007) corroborate with Orlitzky *et al.* (2003).

In the study of CSR and financial performance, Ameer and Othman (2012) investigated the impact of sustainable activities such as ecosystems and environmental performance, ethical standards, diversity and community on financial performance. The population for the study consisted of 100 top sustainable global companies in 2008 from developed countries and emerging markets for the period from 2006 to 2010. They used revenue, return on assets (ROA), profit before tax (PBT) and cash flow from operating activities as indicators of financial performance. Four hypotheses were tested using content analysis and regression analysis. Hypothesis were formulated on the basis that firms that correspond to set of responsibilities under higher sustainable practices have better financial performance as compare to those firms that do not engage in sustainable practices. The results of the analysis demonstrated that there was a correlative causality between financial performance and practices of social responsibility of the firms. However, the main weakness of the study is the failure to address the validity issues because data was collected using qualitative content analysis which is prone to bias and subjectivity. It would have been more useful if they had used combination of secondary and primary analysis to validate the findings.

Liston-Heyes and Ceton (2009) conducted a quantitative research to investigate real versus perceived corporate social performance (CSP) of S and P 500 firms. S and P 500 is an American Stock Market index based on the market capitalization of 500 companies. With multiple regression analysis, they analyzed the difference between perceived CSP against actual CSP, based on the measurements of Fortune and KLD databases. The main aim of the study was to measure the difference between two rankings and encompass if a systematic interpretation comes into existence. They represented the arguments with the help of eight hypotheses. The sample of 242 firms was derived from most Admired Companies Database in 2002 ranked by Fortune and KLD. The companies were selected and traded on S and P (standard and poor) 500. The authors used multiple regression analysis and formulated eight hypotheses. The results revealed that there was a basic difference between two variables or measurement tools. In their innovative way of evaluating the role of CSP, Liston-Heyes and Ceton (2009) concluded that there was small positive correlation between Fortune Social Ranking and KLD.

Another significant impact of CSR on financial performance was found by Flammer (2015). Her study focused on impact of eco-friendly programs on the stock market. She conducted an event study by looking at 273 articles published in the Wall Street Journals (WSJ) for the press coverages on the responsible and irresponsible behavior on environment for the US publicly traded companies between 1980 to 2009. She based her arguments on the instrumental stakeholder theory where organizations eco-friendly activities to improve their financial performance. The study found that stock market reacted positively to the announcement of eco-friendly activities. However, this wide-ranging study tended to focus on environmental side of CSR and avoided other aspects of it, therefore it fails to fully cover the topic of CSR.

Enhanced corporate reputation may lead to better stock returns either through cost reductions and productivity improvement or indirectly through an improvement in the firm's overall standing. Brammer and Pavelin (2006) stated that having social conscience could lead to increase the profitability of the firm and satisfy the stakeholders such as employees, consumers and government. They used exploratory analysis to measure different dimensions of CSR, such as philanthropic activities, good treatment of employees, and reduction of adverse environmental impacts. The findings revealed that strong CSP may damage or improve firm's reputation depending on the strength of the activity to the stakeholders. This study suffered from a drawback that the data on corporate reputation was derived from the views of market analysts and managers which was prone to bias.

Unlike other researchers who focused only on environmental aspect of CSR, Peters and Mullen (2009) investigated the link between the cumulative effects of CSR and the financial performance and agreed that CSR is an important consideration for the firms and the stakeholders. In their study, they used time series data to analyse the relationship between the cumulative effects of CSR and the firm's future financial performance. The researchers believed that the cross-sectional analysis of the CSR and firm's financial performance only emphasized the short-term value of CSR, therefore ignoring the long-term organizational investment and sustainability. They aimed to test the theory that CSR resulted in higher level of financial performance and tested the direct effects model proposed in the previous research such as McGuire *et al.* (1988), Waddock and Graves (1994 and 1997) and developed by Berman *et al.* (1999). Direct effect model was the estimation of causal effect of CSR on financial performance without using intermediating variables (McGuire *et al.*, 1988; Berman *et al.*, 1999).

Peters and Mullen (2009) selected a sample of top 100 US firms on the fortune 500 list and data was collected from 1991 to 1996 for the six years using longitudinal data analysis. By using the KLD database, the ratings were determined by quantitative data such as annual reports, proxy statements and qualitative data such as company announcements, media publicity and reports in business press. Moreover, they used five dimensions of CSR i.e. employee relations, diversity, local community, natural environment and product safety quality by combining them into a single construct, corporate social performance (CSP). For the financial performance, return on assets (ROA) had been used as an indicator of financial performance. Using the multiple regression analysis, the time series cumulative approach found the positive link between CSP index and financial performance. Although it was an impressive study to find positive relationship between cumulative effects of CSR and financial performance, however, the method of analysis used in this study suffered from a major problem. Serious drawback of using direct effect model was not covering the mediating variables in this study.

Gradually, business case for CSR came into existence where organizations realized the potential benefits of CSR. For instance, Schreck (2011) promoted business case for CSR and proposed that if profit maximizing interests and CSR can be demonstrated through business case, conflicting ideas such as CSR is a poor investment can be avoided or reconciled. His results indicated no evidence for the positive link for CSR and economic performance. However, findings resulted a strong positive link between organizational financial performance and stakeholder related issues.

Good social performance should go accordingly with good financial performance as it is required to synthesize good social responsibility politics. Moneva *et al.* (2007) studied 52 Spanish firms in six sectors. The sectors comprised of basic materials, petrol and power, consumer goods, industry and construction, consumer services, real estate and financial services, telecom and technology and these sectors were measured with CSR level based on global reporting initiatives (GRI) which is international independent standards organization that supports governments and businesses to understand and communicate the effect of their policies on the issues such as human rights, climate change and corruption. They found that only 58% of the firms produce CSR or sustainability reports and 63% of them follow GRI guidelines (Moneva *et al*., 2007). Moreover, they stated that stakeholder-oriented industries have generated higher returns both on their return on assets and shareholder funds in comparison to shareholder-oriented ones (Moneva *et al*., 2007). The problem with this study was the use of different sectors which required different standards and policies to disclose in their CSR reports. It would have been better had the researcher used one sector for the sample.

CSR performance is driven by intangible characteristics of the firm rather than by financial performance. Nelling and Webb (2009), for instance, investigated the causal relationship of CSR activities employed by the firms and their link with financial performance. By using secondary data and traditional statistical techniques, they found that two variables seemed to be linked. Furthermore, when times series fixed effects approach was used, the link between CSR and financial performance appeared to be weaker from earlier studies. KLD Socrates Database was used as the secondary source of data to measure CSR. They gathered a summary of statistics for the measurement of CSR and financial performance and control variables. They concluded that causal link between CSR and financial performance was consistent with earlier research. Traditional statistical techniques such as OLS regression model was used to find the positive link between the two variables. The study concluded that link between CSR and financial performance was weaker than acknowledged in the published researches in the past. With respect to CSR, they further stated that stronger stock market performance results in greater investment in the firm and CSR activities do not impact financial performance. They also considered some innovative elements such as unobservable characteristics or persistence that could add value to the type and degree of CSR activities. However, the problem for this study was inability to define those intangible characteristics properly.

There is a notion that strategic development in CSR can lead to better financial performance. Samy *et al.* (2010) analyzed the relationship between CSR and financial performance. The indicator used for financial performance was earning per share (EPS). The researchers selected 20 UK based corporations and used regression analysis to examine that strategic investment in CSR can increase profits while satisfying all types of stakeholders. The results of the study indicated positive relationship between CSR and earnings per share (EPS). Furthermore, they argued that *"CSR policies of corporations could make an impact to the* *bottom line of corporations as consumers and investors become more civic conscious"* (Samy *et al.*, 2010, p.10). Further it was stated that *"CSR investments are not just another business cost but are essential for the firms continued survival in the ever-increasing competitive business world of today"* (Samy *et al.*, 2010, p.2). The statements of the authors manifest the importance of CSR to enhance financial performance. Although this study provides detailed analysis of the relationship between CSR and financial performance, yet there are some issues of generalizations due to the small sample size and using single indicator for financial performance.

Mujahid and Abdullah (2014) analyzed the impact of CSR on financial performance as well as on shareholders' wealth in Pakistan. They identified 10 firms with high CSR disclosures and 10 firms with no CSR and tried to understand differences in their financial data of 2011. Financial data for Return on equity (ROE), return on assets (ROA) and earning per share (EPS) were gathered from annual reports of the selected companies. They tried to find out whether there was any difference in shareholder's wealth of highly CSR and non-CSR companies and concluded a positive relationship between CSR and financial performance. A major drawback of this study was the fact that period chosen for this study comprised of one year which was short considering the long-term effects of CSR. Another weakness of this study was that size of the selected companies was avoided which could have played an important role in companies' financial performance and their investment on CSR activities.

There was a notion that high level of social performance increased economic value of the firms. For instance, Ahmad *et al.* (2017) examined the effect of CSP on financial performance in the financial sector of Bangladesh. Data sample of this study comprised of 23 financial institutions and 30 banks listed in Dhaka Stock Exchange (DSE) in 2014. The authors first divided the banks in two groups in terms of CSR performance on socially neutral and socially active. Based on the categories, both groups were measured up within the financial market and financial performance indicators i.e. ROA, EPS, ROE and stock returns. The authors concluded that high level of social performance showed better performance economically than those with neutral level of CSR. Ahmed *et al.* (2017) and Mujahid and Abdullah (2014) yielded positive findings but their studies suffered from same weakness of using short period of one year for data analysis which was insufficient to measure the long-term effects of CSR and therefore, their findings cannot be generalized.

Marcus (1993) revealed the positive relationship between CSR and financial performance and cited that firms having good impact on society were found to be more profitable. According to him, good social responsibility contributes to financial performance. He further stated that socially aware and concerned management may possess added skills such as sensitivity to external forces and adjustments to external pressures, may help them to run a company in the traditional finance sense. Good financial performance may be pre-requisite for the firms expected to be socially responsible as if a firm is not profitable, it is difficult to show good performance socially. Benefit cycle becomes evident when good financial performance contributes to strong social performance which as result turns into strong economic performance. Therefore, this vicious cycle continues when poor financial performance gives birth to poor social performance (Marcus, 1993).

Firms and society depend on each other for their wellbeing and their cooperation can be beneficial for the firms in the long run. Companies doing socially good can improve their reputation and customer loyalty which can reduce the risk of consumer boycotts or becoming the target of lawsuits which can attract socially concerned consumers and investors (Porter and Kramer, 2002). Apart from that CSR may prove to be an organizational resource to boost internal performance. For instance, investments in CSR may help firms to develop new capabilities, resources and competencies which can be seen in firm’s culture, human resource, technologies and structure. Moreover, it can help management develop better scanning skills, information systems, processes which can prepare an organization for external risks, crisis or turbulence and changes. So, these competencies adopted through CSR processes would then lead to better utilization of profits (Marcus, 1993). Economic related proactive CSR makes value by creating development of different and new products needed by the consumers. However, CSR dimension requires effective management of different types of economic capital that firms need to acquire a long- term perspective of CSR not only in management but also in decision making processes. These decisions making can guarantee cash flow, enough to create liquidity which can produce persistent returns for the shareholders (Dyllick and Hockerts, 2002).

Maxfield (2007) focused on learning and adaptation of strategy aligning with CSR. He rationalized the amalgamation of competitive strategy and corporate citizenship. He further explained Porter’s Five Forces framework which was based on the neoclassical theory of an organization and favored the difficulties of the reconciliation of CSR. He supported the argument that CSR improved productivity, employee morale, brand differentiation and innovation. He went on to say that companies should engage in CSR willingly and should be proactive in their approach rather than enacting as a result of outside pressures (Maxfield, 2007).

Bowen (2007) recognized an implication of CSR that the firms should align their resources with opportunities with-in the society and achieve them efficiently. Through the application of resource based and behavioral approaches to CSR, theoretical foundations have been created and can be relied on for the business leaders to develop and execute CSR strategies (Bowen, 2007). York (2009) exhibited the adoption and function of ethics in the CSR strategies and business decision makings while creating a competitive strength with the help of pragmatic approach. His main arguments were based on the combination of business and environment to develop a higher level of performance and awareness.

Retail businesses seem to strengthen strategic CSR in order to stabilize their financial turnover and recover from the financial or social failures. Kemper and Martin (2010) argue that *"instrumental CSR in which firms would make financial gains simply by doing good may have sustained the greatest image of all CSR theories. This is in part because there are few rewards for any firm in this climate, and the proportion of profits attributable to benevolent deeds is yet smaller"* (Kemper and Martin, 2010, p.236). These scholars further went on to say that strategic CSR may enhance reliability and trust and indirectly pose a financial stability that the businesses crave.

Hill *et al.* (2007) examined CSR with the help of a comparison of stock return (SR) across the wider stock market of three regions in the world i.e. Asia, Europe and US. The results indicated that only European countries showed a short term better economic performance in the equity market but for the longer term, none of the statistics proved significant. However, the researchers observed that both the European and US countries' portfolios exceeded other comparison market in the longer term of ten years. Furthermore, they pondered that by taking these results together, the findings suggest that being considered as socially responsible by investors may leave a positive impact on the valuation of the firm.

Carroll and Shabana (2010) supported business case for CSR and referred to the supporting elements that provide the desired results for engaging in CSR activities. It is clear today that there is increased awareness, attention and support for the business case from practitioners and academics to the businesses (Carroll and Shabana, 2010). According to them, this start is important not only being able to gain financial profits but also in a situation where there are no favourable profits for the firms. Therefore, it is imperative for the management of an organisation to fully understand the situation of CSR initiatives and they should pursue those CSR activities that create a balance between economic objectives and social objectives (Carroll and Shabana, 2010). They further concluded that business cases favor the efforts of the organizations that engage in CSR activities are not only financially rewarded but also create opportunities for the stakeholders to support CSR activities.

A recent study by Gatsi and Ameyibor (2016) examined the relationship between CSR and working capital of selected 43 UK companies listed in London Stock Exchange for the period of 2005-2012. Secondary data was collected from the annual reports of the companies. CSR disclosures was used as indicator of CSR and working capital was extracted as a variable of financial performance. Descriptive statistics, correlation metrics and regression analysis were performed to test the relationship between CSR and financial performance. Findings showed non-significant positive link between CSR and working capital of UK companies. The problem with this study was that the authors relied too heavily on secondary data and only one variable for financial performance was used.

Geetika *et al.* (2017) investigated the link between foreign institutional investment and CSR of Indian firms in energy sector for the period from 2010 to 2015. CSR expenditure and CSR disclosures were used as indicators of CSR. Using secondary data, regression analysis was used to analyze the impact of CSR on profit after tax (PAT), return on assets (ROA), return on equity (ROE) and market capitalization of the firms. The findings revealed that there was strong bi-directional link between CSR and financial performance. However, the results would have been robust if the study period would have been longer considering the long-term impact of CSR on the foreign investors.

Choi *et al.* (2010) studied the empirical relationship between CSR and financial performance in Korea from the period of 2002 to 2008. They used ROE and ROA as indicators of financial performance and found positive link between CSR and financial performance. Lucyanda *et al.* (2012) examined the firm's characteristics and CSR disclosures. Environmental concerns, earning per share, firm leverage, firm's profile and age were considered as main factors. The sample was derived from Indonesia stock exchange from 2007 to 2008 using multiple regression analysis. They concluded that firm's profitability, size and earning per share (EPS) have significant influence on CSR. Weshah *et al.* (2012) explored Jordanian banks listed in Jordan Stock exchange and found significant link between CSR and corporate financial performance. Some studies used partial financial performance measures such as productivity and increase in sales (Prado *et al.,* 2008), profit before tax and profit after tax (McWilliams and Siegel, 2000; Lopez *et al.,* 2007).

Vilanova *et al.* (2009) examined the relationship between CSR and competitiveness by implementing qualitative research. The aim of the study was to determine the competitive factors and how organizations evaluate and describe them. Vilanova *et al.* (2009) reviewed the state of relationship between CSR and competitiveness. They compared company valuation method with CSR criteria set by the financial analysts. Apart from that the results of competitiveness of the European financial sector and multi stakeholder dialogue on CSR were presented. Balance sheet methods, mixed or goodwill-based methods, cash-flow discounting methods, income statement-based methods were among the valuation methods which were used. Apart from stock ratios and standard financial performance, valuation methods included in depth qualitative analysis of intangibles. Findings of the study revealed that combining CSR with business practices increased competitiveness of the firms. So, their study highlighted the importance of the effect that CSR leaves on the external environment which can also impact different stakeholders constantly with evolutionary ways to achieve desired objectives e.g. financial gains. The major limitation of the study was the degree of bias based on the individual experiences of the analysts conducting the research. There were large number of recommendations and valuations which were based on the views of analysts so there were more chances for the study to be partial.

In recent years, there has been proliferating number of literatures on wider aspects of CSR. For instance, Neville (2008) conducted a study of pro-activeness in conscious capitalism. Conscious capitalism means that businesses should serve the interests of all stakeholders i.e. employees, customers, investors, suppliers, communities and environment. He involved multiple sources of data which included various stakeholders. Neville (2008) applied various assumptions of conscientious capitalism such as organizational and global societies, money as a holistic state and interconnectedness among individuals. He conducted the study with thirty-eight executives relating their responsibility in business practices that were helpful to create mutual benefits for the society in general and company in particular. Neville (2008) used case study approach to collect data. He collected primary data by attending company summit meetings as a participant and active observer using appreciative enquiry model. During the meeting process, participants discovered collective vision for the future, deriving information from industry history and learning from other companies, carving a shared and motivational future and framing plans and actions for leveraging the firm's positive and competitive points (Neville, 2008). He demonstrated through the application of transformational design and concluded that the associated profitability of the organization is linked with how good it can do for the others and society. He integrated the information derived from interviews and observations and assisted such viewpoints through quantitative methods of economic numbers. These numbers indicated net profit growth over a period of ten years from 1996 till 2006 contributing to the society (Neville, 2008). The problem with this study was the element of bias involved in the collection of primary data as it involved author's personal observations in the executive meetings.

Measuring the effect of corporate donations on business, society, reputation and stakeholder satisfaction, Maas and Liket (2011) based their study on legitimacy and institutional theory. They selected 500 companies listed on Dow Jones Sustainability Index (DJSI) and used longitudinal cross- sectional data to test the relationship. Findings revealed that between 62 to 76% firms measured the impact of donations on stakeholders, society and business. The major weakness of this study was to empirically test reputation. It would have been better, had they used interviews or surveys to measure impact of corporate philanthropy on stakeholder satisfaction and reputation.

Khan *et al.* (2013) investigated the link between CSR and corporate reputation in Pakistan. Primary data was collected through survey questionnaire. Questionnaire was devised based on the four dimensions i.e. customer-oriented responsibilities, environment-oriented responsibilities, community-based responsibilities and legal responsibilities. Inferential statistics in the form of Pearson's correlation and regression analysis were used to analyze data. 125 questionnaires were distributed among various stakeholders i.e. local community, consumers and environment protection agencies of cement industry in Pakistan. Findings of the study revealed positive relationship between CSR and corporate reputation. One problem for this study was the issue of generalization due to small sample size. Findings could have been more persuasive, had the researchers increased sample size.

Nyoro (2015) used the combination of qualitative and quantitative data to analyze CSR and its impact on the mobile telephone industry in Kenya. Descriptive statistics, interviews and secondary sources were used to obtain data. Qualitative data was gathered from different level of management interviews and was analyzed using interpretations and thematic summaries. Quantitative data was analyzed using descriptive statistics. Findings of the study proposed positive link between CSR and firm's competitiveness.

Many studies evaluated in this section used different measures of CSR and financial performance. ROA, ROE, ROCE, EPS, stock returns, working capital and profit after tax were among the few variables used for financial performance. Whereas environmental performance, community work, co2 emissions, philanthropic activities, cumulative effects and KLD measures were selected as variables of CSR. Most of the data was collected from CSR reports, financial reports and companies' websites. The research to date on positive relationship of CSR and financial performance has focused on secondary data and scarcely there has been a use of primary data (see table 2.1). Short period selected for the data analysis has been a serious limitation noticed in some recent studies which has created generalizability issues.

2.3.2 Negative Link Between CSR and Financial Performance

On the contrary to positive relationship, some studies suggest negative relationship between CSR and financial performance. Balabanis *et al.* (1998) studied 56 large corporations in UK to investigate the relationship between CSR and economic performance of the corporations. They tested the relationship between CSR disclosures (environmental performance, philanthropic activities, gender equality, political donations) and return on capital employed (ROCE), return on investment (ROI), gross profit to sales ratio and capital market performance. By using correlation coefficient, the study found that results lacked overall consistency and contained variations in firm's engagement in philanthropic activities. The findings indicated weak but inconsistent relationship between CSR and financial performance. Barnea and Rubin (2005) supported the findings of Balabanis *et al.* (1998) and reported negative impact of CSR on the financial performance. Furthermore, they concluded that environmental actions were supposed to be costly, thus they were negatively linked to financial performance (Balabanis *et al.*, 1998; Barnea and Rubin, 2005). However, as these studies were conducted over a decade ago, it might have been easy for the companies to avoid investing on environmental activities, but looking in the modern period, it is requisite for the firms to be environment friendly.

Lack of consensus on the relationship lead many researchers to investigate CSR and financial performance in different markets. For instance, Aras *et al.* (2010) investigated the relationship between CSP and financial performance in emerging markets. The authors explored the CSR and annual reports of Istanbul Stock Exchange (ISE) 100 index firms for the period from 2005-2007. The variables used for financial performance were return on equity (ROE), return on assets (ROA) and return on sales (ROS). In the study, CSR was used as an independent variable whereas profitability was used as a dependent variable. The authors stated three hypotheses with the aim of assessing the impact of CSR on profitability and applied different statistical tools to test them. For instance, to test first hypothesis which was ‘improved corporate social performance leads to better financial performance’, regression analysis was applied. The correlation metrics were applied between CSR and financial data to test the other two hypotheses. The findings revealed non-significant relationship between CSR and financial performance measures. Furthermore, significant negative relationship between control variables of risk and financial performance was noticed. However, this study comprised of two years, the result would have been more reliable had the researchers used longer period.

Many researchers applied accounting based measures to examine the link between CSR and CFP. For instance, Iqbal *et al.* (2012) examined the relationship using market value of share, use of debt to acquire additional assets, return on equity (ROE) and return on asset (ROA) as measures of financial performance. The sample for this study consisted of 156 companies from different sectors such as chemical sector, textile sector, cement sector and tobacco aggregate listed on Karachi stock exchange for the period of 2010-2011. Secondary data was collected from published reports of the selected companies. Descriptive statistics, regression and correlation analysis were applied to conduct the study. The study reported negative impact of CSR on the market value of selected companies. However, the results of this study were not robust enough because researchers relied only on the secondary data analysis. The findings would have been more interesting if the authors had included primary analysis.

Due to the complexity of the topic, it was not surprising that researchers used different approaches to measure CSR. Mulyadi and Anwar (2012) investigated the relation between CSR disclosures and profitability of 30 Indonesian corporations. Global reporting initiative (GRI) was used as a measurement of CSR and profitability for financial performance. Secondary data was collected from CSR and annual reports of the selected firms' websites. Authors used linear regression model to test the relationship between CSR and profitability. Findings revealed no significant relationship. Like other studies, this study was also limited to secondary data.

To investigate the effect of CSR on profitability, Abiodun (2012) selected 10 firms listed on Nigerian Stock Exchange. The study utilized secondary data comprised of annual reports between 1999-2008. Ordinary least square regression model was used to find out the relationship between CSP and profitability. Moreover, correlation analysis, regression analysis and analysis of variance (ANOVA) was used to analyze the relationship between two variables of CSR and financial performance. The findings showed negative relationship between firm's CSR activities and profitability. However, due to small sample size, the findings of this study cannot be generalized.

Using one dimensional measure of CSR, Khan and Hassan (2013) analyzed donations and its impact on the financial performance of the 19 public companies in Pakistan. They collected data on financial performance using measures such as return on equity (ROE), net income and revenue from annual reports of the selected companies. The public companies, nominated for the award by National Forum for Environment and Health (NFEH), were selected for the study. By using EViews software, the least square method was applied to analyze the relationship between CSR and financial performance, but the results were found negative. This study suffered from generalizability issues as it was conducted in developing country which made it difficult to apply its findings in developed countries such as UK.

Inconsistencies in the findings were noted by Adeneye and Ahmed (2015) who examined the influence of CSR on financial performance of 500 UK companies. They chose market to book value (MBV), return on capital employed (ROCE) and company size as indicators of financial performance whereas CSR was measured using CSR index. Pearson's correlation analysis, regression analysis and descriptive statistics were run to test the relationship. The findings revealed that CSR had a negative relationship with size of the firms whereas positive impact on MBV and ROCE. The inconsistencies in the results could be due to selection of large sample from different industries. Findings could have been conclusive if the researchers restricted their sample to one industry.

Based on the stakeholder theory, Inoue *et al.* (2011) investigated the link between CSR and financial performance in sport industry. By using charitable data as a proxy of CSR, the study examined the link between CSR and financial performance in the four major U.S leagues. The population consisted of U.S based professional sport teams that belonged to four major leagues, namely, major league baseball (MLB), national basketball association (NBA), national football league (NFL) and national hockey league (NHL) from 2002 to 2006 (Inoue *et al.*, 2011). CSR involvement had been measured using annual charitable contributions made by team related foundations. The amount of annual charity contributions was collected during the five years period from 2002 to 2006 through each foundation's internal revenue service (IRS). According to IRS, these firms were legally bound to provide information regarding their activities including donations through the filing of form 990 which was a United States' internal revenue form that offered financial information to the public about non-profit organizations. The indicators used for financial performance were operating margin and attendance. The authors used operating margin because it was one of the most commonly used performance-based measures in the CSR-CFP literature (Griffin and Mahon, 1997). Attendance, the second indicator of financial performance had been operationalized as total attendance of each franchise's home game and has been frequently used in sport management literature.

Furthermore, Inoue *et al.* (2011) used two controlled variables which were size of the firms and year. Two methods of the multiple regressions i.e. aggregate regression models and individual league model were used to investigate the effects of CSR on operating margin and attendance. Despite having positive hypothesis which was based on the stakeholder theory, the aggregate regression analysis showed that the results were found negative finding no relationship between the two variables. Despite providing the rigorous analysis of CSR and corporate financial performance (CFP) relationship using the single industry analysis, the insignificant results of this study may have a measurement issue as the operating margin and some other financial variables were tested using the estimates of financial data as most of the U.S professional teams might not have disclosed actual financial data to the public.

Hirigoyen and Rehm (2015) used multi-dimensional aspects of CSR to examine their causal relationship with financial performance. Various dimensions for CSR were used such as social commitment, human resources, human rights on the workplace, respect for the environment and governance and market behavior. Return on equity, return on assets and market to book value were used as indicators for financial performance. Secondary data was collected from 329 companies in three geographical areas i.e. United States, Asia pacific and Europe from 2009 to 2010. Granger causality test and linear regression analysis were used to examine the link between CSR and financial performance indicators. Findings revealed negative relationship between CSR and financial performance. Although this study comprised of large sample, however, it suffered from a major drawback of having data set from one year which was inappropriate considering the long-term effects of CSR.

2.3.3 Intricate Relationship between CSR and financial performance

Many scholars hold the view that the concept of CSR is complex and require more explanations. There is a notion that theoretical conclusions and aggregate results existed in the literature regarding the relationship of CSR and financial performance were indecisive (Donaldson and Preston, 1995; McWilliams and Siegel, 2001; Porter and Krammer, 2007; Power *et al.*, 2009) supported the controversial link between CSR and financial performance.
Many authors pointed out that the relationship between financial and social performance was not that straightforward, rather it resembled inverted U-shape Curve (Bowman and Hire, 1975; Moore, 2001; Wang *et al.*, 2008; Barnet and Salomon, 2012). Ullman (1985) restated the findings of Bowman and Hire (1975) and noted that overall these findings from the previous researchers were complex in nature. Moreover, based on the previous findings of inverted U-Shaped Curve, Moore (2001) urged the need of non-linear model that could compensate the shortcomings of positive and negative impact theories which described only positive or linear negative relationship.

McWilliams and Siegel (2000) studied the impact of CSR on financial performance and identified intensity in R&D (research and development) investment as a variable of financial performance. They discussed correlation of CSR and R&D and used Compustat data to information on CSR provided by KLD database which provided ratings of corporate social performance (CSP) for investors and portfolio managers. Compustat was a database of statistical, financial and market information on global companies throughout the world. They used a data series of 524 firms for the years 1991-1996 and used descriptive statistics and correlation matrix for the variables i.e. CSP, R&D to sales ratio and financial performance. The findings showed neutral correlation between CSP and profitability. It was an impressive study because it introduced R&D as an important factor which could affect financial performance.

Barnett and Salomon (2012) asserted that relationship between corporate social performance and financial performance was U shaped. Firms with low corporate social performance had better financial performance as compare to the firms with moderate social performance. On the other hand, firms with high social performance had highest corporate financial performance. The results were explained by the fact that stakeholder influence had a knack of bringing profitability from social responsibility.

Buckingham (2012) investigated the impact of CSR on financial performance. Three variables of CSR i.e. employees, community and environment were selected to examine their relationship with indicators of financial performance i.e. return on sales, profitability and market value. The researcher collected data from Ethical Investment Research Information Services (EIRIS) over the period of 2003-2007. Ordinary Least Square (OLS), descriptive statistics and Generalized Method of Moment (GMM) were applied in order to test the hypothesis. The findings showed mix results as CSR had a positive relationship with ROA, negative impact on ROS (return on sales) and weak positive relationship with profitability. This study shared a significant similarity with other studies as it continued the tradition of using secondary data to analyze the performance.

Some critics (McWilliams and Siegel, 2000; Tsoutsoura, 2004) questioned the link between CSR and financial performance and asserted that even if CSR lead to profitability, it would be difficult to link such benefits to CSR. McWilliams and Siegel (2000) claimed that CSR could lead to invisible benefits such as good reputation which might draw the attention of the customers. Tsoutsoura (2004) stated that it was difficult to identify real attributes of CSR and therefore it could not be linked with financial performance. In short, causation mechanism became complex and hard to be tracked or identified.

Empirical and theoretical complexities surrounded in the relationship of CSR and financial performance can hardly be overlooked (Orlitzky, 2008). Many researchers tried to identify the reasons for the inconsistent results in this debate. For instance, Taneja *et al.* (2011) found that it was the ambiguity of the CSR definition and tools of measurement which was responsible for the inconsistent results. Many researchers supported this view point (Blowfield and Murray, 2011; Galant and Cadez, 2017) and stated that due to different variables of CSR, it appeared to be difficult to state what were the responsibilities of the firms. These scholars were fair to make these statements because critical review of the literature suggested that researchers used different indicators for CSR and financial performance which could have caused inconsistent or mix results.

Researchers have shown positive, negative and intricate relationship between CSR and financial performance (see table 2.1). Some scholars even think that relationship between CSR and CFP may be of U shape rather than linear (Barnett and Salomon, 2002). In contrast to other explanations of CSR and financial performance, Ullman (1985) argued that it was difficult and sometimes impossible to identify the real impact of CSR. He further joined the argument by stating that if there was a change in the profitability or revenue, it would be difficult to measure or even link them with CSR (Ullman, 1985). Similarly, another argument for the apparent negative relationship was the complexity to link possible returns with social expenditure on the same time frame, there is imparity in timing (McGuire *et al.*, 1988; Orlitzky *et al.*, 2003). McGuire *et al.* (1988) proposed that social responsibility may encourage consumer goodwill and employee motivation, but it should not be asserted that it leads to economic performance. Furthermore, Tsoutsoura (2004) identified that in various cases, the time frame of benefits and costs could be out of proportion. This occurred in longitudinal studies where implications of cost were almost immediate whereas profits were recognized much later (Tsoutsoura, 2004). Some researchers used one-year (Mujahid and Abdullah, 2014; Ahmad *et al.*, 2014) whereas others used two years (Aras *et al.*, 2009) time-frame which did not capture real effect of CSR.

2.4 Meta-Analysis Approaches of CSR and Financial Performance

In many studies of meta-analysis, CSR seems to have positive, negative and neutral effect on financial performance (Roman *et al.*, 1999; Orlitzky *et al.*, 2003; Wu, 2006; Mishra and Modi, 2013). Wu (2006) studied the consistent linkage between CSR and corporate financial performance and conducted a meta-analysis of 121 empirical studies to investigate the relationship between CSP, CFP and size of the firms. The analysis was categorized into three groups. The first set of analysis included 38 studies which revealed positive relationship between CSP and CFP. The results of sub-group analysis showed that profitability, growth and asset utilization were better predictor of social performance than market-based measures (Wu, 2006). Moreover, he found that reputation index had the strongest relationship with CFP and the social concern had the weakest link. Wu (2006) used a second set of meta-analysis which included 95 studies and found no substantial relationship between size and CFP. The final set of analysis included 33 correlations, but no relationship was found between size and social performance of the firms (Wu, 2006).

Margolis and Walsh (2003) scrutinized 127 studies from 1972-2002 to examine the link between CSR and financial performance. From these studies, 109 had studied the link between social performance and financial performance. Out of these studies, authors concluded that 54 of them had reported a positive link, 28 studies reported a non-significant link whereas 7 reported negative links. This result was also confirmed by Orlitzky *et al.* (2003) who included empirical studies of Ruf *et al.* (2002), Kunar and Cohan (2001) and Murphy (2003). Orlitzky *et al.* (2003) conducted a meta-analysis of 52 studies and found a positive link between CSP and CFP, supporting the idea that socially responsible activities can be beneficial for the companies. Later, Bird *et al.* (2007) questioned the broad range and large number of variables in the meta-analysis and thus challenged its validity. Apart from that scholars interested in the CSP and CFP link have suggested a focus on the fewer variables or measures not only to increase the validity but also generalizability (Griffin and Mohan, 1997; Bird *et al.*, 2007).

Taneja and Gupta (2011) analyzed the synthesis and assessment of CSR activities and examined the academic literature on CSR and performance using methodological and paradigmatic lens from 1970 to 2008. The researchers undertook the research by using the citation from Ebsco's Business Source Premier, JSTOR and Emerald citation indexes. On the initial stage, the researchers generated 2305 articles from the citations out of which 278 articles were selected based on abstract, methodological nature of the review and theoretical issues having great importance in CSR literature. Finally, 80 articles were chosen which had strong CSR theme towards social impact.

The findings showed that 82% of the researchers used quantitative research approach using longitudinal studies. Furthermore, the researchers find out that the most commonly used secondary data base sources on CSR and financial performance comprised of published financial and non-financial reports. The use of quantitative research approach involved survey designs with the help of structured or semi structured questionnaires and interviews. The most commonly used secondary sources were COMPUTAST for financial data, Fortune reputation survey, environmental ratings, annual reports of the companies and KLD database. Moreover, cross sectional studies by primary or secondary data had been equally prevalent in the literature. The researches carried out in the CSR literature, used multiple data analysis techniques using both quantitative and qualitative research approaches. Descriptive statistics, regression analysis, correlation analysis, variance analysis and factor analysis had been more popular with the use of quantitative techniques. On the other hand, in qualitative research approach, case exemplification, content analysis and view point analysis have been more frequently used by the researchers (Taneja and Gupta, 2011).

Table 2.1: Empirical analysis of link between CSR and financial performance

Author	Underpinning theories	Aim	Method	Result
McWilliams and Siegel (2000)	Theory of CSP	To investigate correlation between CSR and financial performance	Correlation analysis Secondary data	Neutral
Margolis and Walsh (2003)	Stakeholder theory CSP Shareholder theory	To analyze link between CSR and financial performance	Meta- analysis Secondary data	Mix results
Wu (2006)	Theory of CSP Stakeholder theory	To study the link between CSR and financial performance	Secondary Data Meta-analysis	Mix results
Brammer and Pavelin 2006	Instrumental stakeholder theory	To study corporate reputation and its impact on social performance	Exploratory analysis	Positive
Peters and Mullen (2009)	Stakeholder theory	To examine cumulative effects of CSR on financial performance	Secondary data Time series analysis	Positive
Aras *et al.* (2010)	Sustainability model	To investigate relationship between CSR and financial performance	CSR/Annual Reports Regression analysis Secondary data	Negative
Nelling and Web 2009	Instrumental theory Stakeholder theory	To analyze causal relationship between CSR and financial performance	Secondary data OLS regression model	Positive
Liston-Heyes and Ceton (2009)	Corporate citizenship	To investigate real versus perceived CSP of the firms	Secondary data Regression analysis	Positive
Moneva *et al.* (2007)	Stakeholder theory	To study the link between CSP and CFP	Secondary data	Positive
Montabon *et al.* (2007)	Resource Based View (RBV)	To study the link between EMPs and financial performance	Content analysis Canonical Correlation Secondary data	Positive

Hill *et al.* (2007)	Theory of CSP	To examine impact of CSR on the stock returns	Secondary data Regression analysis	Positive
Vilanova *et al.* (2009)	Stakeholder theory	To examine the impact of CSR on firms' competitiveness	Valuation Method Primary data	Positive
Orlitzky *et al.* (2003)	Stakeholder theory	To examine the impact of environmental performance on corporate financial performance	Correlation analysis Secondary data	Positive
Samy *et al.* (2010)	Stakeholder Theory	To test the strategic investment of CSR on profitability	Regression analysis Secondary data	Positive
Mulyadi and Anwar (2012)	Agency Theory	To analyse relationship between CSR disclosures and profitability	Linear Regression Model Secondary data	Non-Significant
Inoue *et al.* (2011)	Instrumental Stakeholder theory	To study relationship between CSR and financial performance	Aggregate Regression Model and Individual League Model	Negative
Maas and Liket (2011)	Legitimacy Theory Institutional Theory	To measure the impact of donations on stakeholder satisfaction, business, society and reputation	Longitudinal Cross sectional	Positive
Abiodun (2012)	Integrative social contract Corporate citizenship	To investigate impact of CSR on profitability	Ordinary Least Square Regression Model Correlation Analysis of Variance Secondary data	Negative
Iqbal *et al.* (2012)	Stakeholder theory	To examine the relationship between CSR and financial performance	Correlation analysis Secondary data	Mix results
Ameer and	Agency Theory	To investigate impact of	Secondary data	Positive

Othman (2012)	Stakeholder theory	sustainable activities on financial performance	Content analysis Regression analysis	
Buckingham (2012)	Agency theory Stakeholder theory	To examine the impact of employees, community and environment on stock returns, market value and profitability	Ordinary Least Square Method Descriptive statistics and Generalized Method of Moment (GMM	Mix Results
Barnett and Salomon (2012)	Stakeholder theory	To address the shape of link between social and financial performance	Panel analysis Secondary data	U shape
Khan and Hassan (2013)	Stakeholder theory	To investigate link between donations and ROE, Net Income and Revenue	Secondary data Least Square Method	Negative
Khan *et al.* (2013)	Corporate Citizenship	To examine the link between CSR and corporate reputation	Pearson's correlation Coefficient Regression analysis Primary data	Positive
Flammer (2013)	Instrumental Stakeholder	To study the impact of eco-friendly activities on stock returns	Event study methodology Regression analysis	Positive
Mujahid and Abdullah (2014)	Shareholder Value theory	To test the impact of CSR on shareholder's wealth	Literature Survey Secondary data	Positive
Javed (2014)	Contingency theory	Determinants of job satisfaction and its impact on employee performance and turnover intentions	Survey	Positive
Adeneye and Ahmed (2015)	Stakeholder Theory	To examine the link between CSR and Financial performance	Correlation, Regression analysis and descriptive statistics Secondary data	Mix Result
Nyoro (2015)	Stakeholder theory	To analyse CSR and its impact on performance of mobile industry in Kenya	Interviews Descriptive statistics	Positive

Hirigoyen and Rehm (2015)	Stakeholder theory	To investigate link between social commitment/human rights/environment and financial performance	Granger Causality Test Linear Regression analysis Secondary data	Negative
Gatsi and Ameyibor (2016)	Stewardship theory Stakeholder theory	To test the relationship between CSR expenditures and working capital of UK companies	Descriptive statistics Correlation analysis Regression analysis Secondary data	Positive
Geetika *et al.* (2017)	Shareholder Value	To investigate the link between CSR and financial performance of Indian banks	Secondary data Regression analysis	Positive

2.5 Consumer Perception and CSR Reporting

The aim of the CSR reporting is to provide stakeholders with relevant information based on which they can make credible decisions. Governments can use them for regulatory purposes and investors base their investment decisions on CSR reports (Aragon-Correa *et al.*, 2008). However, in the marketplace little is known about what consumers understand about CSR activities (Fatma and Rahman, 2015). The way a firm report on the bigger matters of society shows how a firm is operating in the market. This can be taken as an indicator of how it has a linked action on its economic stability and decision-making processes. The purpose of such integration is considered as going beyond short-term profit-making issues and concentrate on the wider aim of emphasizing long term economic performance issues (Pava and Krauz, 1996; Aragon-Correa *et al.*, 2008).

CSR activities can be seen as influencing various stakeholders of the firm. Firm's stakeholders can be external or internal (Hopkins, 2003). Many scholars supported that by applying CSR strategies primarily involving environmental activities can help the firms to acquire differentiation or cost leadership (Porter and Kramer, 2006). Moreover, doing strategic CSR activities can help the retail firms to project a good image of being philanthropic, socially responsible, ethically driven and environmentally sensitive firms (Karna *et al*., 2003; Porter and Kramer, 2006). This can help the firms to differentiate their products from their competitors who are less engaged in CSR. As longitudinal data provides an insight into the phenomenon and is measurable, survey provides a thematic perspective which can help to modify the theoretical canvas of CSR from consumer side.

Financial reports were primarily prepared for the investment purposes, for potential investors, financial institutions, shareholders and lending institutions (Doh and Guay, 2006; Kemper and Martin, 2010). CSR reports were little different from the financial reports because they were expected to address the needs of vast network of stakeholders which included employees, shareholders, customers, suppliers, governments, management, NGOs, media and public. As CSR reporting was a step towards the sustainable and successful business of the company, therefore it had a direct effect on the economic performance of the companies (Doh and Guay, 2006; Yeung, 2011). Perez and Bosque (2012) corroborated with Doh and Guay (2006) and discussed that CSR strategy was mainly focused on the stakeholders by the firms because it could bring them some benefits. CSR activities lead to customer satisfaction and credibility which had the knack of increasing sales and attracting more customers. If this was the case, then previous studies suffered from serious drawback of using only secondary data and avoiding primary research to know the expectations of stakeholders. Looking at the purpose of CSR reporting, there is a serious need for primary research to understand the expectations of the key stakeholders.

Late in the twentieth century, the governments in Western European countries, what is now called European Union legislated that companies would have to involve employees in decision making process, hence the establishment of work councils took place in workplace (Deegan and Blomquist, 2006). Later, UK government passed many acts of parliament such as equal pay act 1970, health and safety at work act 1974, sex discrimination act 1976. These acts were introduced to place some responsibility on corporate entities towards their employees. Because of UK Government legislations, there came a change in the attitude. In late 1970s, companies started to publish annual employee reports. It was a self-regulatory or voluntary report with no specified layout or standard format (Jones, 2010).

Many specialized companies used different ways to analyze CSR reports such as G4 guideline initiatives, social accountability (SA) 8000, London Benchmarking Group (LBG), Global Reporting Initiative (GRI), organization for economic co-operation and development (OECD) guideline for multinational enterprises or international standard organization (ISO)

26000. Soana (2011) pondered on the methods that could quantify social performance, survey study for the management, content analysis of CSR reports or documents with information about CSR activities, measurement of reputation by specialize agencies, measurement of individual indicators targeting on specific CSR activity and ethical rating such as comprehensive measurement of CSR indicators (Soana, 2011).

Many surveys were held globally in order to examine CSR and financial performance and found a positive link between the two (Bhattacharya and Sen, 2004; Khan *et al.,* 2013). The reason that companies were interested in CSR was because of its impact on the consumer behavior where they expected more and more from the companies rather than mere lower price (Tian *et al.*, 2011). Mori (2000)'s survey of consumers indicated that 70% of consumers thought about the ethical reputation of the company when buying a service or a product.

Retail firms needed to demonstrate great awareness to develop their behavior and corporate strategy in the light of stakeholder's expectations. Hence, they tried to become community friendly organizations to sustain and be successful in the competitive market. Therefore, retailors became a well-integrated part of the community developing their corporate strategies based on serving the legal interest and welfare of the community and demonstrated these strategic decisions through CSR reports (Porter and Kramer, 2006). Oberseder *et al.* (2014) based their study on qualitative research to measure the impact of consumer and manager's perception of CSR. They conducted interviews to see how managers and consumers perceive CSR strategies. The authors developed conceptualization of CSR that could help the retailers to monitor their CSR activities and help them gain competitive advantage.

Maignan and Ralston (2002) conducted a study on the differences of CSR reporting of large companies in US and Europe. The researchers collected the data from the companies' websites to examine the justification for the CSR in different locations. According to the study, US firms made elevated claims about their good corporate citizenship as compare to the other regions. The authors found that most of the stakeholder issues that emerged were in the sections of the environment and community. Moreover, the study results indicated that 11.3% of US reports discussed CSR activities through stakeholder approach (Maignon and Ralston, 2002; Hahn and Kuhnen, 2013).

Wagner *et al.* (2009) reported the inconsistent effect of CSR on consumers whereas Smith (2008) argued that consumers can boycott unethical conducts of the firms. Trudel and Cotte (2009) agreed with Smith (2008) and explored that some consumers would pay premium prices for ethical attributes of the products to the point where they would punish unfair conducts. Klein and Dawar (2004) explored that CSR might mediate the effect of product crisis on consumer's brand perception and evaluation. Luchs *et al.* (2007) explained a reconciliation between the effectiveness or financial performance of the products and their ethical attributes. Moreover, they proposed that consumers understood that ethical products would be effective if they were in line with the important ethical issues prevailing in the society. Taking the view-points of these scholars, one can understand that consumers are among the key stakeholders to influence revenues of the firms.

Schnietz (2005) revealed that many firms had various types of external and internal stakeholders and to satisfy these stakeholders, firms needed community investments and social work to protect the organization from negative thoughts and intentions. Many consumers with social responsibility conscience bought the products from the firms who held positive influence on the society (Webster, 1975; Sen, 2001; Morh, 2005). Shangkun (2010) summarized nine dimensions of CSR through survey and statistical analysis to reflect certain expectations of the customers towards enterprises under Chinese social background. The contents of the survey included public assessment of Chinese CSR status, public perception of CSR and public attention of each dimension of CSR. The findings revealed that most needed social responsibilities for Chinese enterprises were environmental protection, product safety, tax payment, public welfare programs and public safety (Shangkun, 2010). It was an interesting study to determine which aspect of CSR was preferred by Chinese customers. However, due to demographic restrictions, it could not be generalized in other regions.

Bronn and Vrioni (2001) stated that firms use CSR in their marketing communication activities and that changing attitudes of the consumers have driven companies to innovate new ways of marketing increasingly relevant to society. To prove this, they cited findings from survey conducted in US which showed that when quality and price of the product were perceived as equal, many customers had shown their inclination towards socially responsible products and companies.

Customer perception can be dynamic and can change with the passage of time. Therefore, retailers need to ensure that they keep on adopting such strategies that can fulfil their needs and expectations (Girod and Michael, 2003). Customers' opinion towards certain issues such as environmental concerns or community issues can fluctuate from fashion trends to public expectations of corporate citizenship or other CSR strategies such as reducing co2 emissions, energy control, donations, health and educational programs or community work (Hillier and Comfort, 2009). Therefore, retail companies are doing a lot in order to attract customers, gain competitive advantage and improve their relationship with consumers. Moreover, the authors observed that main dimensions of CSR reporting focused on market place, environment, workplace and community (Hillier and Comfort, 2009).

In making the case to CSR in the UK retail industry, focal point of UK government has been transparency in the ways that firms manage and address social, environmental and economic issues. Moreover, transparent CSR disclosures can help the firms to improve their relationship with customers, employees and other stakeholders (Department of Trade and Industry, 2004). As a result, retailers are keen to disclose their CSR commitments increasingly (Jones *et al.*, 2005). As these reports are accessed by all stakeholders, they are generally directed towards shareholders, pressure groups, consumers, policy makers and investors (Snider *et al.*, 2003).

2.6 Research Gap

Several attempts have been made to explain the relationship between CSR and financial performance but the aggregate results and theoretical findings which exist in the previous studies have resulted in positive, negative and neutral way. (Donaldson, 1999; McWilliams and Siegel, 2001; Saeidi *et al.*, 2015). This can be because of contradictions in definitions, interpretations, metrics and applications of CSR practices (McWilliams and Siegel, 2001; Husted and Allen, 2007; Lamond *et al.*, 2008). Although many studies show a positive correlation, the CSR practice and financial performance seem to be complex and results prove to be inconclusive. Conforming to the same view point, Saeidi *et al.* (2015) states that inconclusive results are because of the omission of mediating or intervening variables. Berrone *et al.* (2013) argued that different firms located in different parts of the world contained various institutions which created variance in stakeholder power and directed them to adapt to different CSR practices and strategies. Schreck (2011) proposed that different databases could have been the reason of inconsistencies that contributed to the variance of the results. Scholars may differ in their view points about the reasons for the contested relationship, but one thing is crystal clear that problem persists as the researchers have not agreed upon the findings.

It is important to note that most of the research was limited to secondary data analysis (see table 2.1) and only few authors have been able to draw their conclusions on primary data. Thus, this study combines primary and secondary data and fills out the gap in the literature by probing into three variables of CSR i.e. donations, community work and environmental performance of the UK retail companies and their links with financial performance indicators have been examined which is a substantial contribution to the literature. The researcher seeks to examine the relationship by conducting secondary data analysis. However, findings from secondary data alone have not solved the long-rooted and classic problem existed in the literature. Therefore, findings from secondary data have been validated using primary research. From the researcher's view point, this study can be helpful for the academics, practitioners and retailers to understand the new mechanism of CSR strategies in the UK retail industry.

Overall, it has been noticed that restrictions or limitations involve validity and reliability concerns, lack of controls, absence of testing for and controlling mediating measures and moderating conditions, statistical methodology controls, sampling issues, and the requirement to link CFP and CSP to causal theory (Margolis and Walsh, 2003). It is requisite to minimize research limitations to invigorate the reliability and validity of the research, acknowledge and resolve the limitation issues and apply best standards and practices of the research. Creswell (2013) cited such practices and standards such as research questions should inspire data collection and analysis process, data should be collected accurately, and data analysis should be completed efficiently, assumptions should be identified briefly, consent should be sorted according to the ethical standards and contributions to be made in the existing body of knowledge.

2.7 Summary

To date, there has been little agreement on what is the relationship between CSR and financial performance. The extent review of literature revealed many findings on CSR and financial performance, but several studies failed to give concise answer. This chapter provided the researcher useful information to review the types of studies previous researchers had launched as a source of determining the link between CSR and financial performance. However, despite previous researches, the concept of CSR remains ambiguous and its relationship with financial performance remains unclear. The reason is that in most cases excessive focus has been put on the secondary research. This research proposes that the results could have been robust and concise by giving equal focus on primary research considering the stakeholder perception of CSR. This study is important to understand the link between CSR and financial performance with reference to the UK retail industry. The researcher has taken a wider approach by including more variables of CSR and financial performance which may have been used individually by the previous researchers but have not been used collectively. Therefore, this study attempts to solve the ambiguity caused by previous researches and strives to provide the clear and concise results by combining secondary and primary data in the UK retail industry.

Chapter 3 – Conceptual and Research Framework

3.1 Introduction

The last chapter was devoted to literature review of CSR and financial performance. This chapter presents the conceptual framework of the research which defines the main dimensions of the research, theories and models of CSR, theoretical foundation of this research, the research question and the development of the hypothesis. From the deductive approach, the researcher makes logical inferences from the literature and formulate hypothesis that illustrate the link between CSR and financial performance indicators. The conceptual model explains the key variables of CSR and financial performance, their interrelations and it informs research design in the subsequent chapter.

3.2 Theoretical Foundation and Conceptual Framework

Many aspiring theories have underpinned the relationship between CSR and financial performance such as shareholder theory, citizenship theory, instrumental theory but the dominant theories are legitimacy theory, stakeholder theory, Carroll's pyramid and sustainability model (Sweeney, 2009; Mohr *et al.,* 2010; Mordi, 2012; Yekini, 2012; Amran and Devi, 2008; Deegan, 2002; Adams, 2002; Visser, 2011), because of their close relations with financial and corporate performance as clarified for this study's boundaries (see figure 1.1). Despite applying various theories to study the relationship between CSR and financial performance, not even one has consistently supported or refused the causality between these two variables (Deegan, 2002; Adams, 2002; Margolis and Walsh, 2003; Visser, 2011). It is essential to critically review some of these theories as most of the literature on CSR and financial performance shows that all theories have some aspiring arguments and it is difficult to find one appropriate theory to elaborate a phenomenon (Tilling, 2001; Adams, 2002; Amran and Devi, 2008).

3.3 Legitimacy Theory

This theory is found on the concept that corporations are obliged to act within the norms and bounds of what society explains it to be socially acceptable to operate successfully (Deegan and Gordon, 1996; Schwartz, 2011). Legitimacy theory is one of the most widely used theory to elaborate CSR disclosures (Islam and Deegan, 2007). Organizations should seek to ensure continuously that their activities are acceptable to the society (Wilmshurst and Frost, 2000). Social perceptions and expectations about what can be termed as legitimate fluctuate with the passage of time (Deegan, 2002). Consistent with the legitimacy theory, it becomes imperative for the companies to adjust their boundaries and maintain their legitimacy according to the changing needs and expectations of the society (Islam and Deegan, 2007). Also, legitimacy theory emphasizes the alignment of the value system of the organization with the society and ensures that aims and objectives of the organization meet social expectations. However, this theory does not specify the norms or the formulation of social expectations.

The notion of legitimacy seems to be relevant for other theories such as stakeholder theory, institutional theory and resource-based theory (Grey *et al.,* 1997; Deegan, 2002; Sonpar *et al.,* 2010). For instance, legitimacy is imperative for any organization to operate in the society. Hence, legitimacy theory and stakeholder theories are one of the most influential theories within the domains of environmental and social research (Grey *et al.,* 1995; Chan *et al*., 2014).

Researchers (Deegan, 2002; Higginson *et al.,* 2006; Milne and Patten, 2002; Mobus, 2005; Brennan *et al*., 2013) have used this theory to unfold the motivation underneath voluntary environmental disclosures of organizations. However, the challenge of this theory is that it is widely used but loosely defined (Deegan, 2002) as it provides understanding of certain managerial actions but fails to specify what is needed to be done. Suchman (1995) found that many researchers would use the term legitimacy, but a few would define it. The fact that this theory has been failed to define the specific tasks to be done, it is called as a "blind man's hammer" by social scientists (Hybels, 1995). Lindblom (1994, p.2) defined this theory as "…. *a condition or status which exists when an entity's value system is congruent with the value system of the larger social system of which entity is a part. When a disparity, actual or potential exists between the two value systems, there is a threat to the entity's legitimacy system".*

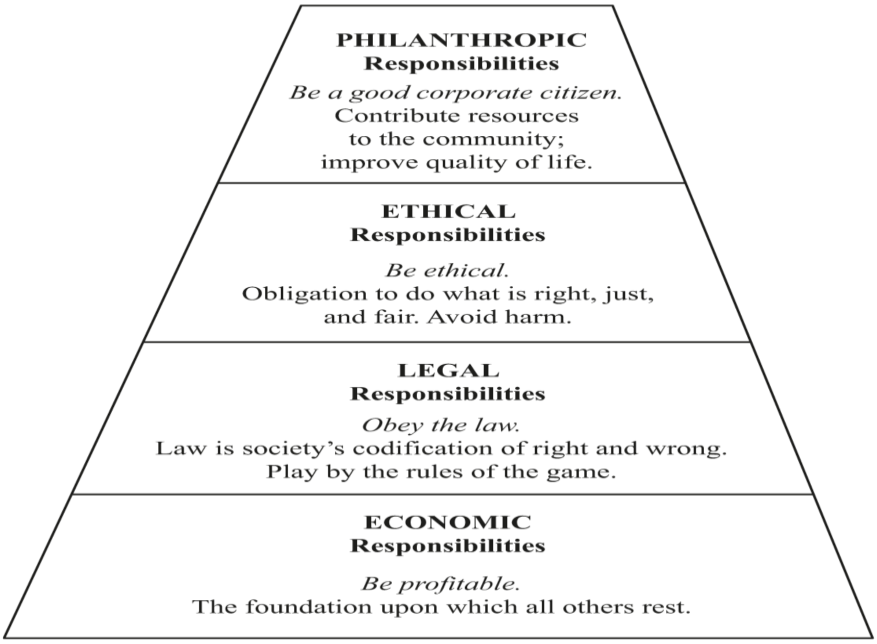
Proponents of legitimacy theory have insisted that corporations should be obliged to act according to the norms and values of society (Islam and Deegan, 2010; Bhattacharyya, 2014; Nurhayati *et al*., 2016). They require the value systems of organizations to be designed and implemented to meet social expectations (Bhattacharyya, 2014; Nurhayati *et al.*, 2016). The legitimacy theory has unfolded corporations' motivation for voluntary environmental disclosures and demonstrated firms' commitment to reducing carbon emissions and improving eco-friendly society (Deegan, 2002; Islam and Deegan, 2010) which has implications for improving their financial performance. Its voluntary appropriation has however, led to criticisms that the legitimacy theory only provides understanding of managerial actions but fails to specify what exactly is needed to be done (Suchman, 1995; Mobus, 2005).

3.4 Carroll's CSR Pyramid

As a general concept of CSR, the performance of the firms should be socially endorsed. Carroll's CSR pyramid deals with a simple framework that helps argue why and how firms should approach their social responsibilities. Carroll (1979) came out with the concept of corporate social performance (CSP) and pinpointed the concrete issues that the firms had to face while making CSR the center of their business. Schwartz and Carroll (1979) have also proposed an alternative approach that is based on the three important dimensions of ethical, legal and economic responsibilities. The first main concept which contains the utmost importance in the literature review is corporate social performance (CSP) which includes stakeholder management, management issues and organizational process of environmental assessment (Crane *et al.*, 2008). Carroll (1991) proposed a four-part, comprehensive model of the "pyramid of CSR" as the government bodies (Environmental Protection Agency and Consumer Product Safety Commission) in USA became more interested in aligning social enterprises and stakeholder theories because the corporations were criticized for not being accountable to their stakeholders and society.

Carroll (1979) supported the concept that businesses should create profits for their stakeholders. This model was one of the basic models of CSR enlisting, structuring and organizing the responsibilities of the corporations. Carroll (1991) supported Friedman's argument that business should create profit for their shareholders and made it a foundation of the pyramid by positioning it at the bottom (see figure 3.1). The first tier of the pyramid was the base and mandatory to be accomplished only after other responsibilities (Carroll, 1991). Second tier comprised of the legal responsibilities where corporations must adhere to the rules and regulations and the law by maintaining good business practices. Third tier stated the ethical responsibilities where corporations were obliged to do right, fair for their stakeholders avoid any actions that could harm them. The last layer was based on the philanthropic activities where corporations should enact as a good citizen to the community and allocate the resources where needed (Carroll, 1991).

Klonoski (1991) also develops the idea that apart from making money, businesses should have the responsibility for social problems either created by the external factors or the business itself. This also includes the ethical obligations and discretionary actions done by the business in the favor of the society. Wood (1991) states that the real meaning of the corporate social performance (CSP) lies in more lucrative results for the society. Apart from that corporate reputation is connected to the acceptance of the community where the company operates (Lewis, 2003). The theory of CSP proposed by Wood (1991) is one of the best theories of CSR because it combines its principles at three levels; namely, individual, institutional and organizational level and, states the outcome of the corporate behavior and the process of the corporate responsiveness.



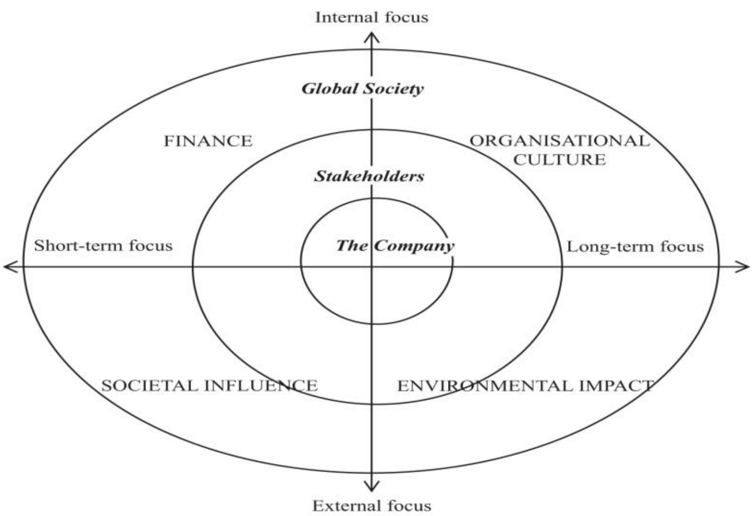
Source: Carroll (1991, p. 42)

Figure 3.1: Carroll's pyramid

A major criticism of Carroll's Pyramid was observed lack of consideration of corporate sustainability and environmental management in the pyramid (Visser, 2006). The critical analysis of the Carroll's pyramid shows that it favors the positive relationship between CSR and financial performance. As it provides the economic component as the foundation of the pyramid upon which all other categories are relied upon. On the other side, companies can be called socially responsible provided they are profitable (Visser, 2006). To take his argument further, Campbell (2012) observed that companies which are economically weak less likely to engage in CSR. This model is one of the earliest models of CSR enlisting and structuring the responsibilities within the corporations. Although simple structure of this pyramid holds the main appeal, but it is not considered an adequate tool to explain complex relationships between business, environment and society (Campbell, 2012).

3.5 Sustainable Development Model

Aras and Crowther (2009) propounded a comprehensive model of sustainability that revolved around four aspects of CSR such as environment, society, financial performance and organizational culture in both short-term and long-term contexts. Sustainability development could be achieved by maintaining economic activity, conserving the environment, developing spiritual and cultural values and ensuring human rights and social justice (Aras and Crowther, 2009).



Source: Aras and Crowther (2009, p. 41)

Figure 3.2: Aras and Crowther's Sustainability Model

Aras and Crowther (2009) focused on the development of the model relating to CSR and sustainability and argued that most of models relating to sustainability were inadequate because of focusing too much on environmental and social part and over-looking financial performance which was imperative to sustainability. It could be because authors saw a conflict between financial performance of the corporations and their social and environmental performance (Aras and Crowther, 2009). Porter and Kramer (2011) supported this model and suggested that firms could create business case for them by incorporating sustainable business model.

Notwithstanding, sustainability model and Carroll's Pyramid, have taken inspirations from the stakeholder theory to explain how firms can develop and maintain economic activities without compromising the continuing development of future generations (Carroll, 1999; Aras and Crowther, 2009; Samy *et al.*, 2010). This approach to improving firms' performance has been the focal point of the sustainable development model that invokes businesses to adopt strategies that aim to protect the environment, develop cultural values and promote human rights and social justice (Aras and Crowther, 2009). In a way, it supports the concept of corporate citizenship in which firms are encouraged to behave responsibly and commit to shared community values that are socially sustainable for business and its interest groups (Matten and Crane, 2005; Robins, 2005).

3.6 Stakeholder Theory

Before the development of stakeholder theory, there was a common concept that firms should satisfy the needs of their shareholders. The justification for this is that shareholders invest their money in firms, and they should have maximum financial returns in a way to receive their equity share of profits (Friedman, 1962). The stakeholder theory, however, suggests that apart from making money for the shareholders, firms should consider the needs of other stakeholder groups such as employees, communities, investors, managers, customers, governments, suppliers and competitors depending on their influence, experience and legitimate claims in the operating environment (Clarkson, 1995; Donald and Preston, 1995; Mitchel *et al.*, 1997; Gibson, 2000; Garriga and Mele, 2004; Crane and Matten, 2004; Ismail, 2009).

Despite having different definitions of the stakeholder groups, the important and typical stakeholder groups personify those individuals or amalgamation of individuals who can impact or impacted by the activities of the organization (Freeman, 1984). So, this relationship is reciprocal in which both parts have equitable interests. The examples include customers who can be affected by the firm in terms of product, marketing and customer services and can leave an impact on the firm in terms of buying or boycotting the product. Businesses can also increase stakeholders' trust, commitment and satisfaction when ethical values fulfil their expectations. Stakeholders and their interests are important regardless of their contribution to the business (Donaldson and Preston, 1995). Thus, businesses should have obligations to treat the stakeholders fairly and inform them of any behavior or performance that can affect the society and environment (Unerman and Bebbington, 2006; Gutheri *et al.*, 2006).

Stieb (2009) observed that stakeholder theory asks more questions and answers less regarding the role of the business in society. With little clarity, this theory suggests that the purpose of the business is to create values for the stakeholders and not just the shareholders. If the stakeholders are those who can affect or affected by the business, then they should have serious decision-making power which was not clarified by Freeman (1984). Moreover, this theory assumed that interests of all the stakeholders could be met easily but ignored the shortcomings that exist in the businesses. For instance, it offered no explanation of what should be done with the stakeholders in case of market monopolies and the private ownerships which could make it difficult for the businesses to fulfil the needs of all stakeholders (Stieb, 2009). Another limitation of this theory was noted by Mansell (2013) that if market economy was based on social contract of the corporations, then stakeholder theory undermined the rules of the business (Mansell, 2013).

External pressures compel the firms to adopt different CSR strategies and practices to create value and long-term benefits. Lozano (2013) focused on heavy polluted industries and highlighted pressures from different groups of stakeholders such as government, communities, customers and competitors and explained that the strong impact of stakeholder pressures was mainly responsible for the moderating role of pressures in the relationships of CSR and financial performance (Lozano, 2013). Zhu and Sarkis (2007) argue that both non-market and market pressures play a role of moderating variables between performance and environmental practice. Their study focused on the environmental dimension of CSR and its related pressures from the stakeholders. Forced pressure improves environmental practices such as green purchasing and investment recovery whereas competitors' pressure improves economic performance. Therefore, firms adopt social and environmental practices because of stakeholder pressures (Zhu and Sarkis, 2007).

By fulfilling the needs of the stakeholders, firms can lead to improve their financial performance (Freeman, 1984). Therefore, stakeholder theory provides the foundation to the study of business and society (Haskins, 2009). It is a strategic concept which aims to create competitive advantage by developing good relationship with its stakeholders (Freeman, 1984; Donaldson and Preston, 1995; Porter and Krammer, 2006). This strategic concept stems from the fact that various stakeholder groups have the basic power to enhance or reduce financial performance of the companies (Donaldson and Preston, 1995; Sweeney, 2009; Obalola, 2010). It postulates that corporations owe some obligations to various groups of stakeholders and individuals (Haskins, 2009). This theory was designed to balance the interests of various groups and stakeholders and reposition firms within the broad theory of the corporation (Garriga and Mele, 2004).

Advocates of the stakeholder theory suggest that apart from making money for the shareholders, firms should consider the needs of other interest groups such as employees, managers, customers, suppliers, government, communities and even competitors, depending on their influence, experience and legitimate claims in the operating business environment (Freeman, 1984; Samy *et al.*, 2010). The stakeholder theory therefore expands the agency theory and supports the notion that managers should be empowered to prioritize maximum financial returns for owners who invest their money in firms, and it aims to satisfy the expectations of all those who have interest in a business (McWilliams *et al.*, 2006).

The varying expectations of stakeholders have influenced firms to develop CSR strategies that seek to support charitable organizations (Brammer and Millington, 2005; Maas and Liket, 2011), promote community development (Robins, 2005; Chiara and Spena, 2011) and reduce environmental concerns (Ameer and Othman, 2012; Flammer, 2015). By fulfilling the needs of the stakeholders, firms are expected to improve their financial performance through the reciprocal returns from, or economic exchanges with, the individual stakeholders whose interest might have been satisfied (Samy *et al*., 2010; Godfrey, 2005; Maas and Liket, 2011; Chiara and Spena, 2011). For instance, customers who buy a firm’s products can rate the quality of the products high to attract many potential buyers which would eventually increase the firm’s sales growth. By assuming that all stakeholders’ interests should be satisfied, the stakeholder theory may struggle to address the conflicting needs of different stakeholder groups whose changing interests may differ from the normative strategies of businesses (Key, 1999; Stieb, 2009).

Regardless of the theoretical orientations, many empirical studies on CSR and financial performance relationships show either positive, negative, mixed or even intricate results, creating confusion for companies which intend to orientate their CSR strategies towards financial performance (Brammer and Pavelin, 2006; Peters and Mullen, 2009; Rodgers *et al.*, 2013). The general theoretical insights from the literature show that CSR creates value for businesses through the reputation that it builds for the stakeholders (Preston and O'Bannon, 1997; Maas and Liket, 2011) and the attention it draws from customers (McWilliams and Siegel, 2000). This gives firms a reason to celebrate when CSR strategies impact positively on firms' financial performances (Liston-Heyes and Ceton, 2009; Samy *et al.*, 2010). Yet, this is not always the case because empirical evidence depicts some negative, mixed, neutral and intricate findings leading to the consensus that associations between CSR and financial performance are indecisive.

One line of inquiry even suggests that firms with low corporate social representation have better financial performance than those with moderate social responsibility image (Barnett and Salomon, 2012). This is so, because the conclusions are based on the varied theoretical orientations of the CSR concept, the diverse measuring instruments used, and the multiplicity of financial indicators used for analyzing the CSR and financial performance relationships (Taneja *et al.*, 2011; Blowfield and Murray, 2011; Galant and Cadez, 2017). Still, the acceptance of these complex causation mechanisms has yet to pay similar attention to the causality between CSR and sales indicator, an underexplored phenomenon which has relevance for firms' market share and improved profitability positions.

This study found the stakeholder theory as a dominant theoretical tenet in the field of CSR that influence firms' obligation to charitable course, community investment and environmental-friendly responsibility and encourage them to demonstrate their moral responsibility to the customers, the needy and society in general (McWilliams *et al.*, 2006; Samy *et al.*, 2010). Whereas, the sustainable development model has been instrumental in retailers' CSR activities relating to environmental concerns and protection (Aras and Crowther, 2009).

The conceptual framework involved two main variables i.e. CSR and financial performance. In this study, CSR is an independent variable which is represented by the indicators such as donations, community work and environmental performance. On the other hand, indicators used for financial performance are ROCE, operating profit and revenue.

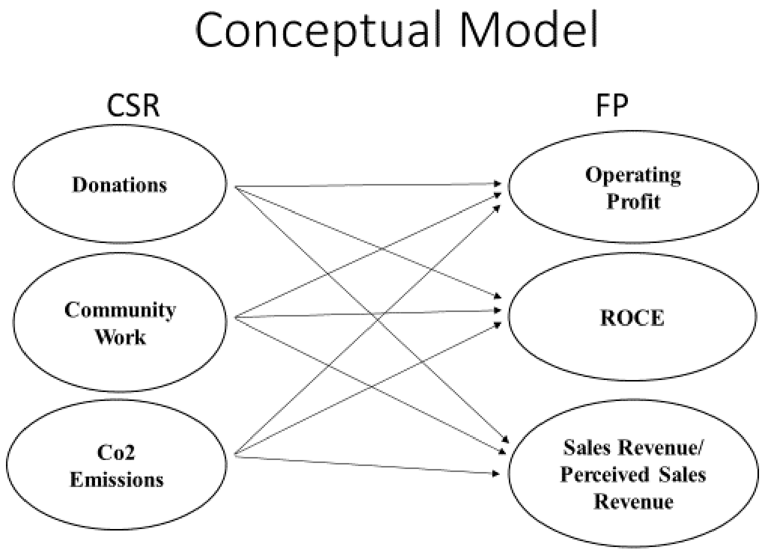


Figure 3.3: The retail industry’s CSR and financial performance relationship model

3.7 Mapping the concept of CSR and Financial Performance

In this research, CSR is conceptualized through three variables such as community work, donations and environmental performance. On the other hand, financial performance is measured through operating profit, ROCE and revenue (Figure 3.3). While these measures have been commonly used, the findings are varied between different studies (Margolis and Walsh, 2002; Orlitzky *et al.,* 2003; Brammer and Millington, 2005; Brammer and Pavelin, 2006; Montabon *et al.*, 2007; Peters and Mullen, 2009; Choi *et al.*, 2010; Aras *et al.,* 2010; Mulyadi and Anwar, 2012; Ameer and Othman, 2012; Lucyanda *et al.*, 2012; Khan *et al.,* 2013; Khan and Hassan, 2013; Kiren *et al.*, 2015). Previous studies have reported varied findings due to contradictions in definitions, metrics and application of CSR practices.

This study makes logical inferences from the literature and formulate hypothesis that illustrate the links between CSR and financial performance. Underneath the ethical reasons for embracing CSR principles, there is an argument that firms use CSR activities to enhance business image, attract customers and improve financial performance. Though, the variables for measuring firms' social responsibilities are varied and different from one organization to another (Blowfield and Murray, 2011; Galant and Cadez, 2017), research has consistently used donations (Maas and Liket, 2011; Mohr and Webb, 2005), community work and environment-friendly schemes (Ameer and Othman, 2012; Flammer, 2013) as the main categorization of CSR dimensions that can increase firms' reputation for customers and financial performance.

Indeed, CSR strategies have implications for consumer perception, buying behavior and sales revenue (Bhattacharya and Sen, 2004; Tian *et al.*, 2011) and prompted the argument that specific CSR attributes should be invoked to make the invisible benefits of firms' social responsibilities more explicit (McWilliams and Siegel, 2000). Drawing on the insights from the literature, there is a proposition that retail firms' donations, community work and environmental responsibility activities can lead to better financial performance.

3.8 Hypothesis Development and Selection of Variables

This study comprises of four hypotheses that the researcher intends to investigate within the research question. Testing of these hypotheses would allow the researcher to answer the research questions and conclude if there is any link between CSR and financial performance.
Measuring CSR and financial performance seems to be an easy task but there are many difficulties in choosing the appropriate indicators. There are various measures used by researchers and selecting appropriate measuring instrument has been a challenging task. For example, prior to 1995, 51 papers published on CSR and CFP included eighty different measures of financial performance. Therefore, researchers have found difficult to select measures of CSR mainly because of the little consensus on the type of instruments to be used in the measurement (Lyon, 2007).

The variables of the CSR have been carefully chosen in accordance with the objective of the study. Each of the independent variable selected for the study represents CSR strategies of the retail firms in the UK. Donations, co2 emissions and community work have been important strategies for retail companies as most of the companies include these variables in their CSR reports for different reasons such as improving financial performance, creating good image and reputation among the society. The retail companies are trying their best to take initiatives to create good reputation and provide added value through CSR activities. They address and report on the selected CSR indicators relating to the environment, community and donations.

3.8.1 Financial Performance Variables

ROCE is utilized in finance as an indicator of the return that firms are making as a result of capital employed. It is generally used as an indicator for measuring and comparing performance of the businesses and analyzing whether firms create enough returns to pay its cost of capital. It is indicated by the ratio between capital employed and pre-tax operative profit. Many researchers (Preston and O'Bannon, 1997; Griffin and Mohan, 1997; Balabanis *et al.*, 1998; Margolis and Walsh, 2002; Adeneye and Ahmed, 2015) used ROCE to analyze the relationship between CSR and financial performance. The researcher decided to adopt this indicator due to greater compatibility of data. Moreover, ROCE is an important figure for investors as it tells them how much returns on income can be generated from the firm.

Revenue is the sum that business earn by providing their customers with their products. Many scholars (Ullmann, 1985; Ameer and Othman, 2012; Khan and Hassan, 2013) used it because different stakeholders such as suppliers, customers and managers were interested in this indicator of the firm. Likewise, different scholars used profitability (McWilliams and Siegel, 2000; Brammer and Pavelin, 2006; Choi *et al.*, 2010; Aras *et al.*, 2010; Mulyadi and Anwar, 2012; Abiodun, 2012; Buckingham, 2012; Barnett and Salomon, 2012; Kiren *et al.*, 2015) to test its relationship with CSR. Operating profit is another important indicator of financial performance which represents earning power of the company in relation to revenues generated from the firm's operations and serves as an indicator of firm's basic profitability with other factors removed from the calculation. It is selected for this study because profitability is attractive indicator for various stakeholders such as governments, investors and suppliers (Ameer and Othman, 2012). Investors consider it an important tool to make their investment decisions. Governments are interested because they can tax the firms based on their profits and suppliers can analyze the profitability of the firm.

3.9 Donations and Financial Performance

Corporate donations have drawn a great deal of attention to most of the researchers (Vaidyanathan, 2008). Many studies focused on the economic gains of corporate philanthropy (Brammer and Millington, 2005; Maas and Liket, 2011). Some researchers found that donations could enhance corporate image and reputation and even provided the firm competitive advantage (Porter and Krammer, 2002; Godfrey, 2005). Although there was some evidence of negative and U shape relationship of donations on financial performance (Wang *et al.,* 2008; Inoue *et al.,* 2011; Khan and Hassan, 2013), yet this practice may help the company to establish a good relationship and loyalty with stakeholders which ultimately will result in making good profits (Dean, 2004; Maas and Liket, 2011).

Donations and charitable work signal a firm's overall health as only financially healthy firms can afford to make large philanthropic gifts. It is found that corporate philanthropy is a forward-looking signal reporting a positive correlation between philanthropy and future growth (Lev *et al.,* 2010). Philanthropic CSR has emerged from its early phase of being voluntary actions to legislated responsibilities and now in a phase where it has been viewed by the corporations as an investment that improves the long-term performance of the business. Many actions undertaken as CSR may be altruistic but can also serve corporate self-interest (Dean, 2004). William and Barrett (2000) found that corporate philanthropy offsets any negative reactions as a result of any wrong doing of the firm. Moreover, some studies conceptualize firms as a social actor (Whetten and Mackey, 2002; King *et al.,* 2010) whose actions shape its corporate identity (Cornelissen *et al.,* 2007). These actions include obeying law and ethical norms, protecting the environment, treating its stakeholders fairly, contributing to charities and giving donations (King *et al.,* 2010).

The economic gains of corporate philanthropy have already been witnessed as the payoff implications of CSR in some studies (Brammer and Millington, 2005; Maas and Liket, 2011). These ratify the findings that, donations could enhance corporate image and firms' competitiveness (Porter and Kramer, 2002; Godfrey, 2005). These also support the claim that donations have been a traditional CSR strategy that relates to financial performance measures (Tian *et al.,* 2011; Inoue *et al.,* 2011) and improves customer loyalty and sales revenue (Ameer and Othman, 2012; Mohr and Webb, 2005). This study, therefore, proposes that retailers' philanthropic activities have positive relationships with the financial performance:

H1: Donations are positively related with financial performance measured as ROCE, operating profit and sales revenue.

3.10 Community work and Financial Performance

Community-based development projects indicate another important approach to CSR. The main idea of the CSR concept is to play a deeper role in society than only making profits and producing goods. This includes social and environmentally driven actions which means that the business sector is expected to go beyond its profit oriented commercial activities and increase the well-being of the community to make the world a better place (Robins, 2005). From the perspective of the firms, ethical behavior must be managed with reference to the local context. While selecting the strategy to use for the community-based CSR, the objective of the firms is to design projects that reflect the companies' philosophy, match the available resources of the firms, and fulfil the needs of the local communities within which firms operate (Robins, 2005). All the multi-national companies seek the information and input from outside groups such as community members, NGOs and governmental or industrial organizations to build good reputation and increase their financial performance (Chiara and Spena, 2011). Another perspective of the firms is to be able to play a role of good citizen and bring benefit to the society and the environment. But at the same time, the purpose is to increase the competitiveness by doing the good for the society (Porter and Kramer, 2002; Husted and Allen, 2004).

Organizations must be concerned about the well-being of the society in which they operate. All the companies seek to engage workers in the communities where they work and live to create a better standard of life not only for themselves but for the communities as well. Community work can range from various projects such as sponsoring the local sport team, engaging staff in raising funds for the charity or initiating health awareness and educational programs for the local communities. Good relationships with the local communities represent responsible strategic objectives. Involvement practices with a social responsibility approach and engagement of the local stakeholders become critical and represent a strategic matter in the management of localized activities for the global business (Chiara and Spena, 2011).

Most of the companies devise formalized strategic joint ventures, partnerships with the governments, agencies or the local organizations to bring networking skills and training for the communities. For example, Shell foundation's involvement in flower valley, South Africa where they have set up an early learning centre to help and educate the local children and to develop the new skills for the adults. Marks and Spencer is another specimen of such community projects and plays a key role in the community through building trade networks and guarantying regular fair-trade purchases. Primark also initiated many community-based projects to help the local communities in the countries where their products were manufactured from. One of the best examples of such community projects was that of HER project which was initiated in Bangladesh in an effort to make positive changes into the lives of its suppliers.

Community work has already seen its positive relations with firms' financial performance as companies become an integral part of communities and base their corporate strategies on community welfare such as sponsoring the local sport teams, engaging staff in raising funds for charities, initiating health awareness and promoting educational programmes for the local communities (Peters and Mullen, 2009; Ameer and Othman, 2012). It is also noted that retailers are keen to disclose their CSR reports to customers and demonstrate their commitment to fair trade, community and consumer concerns in order to improve financial performance (Maignan and Ferrell, 2003; Perry and Towers, 2009). These provide a rationale for this study to propose that retailers' involvement in community work has positive relationships with their financial performance:

H2: Community investment is positively related with financial performance measured as ROCE, operating profit and revenue.

3.11 Environmental Performance and Financial Performance

The scholars have described different dimensions of environmental and social performance but their effect on the financial performance is varied. Socially responsible investing is grounded on the notion that good environmental performance can be associated with good financial performance (Orlitzky *et al.,* 2003; Montabon *et al.,* 2007; Neville 2008; Siegel, 2009; Ameer and Othman, 2012; Lucyanda *et al.*, 2012; Buckingham, 2012; Flammer, 2015), whereas some argued that environmental expenditures can incur more costs than benefits (Hirigoyen and Rehm, 2015).

There are many motivating factors driving the companies to adopt environmental initiatives in order to enhance their company's image and reputation ultimately leading them to financial gains. The practice of ethics which is often referred as socially responsible investment (SRI) has grown considerably over the years (Walmsley and Bond, 2003). The importance of ethical investing contributing towards corporate environmental practice and enhancing sustainable development cannot be belittled. It shows an opportunity for the global financial markets to inculcate the social and environmental costs into their patterns of investment providing a market-based incentive to improve performance.

Co2 emissions from fossil fuel is considered under level 1 of the sustainability hierarchy. The general perception of CSR validated by the UK retail consumers is environmental performance and showcasing the good image to enhance the profits. Climate change risks are caused by exclamation in the concentration of greenhouses gases can prove to be important business issue. Many companies and governments began to take actions to minimize greenhouse gas emissions. All industrial countries had signed formal consent to Kyoto Protocol, a united nations treaty that required under 5% emissions. Industrial countries are required to keep their emissions reduction commitments. But the Protocol gives these countries flexibility to meet their targets (Kyoto Protocol, 2011). However, USA denied signing this protocol on global warming stating that it would damage their economy which will eventually hurt developing countries. Important environmental issues that exist in the retail industry are energy and water consumption, volumes of packaging, transportation, land use and co2 emissions.

The environmental aspect of CSR focuses on eco-efficiency, innovation, pollution prevention and environmental leadership as suggested in the literature (Arragon Correa, 1998; Buysse and Verbeke, 2003). Environment related CSR aims to minimize the firm's ecological impact during the entire process of product life cycle. The firms adopt international compliant environmental management systems to ensure that the environmental impacts as a result of the firm's activities are managed and monitored systematically. Thus, by doing that, these firms build good relationship with the external stakeholders based on the trust and integrity. Many researchers posit that SMEs face more problems than large enterprises in following environmental CSR because its complexity in integration and management of value chain activities is beyond the acumen of SMEs (Tilley, 1999; Rutherfoord *et al.*, 2000). For instance, recycling based programs require the assimilation of multiple activities such as production, inbound and outbound logistics and post sales service. So, the complexity of the assimilation of multiple activities and joining the value chain process emphasizes the fact that environment related CSR requires abundant resources and expertise (Torugsa *et al.*, 2013).

Many studies suggest that firms' environmental responsibility correlates with their financial performance (Orlitzky *et al.,* 2003; Montabon *et al.,* 2007; Neville, 2008; Siegel, 2009; Ameer and Othman, 2012; Flammer, 2015), though some researchers argue that corporate environmental sustainability programmes can incur more costs than benefits (Hirigoyen and Poulain-Rehm, 2015). Many have observed that low carbon emission strategies can results in good economic performance (Montabon *et al.,* 2007; Neville, 2008; Siegel, 2009; Ameer and Othman, 2012). Hence, this study proposes that the intensification of retailers' environmental-friendly responsibilities has positive relationships with their financial performance.

H3: Co2 emissions are positively related with financial performance measured as ROCE, operating profit and revenue.

3.12 Consumer Perception of CSR

Consumer perception can play an important role to enhance sales revenue of the retail companies. Many scholars (Bhattacharya and Sen, 2004; Shangkun, 2010; Tian *et al.*, 2011; Khan *et al.*, 2013) held surveys to analyze the impact of CSR on consumers perception and buying behavior. Due to fierce competition in the retail industry, many companies are trying to adopt CSR strategies in their efforts to become competitive. Customers are increasingly price sensitive, looking for bargains at market places. But on the other side, they enjoy and like to buy products from socially responsible companies (Bronn and Vrioni, 2001). Because of increased use of social media, today's consumers are much better informed than ever. Customers are widely aware of their influence and power which increases their expectations from the organizations. In these circumstances, the development of good relationship between consumers and companies can be a great opportunity for gaining competitive advantage (Bronn and Vrioni, 2001; Hahn and Kuhnen, 2013). Hence, appropriate CSR strategies aimed towards the betterment of the society and environment can strengthen the relationship between customers and retailers.

The general theoretical insights from the literature show that CSR creates value for businesses through the reputation that it builds for the stakeholders (Preston and O'Bannon, 1997; Maas and Liket, 2011) and, the attention it draws from customers (McWilliams and Siegel, 2000). This gives firms a reason to celebrate when CSR strategies impact positively on firms' financial performances (Liston-Heyes and Ceton, 2009; Samy *et al.*, 2010). Yet, this is not always the case because empirical evidence depicts some negative, mixed, neutral and intricate findings leading to the consensus that associations between CSR and financial performance are indecisive. One line of inquiry even suggests that firms with low corporate social representation have better financial performance than those with moderate social responsibility image (Barnett and Salomon, 2012). This is so, because the conclusions are based on the varied theoretical orientations of the CSR concept, the diverse measuring instruments used, and the multiplicity of financial indicators used for analyzing the CSR and financial performance relationships (Taneja *et al.*, 2011; Blowfield and Murray, 2011; Galant and Cadez, 2017).

In this study, perceptive conjectures are deduced from the literature and fourth hypothesis is formulated illustrating the consumer perception of CSR. Apart from ethical reasons for adopting CSR, there is a strong argument that firms use CSR strategies to gain competitive advantage, improve financial performance and enhance their public image. However, the indicators for measuring firms' social responsibilities are multifarious and may diverge from their competitors depending on their resources (Galant and Cadez, 2017). Research has constantly used environmental performance (Berrone and Gomez-Mejia, 2009; Golgeci *et al.*, 2019), community investment (Maignan and Ferrell, 2003; Perry and Towers, 2009) and philanthropic activities (Porter and Kramer, 2006; Maas and Liket, 2011) as the main dimensions of socially responsible behavior that can lead the firm to competitive advantage and financial performance.

In fact, CSR variables have implications for buying behavior, consumer perception and sales revenue (Bhattacharya and Sen, 2004; Tian *et al.*, 2011) and initiated the debate that certain CSR dimensions should be adopted to gain significant benefits (McWilliams and Siegel, 2000). Drawing on the insights from the literature, this study hypothesizes that retail firms' environmental performance, community work and donations can lead to better sales revenue.

H4: Retail firms' CSR strategies such as donations, environmental performance and community work are positively related with perceived sales revenue.

3.13 Summary

In this chapter, the research framework has been presented and the dimensions of CSR and financial performance have been discussed in detail. The hypotheses have been devised to assess the impact of CSR on the financial performance of the retail companies and to analyze whether donations, community work and environmental performance can affect the financial performance indicators such as ROCE, revenue, operating profit and perceived sales revenue. Finally, the chapter highlights the direction and magnitude of the research to establish the relation between CSR and financial performance of the retail companies in the UK.

Chapter 4
Research Methodology and Design

4.1 Introduction

In chapter 3, a conceptual framework was contrived identifying three variables of CSR and financial performance. The hypotheses were formulized to examine the link between CSR and financial performance. This chapter builds on the previous chapter and focuses on the appropriate methodology for this study. To select suitable methodology, research philosophies have been reviewed to provide justification for post positivist approach. This justification leads to explaining the research design and provides rationale for selecting quantitative and qualitative methods. The chapter discusses the ethical issues involved during data collection process and states the research instrument. Drawing on the primary and secondary data sources, the chapter then explains population, sampling frame and techniques and provides justification for the selected sample. Then it discusses the data coding, analysis and justifies for selecting correlation analysis, descriptive statistics, exploratory factor analysis and principle component analysis. The last part deals with risks assessment, validity and reliability of the research followed by the ethical concerns and summary of the chapter.

4.2 Research Philosophies

Research philosophies contain the important assumptions such as epistemological and ontological stances which define the ways in which we see the world and pave the way for a researcher's thinking to develop the knowledge (Carson *et al.*, 2001; Yin, 2009). Research philosophies not only help to construct the research strategies, underpin the research methods and conceptual framework for assembling the research plan (Collis and Hussey, 2013), but also direct and guide thinking and action with the help of paradigm, the *"…net that contains the researcher's epistemological, ontological and methodological premises*" (Denzin and Lincoln, 2008, p. 22).

The long debate on generally, two philosophical streams of knowledge, interpretivism, reality that is socially constructed and positivism, reality is objectively presented has clouded the importance of philosophical precepts in the research (Morgan and Smircich, 1980). This study is guided by the epistemological postulations to what may be framed as acceptable knowledge. Epistemology considers that phenomenon is precise, real and measurable (Farquhar, 2012) and, can even contain the traces of ontological assumptions (Denzin and Lincoln, 1998; Sale *et al.,* 2002; Cohen *et al.,* 2007). Therefore, the revival of epistemological stand is required to justify the researcher's option for the post-positivist approach for this study.

4.3 Positivism and Interpretivism

Interpretive approach has mainly focused on interpreting and understanding the phenomenon. This philosophy is based on the presumption that human beings view the world as they inhabit and attribute the meaning to this world (Saunders *et al.,* 2007). This assumption is involved in attracting individual and unique truth which is based on the understanding and involves subjectivism instead of objectivism (Jillian, 2012). Moreover, this paradigm supports situations where researcher is attempting to study real-life experiences to understand and express its values, features and details (Healy and Perry, 2000). Interpretivists abstain from rigid structural frameworks and adopt flexible research structure which accepts external meanings in human interaction (Black, 2006).

Vogel (2005) points out that most of the literature on CSR emphasises on the link between responsible business practices and financial profitability with less attention paid to social, environmental and economic harms that corporations may cause to the environment in which they operate. Considering the subjective nature of CSR and its complexities, some researchers advance the interpretive approach which acknowledge the importance of understanding the social practices and provides a way about how social practices are constructed and rationalized with the actions of human agency (Burrell and Morgan, 1979). This approach becomes imperative when the researcher wants to understand the mechanism of the phenomenon (such as CSR) that how it is interpreted, produced and experienced by the social actors in the real world (Mason, 2002).

Various scholars have adopted interpretive approach (O'Dwyer *et al*., 2005; Longsdon *et al.,* 2006; Weyzig, 2007) to understand the concept of CSR but the main disadvantage associated with interpretivism is the subjectivism and bias on behalf of the researcher. Interpretivism is considered unsuitable for this study as it supports purely qualitative research methods whereas this study requires quantitative methodology to examine the link between CSR and financial performance apart from exploring the consumer perception of CSR.

A positivist research, on the other hand, seeks insight into phenomena based on measuring and penetrating the affected variables (Collis and Hussey, 2009). It lays emphasis on predicting the outcomes so that variables can be controlled in the next course of time. Positivism is the philosophical viewpoint which supports the idea that only source of authentic knowledge is acquired through scientific approach (Al-Habil, 2011). It is a conviction that trustworthy, real and factual knowledge of the phenomenon can be gained by better understanding through observation, scientific measurement and the use of senses (Saunders *et al.,* 2012). Al-Habil (2011) states:

"*Positivism can be seen as the belief in the existence of objective reality which could be explained and controlled through causal relations and testing hypotheses that establish statistical inferences"* (Al-Habil, 2011, p. 949). Therefore, in the field of management and social sciences, scientific research supports positivism because "*... it conforms with the empiricist view that knowledge stems from human experience"* (Collins, 2010, p. 38).

Fay (1975) described positivism as viewing the reality in single lenses and reality can be understood following scientific arguments and reasoning. Lincoln and Guba (1985) stated that positivism is critical in its approach towards describing a phenomenon and it reflects the genuine and real way of understanding social and human affairs. Hergenhahn (2009) described positivism as scientific method of research which is highly reliable and objective. Moreover, Babbie (2008) called it a problem-solving research paradigm which abstain from biased decisions. Saunders *et al.* (2012) explained it as a value free and protection from the self-indulging interests of subjective analysis in non-scientific domain of study. Denscombe (2008) favors its implementation in social, natural and scientific management for understanding the facts and social issues and looking for the acceptable solutions of the problems.

The positivist philosophy rotates around the observable reality and looks for causal relationships, regularities for measuring affected variables, and to create law-like generalizations with the help of hypothesis testing (Saunders *et al.*, 2007; Gill and Johnson, 2010). The objective of the research under the positivism is to test the theory and to provide information for the development of the phenomenon (Brymen and Bell, 2015). Under the positivist notion, phenomenalism means that observable and measurable phenomenon can lead to acquiring knowledge. But if the categories of the constructs are not simplified, the results can be questionable (Bryman and Bell, 2015).

Researchers with positivist assimilation, support social scientists who would ensure objectivity, impartiality and independence in different aspects of their research design and procedures by focusing on the facts and figures that arise from their quest (Crowther and Lancaster, 2008; Wilson, 2010; Collins, 2010; Al-Habil, 2011). The term independence and objectivity are closely connected with positivism because of its ability to establish and maintain a smallest level of communication and objectivity with the target population or participants in the field of research (Wilson, 2010).

Unconvinced by the logic of scientific discovery of the positivists, Popper (1959) argued that simply because something has been seen before is not to say that it becomes a historic truth and that it will continue to be forever. Positivism, however, cannot claim the complete certainty, validity and accuracy of the phenomenon which exuded lack of confidence and laid the foundation of post-positivism (Popper, 1959; Crotty, 2003). Therefore, regardless of the debate of objectivity and validity, a logical principle remains ambiguous to this scientific method (Crotty, 2003), giving the post-positivists a reason to gain acceptance in a social world where researchers are inseparable from the subjects being studied.

Extant literature has been brimmed with the positivist orientation to study the relationship between CSR and financial performance that have yielded inconclusive results (Peters and Mullen, 2009; Barnet and Salomon, 2012; Khan and Hassan, 2013; Hirigoyen and Rehm, 2015; Gatsi and Ameyibor, 2016; Geetika *et al.*, 2017). By positivist orientation, the researcher means scientific methods to study causal relationships and correlations that have resulted in positive, negative and mixed relationships (Donaldson, 1996; Adeneye and Ahmed, 2015; Hirigoyen and Rehm, 2015; Gatsi and Ameyibor, 2016). However, the researchers being the neutral observers have merely reported the empirical facts ignoring the prescriptive part of CSR (Wicks and Freeman, 1998), that can guide the firms to prioritize specific CSR strategy they should acquire in order to increase their business performance. Thereby, positivism could have been a close choice for the researcher if this study intended to seek only cause and effect relationship. However, the reason for the inadequacy of positivism was the exploration of consumer perception of CSR and perceived sales revenue. Positivism alone was not enough to explore the consumer perception of CSR. Therefore, the researcher needed post-positivist approach to explore the customer perspectives. The interpretation of consumer perception of CSR strategies steered the researcher to opt for post-positivism instead of positivist approach.

4.4 Justification for Post-Positivism

Philosophers of science have criticized positivism because of its over reliance on operationalization and causal models in human sciences and have coined the term 'post-positivism' which is considered the intellectual heir of positivism (Popper, 1959; Teddlie and Tashakkori, 2009). Proponents of post-positivism have tried to solve the problems associated with positivism and tried to shift it from the truth of the theory to the quality of explanation (Popper, 1959; Hempel, 1965; Brown and Forster, 2013).

Post-positivist believes that apart from considering the independence of researcher and phenomenon, theories, background, values and knowledge of the researcher can influence what is observed. In this mode, the research needs an ability to see the whole picture to take a distance overview (Agar, 1988; Wolcott, 1990). This type of objectivity is different from listing the facts which are devoid of context. Post-positivist researcher assumes a learning role rather than merely a testing one and strives to engage in social construction of a narrative with the participants to activate respondents' stock of knowledge (Richie and Rigano, 2001). Attention to the discourse and narrative is relevant to all considerations of the social world and can create awareness of state and social apparatus and practices. In the field of CSR, apart from testing the relationships, it is important to understand the social awareness of CSR, therefore, making the case for post-positivism which can help the researcher achieve study objectives.

While acknowledging that reality exists, post-positivist argues that reality cannot be fully understood without knowing the context of the phenomenon. It uses quantitative methods supplemented by qualitative methods and asks questions based on the diverse contexts to support or refute research hypothesis (Guba and Lincoln, 1994). Post-positivism balances positivism and interpretivist approaches and along with quantitative analysis includes philosophical and comparative context of the perspectives (Fischer, 1998). It does not disapprove the scientific elements of positivism in the research, rather it focuses on the understanding of the perspectives and directions of research studies from multi dimensions. Therefore, post-positivist scientifically strives to explore the phenomenon (Guba and Lincoln, 1994) and promotes the triangulation of quantitative and qualitative methods that explore the diversity of facts researchable through different kinds of research but valuing and respecting all findings as essential components for the development of knowledge (Guba, 1990; Fischer, 1998). It suggests the turning of empirical data of positivist results into knowledge through collaboration with other view-points.

Many scholars have used post-positivist approach to study the social context of CSR exploring the normative and moral grounding (Scherer and Palazzo, 2007; Brown and Forster, 2013). Forster and Brown (2013) proposed a post-positivist approach to CSR and stakeholder relationships and explained the philosophical work of Smith (1759), the 18th century economist who is often considered as the founder of CSR. Based on the epistemology of humanities and moral grounding of CSR, the authors provided insights to firms' CSR activities and the firm specific relationships requisite for practical application of stakeholder theory.

Post-positivism is suitable for this study because it requires quantitative methods to analyze secondary data supplemented by exploring the consumer perception of CSR strategies with the qualitative interpretation of primary data to support the hypothesis. In the first part, the study examines the relationship between CSR and financial performance and then, in the later part, explores it looking for its social roots from consumers' perspective that can be linked to perceived sales revenue.

4.5 Research Design

Research design is a framework that is used for the collection and analysis of the data (Bryman and Bell, 2003; Weathington *et al.*, 2012). It is a general plan of how to conduct and approach the research to get answers for the research question. The selection of the research design depends upon research topic, aims, objectives and questions (Creswell, 2007). It helps to draw outlines or boundaries for the research process, explaining the study setting, the kind of investigation that is required to be carried out, the unit of analysis and other relevant issues such as the reliability, validity and replicability of the research findings (Saunders *et al.*, 2012). An important criterion used for the evaluation of the research design is the quality (Guba and Lincoln, 1994).

The researcher should be certain on the selection of research design as it decides the success or failure of an investigation. The most frequent research designs in the literature are exploratory design, experimental design, descriptive design, cross sectional design, cohort design, action research design, case study design, historical design, longitudinal design, philosophical design, sequential design, causal design and exploratory design (Anastas, 1999; Krishenblatt-Gimblett, 2006; Saunders *et al.*, 2012). Furthermore, Saunders *et al.* (2012) described the design strategies such as qualitative design, quantitative design, sequential explanatory design and exploratory design, concurrent embedded design and mixed methods design.

Research approach is important in management sciences because it figures out the type of research design to be selected to unveil the hidden phenomenon for the researchers (Wilson, 2010). The researchers fluctuate between two types of research approaches i.e. inductive and deductive (Saunders *et al.*, 2012). Babbie (2010) states the importance of research approach and focuses on making a choice between deduction and induction, where the basic path of the approaches involves logic in various ways. Research approach is imperative in the social sciences because it sets the direction of which a study can be conducted in a certain way. As both approaches are strides of logic and reasoning, they are important determinants of how researchers connect the development of the research existing or new theoretical framework in research (Sing and Bajpai, 2008).

According to Bryman and Bell (2011), analyzing data gathered over set time-span allows researchers space to indicate trends, and in certain cases inferences to be made. Longitudinal research is commonly applied to outline changes in business and management research. In longitudinal research, a sample is chosen by the researcher and surveyed again on at least another occasion (Bryman and Bell, 2011). Longitudinal study can further be divided into two subcategories i.e. panel studies and cohort studies. This study has examined the relationship of independent variables such as donations, community work and environmental performance with dependent variables such as ROCE, revenue and operating profit. As the longitudinal analysis of the past CSR and financial performance has provided the researcher an opportunity to examine the relationship between two variables. Survey questionnaire has been chosen to gain insight into present perspective of CSR from the consumers' viewpoints in the UK.

It was as an appropriate and viable option for research design for the following reasons:

- Phenomenon under research can be measured and observed. The variables of CSR and financial performance under research are deduced from the literature. But the key point is how well the constructs explain and assign depth to the phenomenon of theoretical interest (Edward and Begozzi, 2000). Even though it appears that all indicators can best represent the literature or theory, it becomes vital to make sure that selected variables can represent the concept being apt, valid, reliable and precise (Bryman and Bell, 2015).

- Theory can be measured and tested by deductive approach which means that hypothesis can be constructed and developed prior theoretical considerations and can be tested through statistical inference (Bryman and Bell, 2015).

- If the population is defined clearly and the sample is chosen wisely then the generalization of the findings to the chosen population can be assured (Bryman and Bell, 2015). For this study, the sample is random and adds value to the extended quantitative and qualitative approach.

For this study, research design has been generated to carry out research step by step. Hussey and Hussey (1999) states that the success of the research process depends on the selection of appropriate research design. This study applies correlational research design. It is a quantitative research method in which relationship or covariance between two or more variables is determined (Kumar, 2005). Since the aim of the study is to examine the relationship between CSR and financial performance, it is considered an appropriate choice. According to Kumar (2005), the purpose of correlational design is to explore or establish an association, relationship or interdependence between at least two factors or sides of the phenomenon or situation. This is chosen by the reason of being in accordance with the aim of the study which is to investigate the relationship between variables where data is collected from nine different years.

There are two types of time horizons in the research process, namely cross sectional and longitudinal. According to Saunders *et al.* (2007) time horizons are requisite for the research design. Longitudinal analysis is a co-relational study that involves different observations of the same variables and repeats these observations over a longer period. Hence, in this study, the longitudinal data was used to examine the link between CSR and financial performance from 2006-2014 and the reason for selecting this type of time horizon was in line with the aim of the study.

The researcher has chosen this research design because of its simplicity and proximity to the research aims, objectives and research questions. For instance, this design was better as compare to experimental design which would not have been viable to the quantitative research strategy. Keeping the CSR scenario in UK retail sector, field experiment would have been difficult to conduct and achieve the required level of control due to the complexity of the CSR field (Bryman and Bell, 2015).

4.6 Deductive approach

Deductive approach involves the development of the theory and then it is put into rigorous test through a series of propositions or hypotheses (Saunders *et al.,* 2012). This approach is commonly used in the natural sciences where law provides the basis of explanation, allows the anticipation of phenomenon, predicts their occurrence and then allows them to be controlled (Gill and Johnson, 2010). The deductive approach to research relies on the concepts which need to be operationalized and enable the facts to be measured, most of the time quantitatively. Careful selection of sample is vital in deductive approach because it aims to generalize its findings.

The nature of the research topic regulates the selection of the approach (Saunders *et al.,* 2012). Deductive approach has been used to examine the link between CSR and financial performance (Peters and Mullen, 2009; Mulyadi and Anwar, 2012; Iqbal *et al.,* 2012;

Abiodun, 2012; Khan and Hassan, 2013; Adeneye and Ahmed, 2015). This study has incorporated deductive approach to investigate the link between CSR and financial performance. The deductive method for this study begins from literature review, theoretical framework, formulation of hypotheses and making logical deductions from the findings of the research (Ellis and Levy, 2009).

4.7 Research Strategies and Methods of Data Collection

Saunders *et al.* (2012) explain that research strategy is a plan of how the researcher attempts to go about answering the research questions. Jillian (2012) explains that research strategy is a methodological link between the selected philosophies and the following choice of methods of collecting and analyzing data. The rationale for adopting a strategy is characterized by the research aims and objectives (Bryman and Bell, 2007; Jillian, 2012).

4.7.1 Combination of Secondary and Primary Data

A combination of primary and secondary data has been used for this study. The secondary information is requisite for exploratory purposes in the existing literature to obtain insight into the phenomenon and statistical tools, measurement and research technique applied in past studies. Primary data can be numerical or non-numerical data acquired independently and fully by the researchers through experimentation, observation, interview and questioning (Babbie, 2008; Horn, 2010). Generally, the secondary information is used for obtaining empirical evidences and strengthening the results. For this research, two types of data sources have been utilized. Secondary data has been obtained from CSR reports and annual reports published on the retail companies' websites for the period from 2006-2014. The primary data comprises of mall intercept survey with the research instruments of close ended questionnaire. Primary data has been collected to assess the findings of the secondary data.

4.7.2 Secondary Data

Secondary data is more frequently used in business and management studies as a part of case study or survey strategy. Saunders *et al.* (2007) have created three subgroups of secondary data namely, documentary data, survey-based data and multiple data. Documentary data include written materials such as journals, newspapers, books, publications, reports to shareholders, diaries, minute of meetings, notices and correspondence. Moreover, non-written materials include films and television programs, pictures, video and voice recordings, digital versatile disks (DVDs) and organizations database. The advantages of secondary data sources include the extensive span of data availability and the quality of professionalism and expertise involved (McNabb, 2013). The major drawback of this source is the non-involvement of the researcher in the collection process. In this study, secondary data is acquired from CSR and annual reports of the selected firms' websites over a period from 2006-2014.

4.7.3 Primary Data through Survey Questionnaire

Many CSR studies have applied survey research strategy (Sweeney, 2009; Obalola, 2010). Generally, survey is selected for descriptive and exploratory research because it is considered beneficial for providing answers to the research questions on who, where, what, how many and how much (Saunders *et al.*, 2012). Survey strategy keeps the researcher up to date with meaningful, relevant, and informed field on the phenomenon being investigated (Denscombe, 2014).

The instrument deployed for the survey strategy is questionnaire. It is a source of primary data collection from respondents with precise instructions to show their voluntary consent to structured questions by ranking, rating or ticking the preferred options to different questions asked by the researcher (Sofoluwe *et al*., 2013). Another proponent of questionnaire is Brace (2008) who describes it as an instrument that provides a medium of communication between respondents and researcher. Therefore, the questionnaire can be computer/web aided, researcher administered, self-completed, close-ended, open-ended, in house survey questionnaire, mall intercept survey questionnaire, mail survey questionnaire or telephonic questionnaire (Babbie, 2004; Denscombe, 2014). Henson *et al.* (2010) analyzed consumer purchase intention through mall intercept survey with 100% response rate.

In this study, well designed questionnaire has been used as a research instrument that was delivered through a mall intercept survey to 250 consumers in London to find out the relationship between CSR activities and perceived sales revenue. The questionnaire was designed in a simple and lucid way to ensure more respondents. The pilot test was conducted to check the validity, uniformity and quality of the instrument (Neuman, 2003).

The survey technique can be adopted by qualitative and quantitative researchers depending on the type of questionnaires. Mall intercept survey has been chosen for this study because it is the practical way of collecting data. Even though internet has provided the researchers a cost effective and time saving way of recruiting the respondents and conducting surveys, on the spot data collection has become an efficient and essential tool for the researchers (Hornik and Ellis, 1988; Srinaruewan *et al.,* 2015). Surveys are one of the widely-applied methods of carrying out research in the social sciences (Gummesson, 1999). That is because survey draws on familiar skills of deriving information through questioning. Quantitative surveys are designed with strict set of questions posed to all participants (Saunders *et al.*, 2009). As the objective of this study is to find out the relationship between CSR and financial performance and explore the consumer perception of CSR strategies for the retail firms, mall intercept survey is considered the appropriate technique.

Mostly the sample used in surveys is weighted demographically to ensure that its characteristics are representative of the population being studied. It is important to consider that sample is true representative of the population. In this study, the target population was the UK consumers. The sampling frame included the London consumers. A 19-item questionnaire was designed with the covering letter to get the answers from the sample. Ethical approval was sought from Cardiff Metropolitan University before starting to collect data.

To explore the consumer perception of CSR, the researcher chose multiple locations in London for the mall intercept survey to collect data (Appendix 1, p. 280). During the data collection process, the researcher ensured to dress professionally and wore the student badge from Cardiff Metropolitan University with her photo and name on the card. The researcher reached the selected malls at 11.00 am and remained there till the evening until the shopping traffic declined. She approached different customers passing by and stopped them while coming out of the mall with shopping bags from selected retailers and asked them if they would be willing to participate in the research study, those who agreed were taken to a corner. The researcher introduced herself to the respondents and explained the purpose of the research. The researcher gave the consent form and survey questionnaire with a pen and clipboard to the respondents which took 10 minutes to complete approximately.

Responses of the participants were recorded, and frequency distribution was shown with the help of charts and graphs. MS Excel and SPSS version 24 were used to analyze data and depict the results using exploratory factor analysis, descriptive statistics, principle component analysis and analytical methods involving quantitative and qualitative approaches.

Coding is the way of interpreting survey answers into meaningful sections to identify patterns. There are two important steps involved in it. Firstly, elaborating a coding frame and attributing it corresponding values. Primarily, coding frames look for the categories of the answers. This is easy to use when answers of the respondents are of simple pattern. The level of the classification of the answers should show the analytical purpose of the questions. If the adopted classification of the questions is clear to the respondents, they may provide biased opinion or refuse to answer. Therefore, the reaction of the respondents determines that construction of the questions is important.

In relation to response rate, this study set out the sample size of 250 respondents. At the end of data treatment, the variance between sample size and actual responses represented a 100% response rate. There should always be a concern over the validity while using the survey instruments. With online collection, there is the possibility that an imposter is filling the questionnaire rather than the real respondent. This occurs especially when the respondent completes the form on their own without supervision (Smith, 1997). However, this was not the case in mall intercept survey as the researcher was present when consumers filled the questionnaire.

4.8 Quantitative and Quantitative Treatment of the Data

Data collection techniques and procedures can either be qualitative, quantitative or mixed depending on the purpose of the research (Saunders *et al.,* 2012). Qualitative research thrives to get a deep understanding of the human behavior whereas quantitative research investigates the observable phenomenon. Qualitative methods are widely accepted in social sciences and business research. This type of research strategy accentuates the words rather than quantification in the collection and analysis of the data. It predominantly feeds the inductive approach to find out the relationship between theory and research. Different qualitative methods include action research, observation, case study, interviews and focus groups. One of the major criticisms of this method is the subjectivity and influence of the researcher with which data can be collected. Moreover, it is difficult to encompass the complexity of the human nature as it is likely to change continuously.

Quantitative data technique predominantly uses structured questionnaire whereas qualitative data collection technique deals with semi-structured interviews (Yin, 2009). The analysis of empirical studies reveals that case studies, interviews, observations and open-ended questionnaires have been utilized in order to collect qualitative data in CSR (Storbacka *et al.,* 2011). The literature suggests that a few scholars (Vilanova *et al.,* 2009; Khan *et al.,* 2013; Oberseder *et al.,* 2014; Nyoro, 2015) have attempted to conduct qualitative research to seek the relationships between CSR and financial performance (Table 2.1).

Oberseder *et al.* (2013) describes that methodology should be used as a clear and predefined source which means that data collection, sampling and data analysis should be a concise and coherent process. It is important to observe that neither qualitative or quantitative research can be categorized as being superior to other. However, the validity of the method depends on the objectives of the research.

In quantitative research, the researcher is distantly objective from the problem being studied. The aim of this research is to employ and develop theories and hypotheses relating to the phenomenon. Synthesis of quantitative research and its components allow the researcher to better understand the mechanisms of the phenomenon. Quantitative results may be utilized to support and generalize the sights of the phenomenon (Bryman, 2006). Numerous studies (Peters and Mullen, 2009; Barnet and Salomon, 2012; Khan and Hassan, 2013; Hirigoyen and Rehm, 2015; Gatsi and Ameyibor, 2016; Geetika *et al.,* 2017) have used quantitative research and formulated hypotheses to understand the relationship between CSR and financial performance. But despite providing the quantifiable data, it has attracted a lot of criticism as little information is provided about the subjective condition of their existence.

Quantitative research deals with the systematic empirical investigation of the social phenomenon with the help of mathematical, statistical and computational techniques (Creswell, 2013). In this type of research, the researcher asks specific questions, collects measurable data and analyses it objectively. This research comprised of four retail firms i.e. Primark, Tesco, M&S and Next. For this study, secondary data was collected from the CSR and financial reports of the selected retail companies' websites from 2006-2014. Primary data was acquired through close-ended questionnaire to compare the findings of secondary data. Triangulation was applied showing complementarities between primary and secondary findings.

The appropriateness of the qualitative and quantitative methods depends on the issues being explored. Despite the dominance of stakeholder approach in the field of CSR, little has been explored about the customer perception of CSR. Researchers have overused quantitative methods and only a few studies have used qualitative techniques to explore the concept of CSR and financial performance (Taneja *et al.,* 2011). For this study, close-ended questionnaire married well with the quantitative tools and explanation of the CSR strategies from consumers' perspectives. In the first part of the study, the researcher tested the hypotheses whereas in the later part tried to make sense of the CSR strategies perceived by the consumers and compare the results of the primary and secondary data to find some evidence on the debate of CSR and financial performance.

Although close-ended questionnaire has been used frequently with quantitative methods, there are some instances where researchers have used questionnaire to explain the data qualitatively (El-Farra and Badawi, 2012; Buturoaga, 2014). For instance, El-Farra and Badawi (2012) investigated the factors affecting employee attitudes towards organizational change in the Coastal Municipalities Water Utility, the organization responsible for water and sanitation services in the Palestinian Gaza Strip. Primary data was collected through 128 close-ended questionnaires whereas secondary data was obtained from journals on organizational change, psychology, general management and organizational behavior through electronic database. Involving qualitative explanation of factors influencing the behavior and, quantitative analysis through correlation and regression analysis, findings revealed that employees had positive attitude towards change. Drawing on the methodological lens of El-Farra and Badawi (2012), this study examines the relationship between CSR and financial performance through combination of primary and secondary data.

4.9 Data triangulation

Data triangulation relates to the use of more than one form of data in order to understand the diverse viewpoints of the phenomenon and improve confidence in the findings (Saunders *et al.,* 2009). In behavioral and social science, the mixing of the data types is often considered as a source of minimizing bias. It enables the researcher to use different techniques to get access to different facets of social phenomenon. In this study, researcher obtained secondary information from the selected retailers' websites and then used primary data within one study to increase the reliability of the findings gained from secondary data.

4.10 Ethical Approval

Ethical approval was sought from Cardiff Metropolitan University prior to data collection. The informed consent was sought from the respondents by providing a cover letter stating their rights to withdraw the information from the study at any time. As the data was collected through mall intercept survey, the researcher did not seek permission from the retailers and approached customers directly. The consumers were informed about the purpose of the research. Their privacy was considered including their rights to give or decline information.

Data confidentiality should be given utmost importance as it implies when the respondents provide confidential information which should be kept secret by the researcher (Kennedy, 2001). The handling of the ethical issues can cause significant impact on the integrity of the research project (Fowler, 2013). The reliability, validity and integrity of the research findings depend on the faithfulness to ethical regulations. Regardless of the type of research, ethics are the pivotal point of the research. In this study, ethical issues are based on the following core principles:

The researcher respected the dignity, autonomy and decision making of the participants. One of the priorities of the researcher was to avoid the physical or psychological stress and to provide the participants enough privacy to complete their answers in a peaceful atmosphere. The researcher tried her best to do justice to the research by selecting the participants from the groups of people that this research could benefit from. For instance, while stopping the customers to participate in the questionnaire, the researcher ensured to approach only genuine customers and other window shoppers were avoided. Moreover, the researcher sought voluntary participation and informed consent of the participants and kept them fully informed of the procedure of the research.

To minimize the risks, the research added a cover letter in the questionnaire explaining the purpose, intent and procedure of the research, data collection method and potential use of data. The researcher also ensured to use the collected information only for the intended purpose and avoided interference while participants were filling the questionnaire. The researcher respected customers refusing to participate and avoided asking them repeatedly. The researcher was also conscious of approaching the consumers in a professional way and was honest with the potential respondents. Moreover, special care was given to clarity and cohesion of information so that respondents fully understood the purpose of the research.

4.11 Selected Population of the Study

The selected population is the retail industry of the UK and is mindful of the CSR issues prevailing in the society. The retail industry is flourishing at a rapid speed in the UK. This can have significant implications on consumers' perceptions, spending and purchasing power. Due to uncertainty over breadth, speed and magnitude of changes can weigh the economic prospects of retail companies. So, there is a need to focus on the CSR strategies and economic performance. In an era of uncertainty, it has become critical for the businesses to understand the magnitude of social, ethical and environmental issues.

The reason for selecting retail industry is its contribution to the UK's economy. It is important for various reasons. For instance, retail outlets fill the London's streets with customers and stimulate significant transportation providing impetus to other sectors such as logistics, warehousing, construction, creating employment opportunities and helping community development. It also connects directly with consumers, making it suitable for this study. Consumer perception of CSR and its relationship with perceived sales revenue being the crux of this study, makes it prime reason for the researcher to choose retail industry. There are 319,000 retail businesses in UK providing 2.4 million employments, with economic output of £92.8 billion in 2017 which is 5% of the UK's total GDP (Rhodes, 2018).

Determine Sample Size

Confidence Level: ◉ 95% ○ 99%

Confidence Interval: 6.2

Population: 9,000,000

Sample size needed: 250

Source: sample size calculator 2017

The researcher determined a representative size of 250 participants from the total population of 8.7 million in London (Archive City, 2016). So, a population of approximate 9 million was selected at 95% of confidence level and 6.2% confidence interval. The researcher used online sample calculator to determine the sample size.

4.12 Sampling Frame and Technique

Sampling frame comprises of a list, reliable device or a tool which holds essential components of the target population. It is a complete template of the target population from which a study could derive its sample easily (Saunders *et al.*, 2012). In simple words, it is a full list of members of the population that is needed for the study. The qualities of an ideal sampling include reasoning for selection, importance of geographical information and appropriateness to the study, systematic and organized approach and complete inclusion of the target population. It is mandatory that the sampling frame should be true representative of the target population. When the population and sampling frame do not joint together, serious mistakes can occur resulting inaccurate results.

To evaluate the consumer perception of CSR strategies, survey can be conducted if it defines the research purpose and CSR construct without adding too much complexity for the participants. Therefore, the researcher ensured that while conducting survey, the purpose is clearly defined, and questions are simple, concise and to-the point. Authors use statistical methods, annual reports, content analysis and many other quantitative methods to analyze disclosure level of CSR among the firms. To demonstrate the samples and their representativeness, the chosen firms should be from specific industries and not from the wide industries (Horn, 2010). Hence, this study represents retail industry in the UK and to make it more specific, London consumers have been chosen as a selected sample representative of the population. Most of the quantitative methods adopt a deductive approach. The deductive arguments evolve from general view points to the more specific as for this study, discussion evolve from CSR reports of the retail companies to the consumer perception of the CSR strategies. The researcher is conscious of the fact that vague or general descriptions of the phenomenon can lead to inappropriate results.

Sampling frame was obtained from 250 consumers in London. The researcher travelled at 16 different locations in London. In the random sampling, all areas of London were considered proportionately. The significant places included Shepherd’s Bush Westfield shopping Centre which has the honor of being London’s biggest shopping mall, Southside shopping Centre, Wandsworth, Whitgift Centre Croydon, London designer outlet, Wembley, Thomas Neal Centre, Covent gardens, Piccadilly Circus, Cardinal shopping Centre, Westminster, Queen Elizabeth Stadium, Stratford underground station and Oxford Street (Appendix 1, p. 282).

During the mall intercept survey, 250 participants were asked to fill a questionnaire comprising of nineteen questions. Questionnaire included four demographic questions and fifteen content related questions. The content related questions covered retailers’ corporate responsibility strategies and customers’ perceptions of such strategies including their attitudes towards favorite retailers, product processes, trust and repeat purchase, and beef burgers. Survey questionnaire was selected because it had the knack of providing an insight into the behaviors and perceptions of the individuals as well as policies and practices of the organization (Baruch and Holtom, 2008). Out of the 250 questionnaires distributed among the London consumers at different locations, all were completed showing 100% response rate.

4.13 Rationale for Selected Sample

The selected sample comprises of four retail companies, Primark, Marks and Spencer, Tesco and Next. The rationale for choosing the multiple cases focus on the need to establish whether the findings of the first case can occur in the other cases and subsequently the need to generalize as a result of these findings (Saunders *et al*., 2012). Therefore, in this study, the multiple companies are selected to establish the link between CSR and financial performance.

Tesco is the largest retailer in the UK with over 3000 outlets, 27.4% of market share and £38.7 billion sales (2017/2018). M&S is the UK’s biggest clothing retailer with 8.1% of market share followed by Next with 7.1% and Primark 6.9%. These UK based retailers are using aggressive marketing strategies with several CSR projects such as donations to charities, participating in educational programs, solving environmental issues such as volume of packaging, transportations, carbon emissions and facing ethical issues such as poor working conditions, corruption and mistrust. Despite being major players in CSR initiatives, these firms have been accused of mistrust, horse meat scandal, corporate accounting fraud, poor working conditions and Angora wool scandal. Therefore, it seems appropriate to see consumers' reaction to these issues and whether their buying behavior gets affected as a result of the CSR performance of these retailers.

Primark and Marks and Spencer are the major competitors in the retail market and adopt CSR strategies in order to create good reputation and increase profits. In 2009, Primark had a major blow when a program was broadcasted on BBC considering the poor working conditions and child labor issues with one of its suppliers. On the other hand, PETA, the international Animal Rights organization launched a campaign in 2001 against Marks and Spencer for selling products containing Indian leather which was produced after the ill treatment of the cows (Guardian News, 2001). Moreover, PETA issued a video in 2013 exposing the cruelty of Chinese supplier against the Angola rabbits and pulling their skin off in a brutal manner. The supplier made jumpers and scarves containing angora wool for the retailers in the UK including Primark and M&S. Both retailers reacted firmly because of the un-ethical conduct and decided to pull off their products from the supplier.

Tesco is one of the major food retailers in the UK, but its CSR practices came under scrutiny after the horse meat scandal. Recently, there is an investigation going on against the accounting fraud shown by the executives of Tesco. Because of increasing pressure, companies are pursuing CSR strategies focusing on environmental commitments, social work and philanthropic activities in order to maximize profits, enhancing their public image and achieving long term sustainability. For example, Primark adopted many strategies such as using carrier bags made of 100% cardboards which are more environment friendly, withdrawal of products containing Angora after the concerns of animal welfare and working with its suppliers on HER projects to enable health awareness. On the other hand, Tesco is working with the UK charities such as Diabetes UK and British Heart foundation to raise funds. The market leader, Tesco also holds the donation budget to help the local organizations and the launch of LED buying club is acclaimed to be an innovative program by the company to help the environment.

Increased business approach and higher societal expectations towards business' social performances are the two vital opposing forces for the retail companies. In the world of research and in the world of practice, there are little conclusive results and more dilemma that companies' CSR strategies must fulfil certain business gains. Mall intercept survey provides a mechanism to figure out strategic CSR activities and evaluate them from consumer perspectives. So, the thesis provides a theoretically holistic, richer and comprehensive account of looking at CSR strategies.

4.14 Methods of Data Analysis

The early stage in the data analysis for this study evolved its classification and organization. Data collected from CSR and annual reports of the retail companies was gathered, compiled and organized in MS Excel. This proved to be lengthy process as data was obtained over the period of nine years. But despite being long process of data collection, the researcher was satisfied that the information gathered was suitable for the study. In the case of this study, all information was available from companies' websites.

The encoding required an explicit code which could be a list of indicators, themes or qualification that were related causally (Boyatzis, 1998). A theme is a category or a pattern within the phenomenon. By exploring each case individually, the researcher identified the indicators i.e. ROCE, revenue, operating profit, donations, community work and environmental performance which acted as a useful guide to develop a coding scheme. The iterative process was explained within the literature where findings from retail companies can compare with findings of the survey. Another step in the process of data analysis was where the data was clustered, condensed, sorted and linked. This was vital in the process of data collection.

Following data collection and data analysis, the next stage was to report the findings. This section highlights how data analysis was conducted and underlines the issues surrounding data analysis. The use of data analysis function within MS Excel and SPSS version 24 were learnt by the researcher. Analyzing quantitative data differs from qualitative data. In quantitative research, data coding is a different sequential task whereas in qualitative research, this is not the case (Catterall and Mclaren, 1996). The unit of analysis was the retail companies' websites and retail consumers in London.

As Levy and Lemeshow (2013) concluded that researchers should opt for sampling instead of census as sampling should facilitate the data collection and it often provides reasonable means to the researcher for the collection of data and it collects such type of information that might be unaffordable and unattainable otherwise. Sample is normally less expensive to acquire as compare to census. So, sampling helps the researcher collecting the data more quickly.

4.14.1 Secondary Data Analysis

Analysis of the data comprised of two parts. In the first stage, correlation coefficient was used to examine the secondary data collected from selected companies' CSR and financial reports published on their websites. In the second stage, Pearson's correlation coefficient and descriptive statistics and factor analysis were utilized to examine the link between CSR variables and perceived sales revenue. MS Excel was used for correlation analysis whereas SPSS 24 version was utilized for descriptive and factor analysis. Many researchers (Liston-Heyes and Ceton, 2009; Iqbal *et al.,* 2012; Khan *et al.,* 2013) used SPSS to examine CSR and financial performance.

For this study, correlation coefficient is conducted to analyze the link between variables of CSR and financial performance from 2006-2014. The rationale for selection of this period is the long-term impact of CSR on financial performance. Correlation coefficient is referred to the measurement of linear dependence or correlation between two variables. It also measures the direction and strength of linear relationship between two variables. It is considered appropriate for this study not only considering the aims and objectives of this study but also the dependent and independent variables.

Data analysis procedures allowed the researcher to understand the different aspects of data. So, the aim is to present the true form of data without any bias or personal judgement. The researcher commenced by focusing on the case by case breakdown to analyze CSR and annual reports before engaging in survey. Correlation coefficient is represented by r. The value of r is $-1< r < +1$. The + and - signs are used to show positive and negative relationship or correlations. If x and y have strong positive relationship, r is equal or close to +1. Exact figure of +1 shows the perfect positive correlation. Positive correlation between x and y in values means that if x increases, y increases as well. If r is equal to -1, it shows negative correlation between x and y. Hence, if x increases, y decreases. If r is close to 0, it means there is no correlation between x and y.

Generally, a correlation greater than 0.8 shows strong correlation whereas correlation less than 0.5 generally shows weak relationship. The values can differ depending on the type of data being examined. The research carrying out scientific methods requires stronger correlation whereas for social sciences studies, weaker correlations are also acceptable. Many studies (Pava and Krausz, 1996; Preston and Bannon, 1997; Nelling and Web, 2009; Ehsan and Ahmed, 2012) have examined CSR and financial performance using correlation coefficient. The statistical data has been presented with the help of line graphs which provide visual comparison between CSR and financial performance measures. The reason for selecting line graphs for data presentation is that they help to determine the relationship between various variables of CSR and financial performance (see chapter 5).

4.14.2 Primary Data Analysis

Descriptive statistics, exploratory factors analysis and principle component analysis were used for primary data. Features of the sample were summarized with the help of descriptive statistics. During the process of entering data into information sheet, various issues can occur such as missing data, homoscedasticity or normality which can affect variables. Before data analysis, these issues need to be solved (Hair *et al.*, 2006). Descriptive statistics were administered to assess the kurtoses and skewness whereas Shapiro test and Kolmogorov Smirnov were performed to analyze the normality of data (Field, 2006). The researcher used exploratory factor analysis on the SPSS version 24.0 to analyze the data and applied the principal component analysis to extract communalities and total variances among the components to validate the reliability of the data (see chapter 6).

Factor analysis is a method of factor loading into groups to derive underlying factors. It is a technique which is used to receive what data offers you and is involved in utilizing variables together on specific number of factors (Hair *et al.*, 2006). It is normally used in social sciences to spot the existing factors and concise many variables to a small number of factors that look for co-variation (Tabachnick and Fidell, 2007).

4.15 Risk Assessment, Validity and Reliability

The issue of reliability must be taken seriously to get the accurate results for the questionnaire instrument. Subjectivity and partiality should be avoided to ensure reliability of the research (Babbie, 2010). Miles and Huberman (1994) explain that reliability is the extent to which a study is constant and shows stability over a period among researchers and the research methods. Joppe (2000) states that reliability is the "*extent to which the results (of the empirical research) are consistent over time and an accurate representation of the total population under study"* (Joppe, 2000, p. 1). In other words, it measures the phenomenon in stable and dependable manner. It also makes sure that the researcher can feel confident over the data collection through the instrument.

Kirk and Miller (1986) argue that three conditions should be met for reliability to be achieved and established in the research that is quantitative in nature. First condition is the repetition which means that measurement can be repeated over times. Secondly, stability which means that measurement should be stable over a course of long time and thirdly, dependability that the results measured on one time should be same. In quantitative research, three common tests, test retest, alternative form and internal consistency are carried out in order to establish the reliability (Saunders *et al*., 2012). The reliability test related to this study was internal consistency. Using the Cronbach's Alpha reliability coefficient, reliability was tested to see if the questions measured what they had been designed to measure. The Alpha coefficient of fifteen questions showed the internal consistency of 0.795 which was higher than criterion value of 0.70 (Nunnanly, 1978). Factor analysis, principle component analysis and scree plot assessed the adequacy of the data extraction through commonalities and eigenvalues (see chapter 6, p. 171).

Validity of the instrument is another issue that the researchers need to consider while conducting the research. Validity is critical to all types of research and is explained as how real or genuine the outcomes are (Oliver, 2010). Validity is related to research propositions because samples, research measures and designs do not have validity on their own. Research design must be chosen carefully in order to ensure the validity of the research (Jackson and

Trochim, 2002). Categories of validity include, criterion related validity, external validity, internal validity, identified construct validity, face validity and con-currant validity (Bush, 2007). In nutshell, the terms validity and reliability are used consistently in quantitative research and should be taken care off to derive the findings.

UK retail companies must adhere to the rules and regulations set by UK and EU law. For the business registered in the UK, websites are required to be of a certain standard and need to display some compulsory information such as business name, place of registration, registered number, registered office address and if it is a member of trade association. Visitors to the companies' websites can use the information to the extent shown in the disclaimer. Moreover, data protection notices, or privacy policy must be shown on the websites and companies must inform the users what the data used for and if it is compliant with Data Protection Act 1988. If the websites fail to comply with UK law, there could be two types of legal liabilities, criminal liability and civil liability. Civil liability can result in exhortation and damages payments whereas criminal liabilities can lead to criminal record, fine or even worse. The researcher ensured that websites that data was supposed to be collected from were of standard size and met the UK's rules and regulation.

In selecting a methodology that would allow persistent analysis of survey questions, the researcher wanted to choose a stance that recognized the biases or prejudices involved in the investigation. For this study, researcher was involved in travelling different areas of London for the mall intercept survey. So, there was a risk of difficulty in the selection of appropriate sampling. However, while stopping the shoppers, researcher screened them for appropriateness. As this study was not involved in experiments, no major risks were identified for the researcher or to the school. However, in constructing an approach, the researcher was inspired by Madison's (1988) doctrines in relation to issues such as appropriateness, coherence, thoroughness and contextuality in the research, regardless of being subjective and objective in nature, should appear to be energetic in execution.

To test the content validity of the questionnaire instrument, pilot study was conducted which gave the researcher a platform to test data before it was completed for final administration to the target audience (Fink, 2009; Saunders *et al.,* 2012). A pilot questionnaire was administered to the 20 consumers first to seek their opinion about the questionnaire and whether they understood the questions fully. The researcher interacted with consumers regarding the clarity of the information and language of the questionnaire. The reason for the pilot test was to get a practical feedback on the structure of the questionnaire in relation to type of language used to construct the questions, clarity of information or instructions, framing of the questions and the length of the questionnaire (Fink, 1995).

As a result of the researcher's conversation with consumers, the questionnaire was refined and amended in line with their opinions. For example, initially, when the researcher approached some consumers to seek their opinion about the questionnaire, some consumers said that they might not buy the same product from the retailers involved in un-ethical conduct but would buy the other products because it was convenient for them. Therefore, based on the feedback, third option was added in the 11^{th} question of the questionnaire (Appendix 2, p. 284).

4.15.1 The issues of Potential Bias

Bias is the potential problem which is faced while designing the research as well as during the execution of the designed research plan. The most common categories of bias that can affect the validity of the research are selection biases which may result in the subjects being unrepresentative of the population and measurement bias which includes issues relating to the ways the data is measured. Using a central location in mall intercept survey can give rise to sampling bias which can create problems in obtaining a representative sample of the target population (Nakanishi, 1978; Murry *et al.*, 1989). Sampling from one entrance of the mall can bias the sample socio-economically or geographically (Sudman, 1980; Blair, 1983). To address this issue of sampling bias, the researcher selected different locations at varying times and entrances to ensure that variability within the population of interest could be represented.

Dillon *et al.* (1990) states that the big issue involved in mall intercept surveys is length bias which means that frequent shoppers have a greater chance of being included in the sample. This issue can be further complicated if the survey is limited to specific days. To reduce the impact of sampling bias, the researcher used multiple locations in London. A total of 250 surveys were completed over the course of six months of field work.

Another potential bias of the mall intercept sampling arises from the probability of a shopping visit which is a function of the number of visits customers make to the malls in a certain time period. Sudman (1980) suggested using quota sampling for frequency of shopping by the certain segments such as females tend to go for shopping more often than males. Therefore, respondents of mall intercept survey were selected on the base of age, gender and employment status. Gender was selected as a requirement which was easy to determine in the survey process before approaching consumers, whereas age and employment status were chosen to have wider perspective of the consumers (see section 6.3, p. 164). To minimize the age and employment bias, researcher visited malls on different days to get wider representation of the participants belonging to different age groups and employment status. A further measure to improve data quality was to intercept the very next similar customer in case of non-response. For instance, if the male customers refused to participate in the research, the researcher selected the very next male customer rather than approaching the females.

4.16 Summary

The chapter discusses important research philosophies relevant to this study such as interpretivism and positivism and provides rationale for choosing post-positivist approach. Then it states the research design and provides justification for selecting primary and secondary data. Moreover, it defines the data sources, population, sampling frame and techniques, statistical package used for the study and discusses the ethical issues involved during data collection process. In the later part, it discusses the research strategy, research instruments, data coding and analysis and provides justification for using statistical techniques such as correlation analysis, exploratory factor analysis, principle component analysis, descriptive statistics and qualitative interpretation of the primary data. The last part discussed the validity, reliability, possible risk assessment and the issues of the potential bias for this study.

Chapter 5
Secondary Data Analysis

5.1 Introduction

Building on the previous chapter of research methodology, this chapter seeks to advance the discussion by developing a secondary data set of four selected retail companies. The secondary data has been collected from selected companies' CSR and financial reports from 2006-2014. Correlation coefficient has been performed to test the relationship between CSR and financial performance. The relationship of CSR with the financial performance has been measured using three independent variables of CSR i.e. donations, community work and co2 emissions with three dependent variables of financial performance i.e. ROCE, operating profit and revenue. The comparison between CSR and financial performance measures have been presented with the help of line graphs and tables.

5.2 CSR and Financial Performance of Selected UK Retail Firms

CSR reporting has become one of the most demanding business requirements of the retail firms to monitor their operations in order to ensure the rules and regulations and ethical standards. Most of the stakeholders' demand transparency and retail companies are also under enormous regulatory and competitive pressure to show their commitments for corporate social responsibility. CSR reports not only explain the facts and figures and actions of the firms but also show the commitment of the retail companies towards social, ethical and environmental issues (Chen and Bouvain, 2009). While many scholars have debated the legitimacy of CSR, investors and consumers have developed clear preferences for the firms contributing towards environment and social welfare (Islam and Deegan, 2010).

CSR disclosures consider being fundamental in terms of trying to maintain or regain good reputation (O' Donovan, 2002). That is why organizations might change their operations to conform to ever changing expectations of the community and thus it becomes vital for retail companies to keep the public informed about any changes that may affect their lifestyle. If the community expects the retail firms to attend and respond to certain issues beyond financial performance, then ultimate survival of the company requires it to demonstrate broader responsibilities beyond their financial interest. So, this demonstration for the broader interest is driven by a strategic desire to ensure the success and good reputation of the organization (Deegan and Blomquist, 2006).

The importance of CSR was felt in the UK when a minister for CSR was appointed in 2000. Minister's duty was to coordinate government's CSR policy while working with the private sectors. According to a recent report from a consulting firm EPG, American and British firms listed in the Fortune 500 are now spending $15bn per annum on CSR projects (Telegraph, 2016). There are different codes introduced by the international coalition of businesses, non-governmental organizations (NGOs) and trade unions based on International Labor Organizations (ILO) such as, Social Accountability SA (8000), Universal Declaration of Human Rights and UN Convention of Human Rights. This standard focuses on the prevention of forced labor, child labor, poor working conditions, discrimination, working hours, collective bargaining and free association.

All these voluntary codes have been recognized directly or indirectly by the UK retail companies in their CSR reports. Though some of the retail companies such as Primark have not issued a separate CSR report. Tesco's CSR reports stated that each year CSR group would set some key performance indicators (KPIs) which should be met by the company in the following years. Most of the companies recognize that they have a duty to act as a corporate citizen by following its obligations towards their stakeholders such as employees, investors, global or local communities, customers and shareholders. This affirms that they have good understanding of what society expects from them.

The retail industry is fiercely competitive and fast moving and driven by innovative designs, media coverage of fashion models, consumer demands for constantly changing designs, celebrity lifestyles and grand promotion of designer brands. While the clothing retail, for example, seems to be the public face of fashion, the industry is much broader and include accessories, footwear, and embraces the synthetic fibre and natural materials from which they are produced. Textile present specific problems in landfill such as synthetic fibres do not decompose easily which can affect environment. Ernest and Young (2002) state that there are five key drivers which mainly influence the increasing business focus namely: stakeholder awareness of social, ethical and environmental behavior, direct stakeholder pressure, peer pressure, investor pressure and high sense of social responsibility.

5.3 Marks and Spencer's CSR Strategies and Financial Performance

The principal focus of this part of the study is to examine the link between CSR and financial performance of the UK's leading retailer Marks and Spencer. Marks and Spencer, commonly known as M&S, is the British multinational retailer headquartered in London. It specializes in the selling of home products, clothing and luxury food products. It has almost 800 hundred stores in the UK.

In 2007, Marks and Spencer produced a 40 pages CSR report. Since 2007 to 2014, M&S' CSR reports have been ranged between 40 to 56 pages. Marks and Spencer claim to keep a strong tradition of CSR and considers it as an integral part of how it conducts business (Porter and Kramer, 2011). Mostly Marks and Spencer's list of CSR reports comprises of "Sustainable Raw Materials", "Animal Welfare", "Ethical Trading", "Responsible Use of Technology" and "Community Programmes" which highlight products, people and places.

In discussing the validity and reliability of the information obtained from the internet, Saunders *et al*. (2007) highlights the importance of the reputation and authority of the source and citation of the contact individual who can be approached for any additional information. In assessing this retailer, the researcher was satisfied with the two conditions illustrated by Saunders *et al.* (2007).

Table 5.1: Marks and Spencer's CSR and Financial Performance

Year	ROCE (%)	Operating Profit (£M)	Revenue (£M)	Donations (£M)	community work (£M)	CO2e million Tonnes
2006	0.23	£784.50	£7,275.00	1.62	9.30	395
2007	0.24	£956.70	£7,977.50	1.50	13.90	446
2008	0.22	£1,095.90	£8,309.10	2.00	15.00	469
2009	0.14	£755.00	£8,164.30	2.20	12.69	323
2010	0.13	£701.10	£8,567.90	4.80	13.19	418
2011	0.15	£679.00	£8,733.00	2.30	12.30	418
2012	0.12	£658.00	£8,868.20	2.50	11.40	387
2013	0.10	£635.80	£8,951.40	2.10	14.20	371
2014	0.10	£619.20	£9,155.70	2.90	14.20	339

Source: An extract of Marks and Spencer's CSR and Financial Performance data from 2006 to 2014

Table 5.1 provides synopsis of the variables of CSR and financial performance in M&S case. First three columns i.e. ROCE, operating profit and revenue are indicators for financial performance whereas donations, community work and Co2 emissions are variables for CSR. Of course, it is not easy to establish the reasons for the increase or decrease in certain variables as there may be other reasons contributing to their fluctuation such as investment in research and development. In 2006, company's ROCE was £23m, operating profit was just over £758m and revenue was £7275m. In the same year, company donated £1.62m to different charities and non-governmental organizations. It invested £9.30m in community projects which was equivalent to its 1.5% of adjusted pre-tax profit. Moreover, it made progress in tackling climate change and its Co2 emissions were 395 million tonnes. In 2007, despite improving energy usage, there was increase in its carbon emissions from 395m to 446m tonnes. Its investment in community projects increased significantly to £13.90m but donated slightly less money from the previous year from £1.62m to £1.50m.

5.4 M&S Donations and Financial Performance

Donations are one of the important variables that have been shown in CSR reports by the retail firms. There are two types of corporate social strategies to consider about donations. The first one deals with corporations providing funding and resources to the social causes such as donating money to different social welfare organizations or charities whereas the other one comprises of real plan to work towards the best interest of the society. The most successful CSR programs synchronize these two types together to show a real commitment towards a cause and leave a positive impact on the world. M&S focuses on the charitable donations to the communities on the programs that benefit the common mass. It has also concentrated on making higher goals by working with like-minded partners, NGOs, community groups, academies and charities.

In 2014, the company set out on the third stage of its Plan A journey and further launched Plan A 2020 which concentrated on putting the sustainability at the heart of the business and corporate strategy. In its CSR report 2015, Marc Bolland, the chief executive claimed of making the company the most sustainable retailer of the year and winning 220 sustainability awards. Marc Bolland, Marks and Spencer's CEO, said:

"M&S people and customers have always helped in their local community, by working together, we know we can achieve even more by volunteering or making a donation to the charity that matters locally. We know the positive impact it can have, and that healthy street needs a healthy community to support it" (CSR Report, 2015).

Table 5.2: Statistical Description of M&S' investment on Donations and its Financial Performance

Year	Donations (£M)	ROCE (%)	Operating Profit (£M)	Revenue (£M)
2006	1.62	0.23	£784.50	£7,275.00
2007	1.50	0.24	£956.70	£7,977.50
2008	1.70	0.22	£1,095.90	£8,309.10
2009	2.20	0.14	£755.00	£8,164.30
2010	2.10	0.13	£701.10	£8,567.90
2011	2.30	0.15	£679.00	£8,733.00
2012	2.50	0.12	£658.00	£8,868.20
2013	2.10	0.10	£635.80	£8,951.40
2014	2.90	0.10	£619.20	£9,155.70

Source: Data collected from M&S CSR and Financial Reports from 2006-2014

In 2007, donations decreased from £1.62m to £1.50m but ROCE increased from 23% to 24%. In 2008, donations increased from £1.50m to £2.00m but ROCE decreased 2% from the previous year. In 2009, donations increased but ROCE decreased significantly. In 2010, donations increased considerably but ROCE decreased to 13%. In 2011, donations decreased to £2.30m but ROCE increased to 15%. In 2012, donations increased to £2.50m but ROCE decreased to 12%. In 2013, donations decreased to £2.10m and ROCE also decreased to 10%. In 2014, donations increased but ROCE remained static (Table 5.2).

In 2007, donations decreased but operating profit increased from £784m to £956m. In 2008, donations increased, and operating profit increased as well to £1096m whereas in 2009, donations increased slightly but operating profit decreased significantly to £755m. In 2010, there was a significant rise in donations, but operating profit decreased further to £701m. In 2011, donations decreased, and operating profit fell to £679m. In the following year, donations increased but operating profit kept on decreasing. In 2013, donations decreased, and operating profit decreased as well whereas in 2014, donations increased, and operating profit decreased to £619m (Table 5.2).

In 2006, M&S donated £1.62m to different charities and NGOs and its revenue was £7275. In the following year, donations fell slightly but revenue increased to £7977m. In 2008, donations rose to £2m and revenue escalated to £8309m. In 2009, donations increased slightly but there was a minor downturn in revenue as the figure came down to £8164m. In 2010, donations mounted to its peak figure of £4.80m and revenue escalated to £8567m. In the following year, donations decreased considerably, and revenue rose to £8733m. In 2012, donations increased and there was meagre improvement in revenue to £8868m. In 2013, donations declined but revenue kept on improving as the figure reached to £8951m. In 2014, donations reached up to £2.90m and revenue increased to £9155m (Table 5.2).

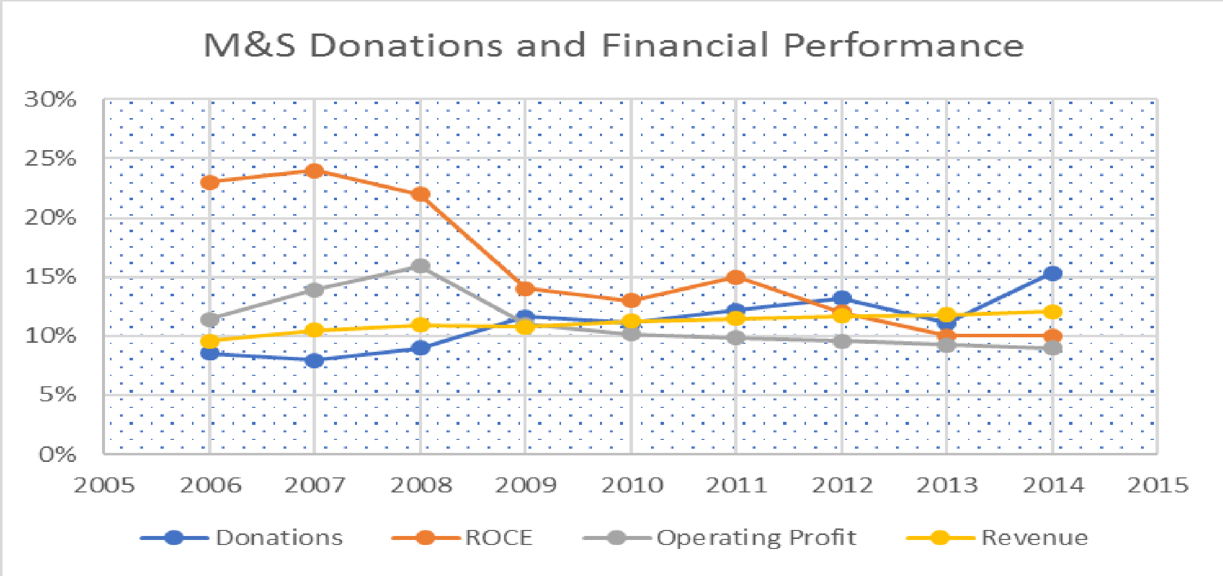


Figure 5.1 Comparison of M&S donations and financial performance measures

The figure 5.1 shows M&S' donations and trends of financial performance measures i.e. ROCE, operating profit and revenue from year 2006 to 2014. As it is evident in the graph that in 2006, company's ROCE was much higher which slightly increased in 2007 but then started declining gradually for the following years till 2014. Operating profit increased gradually from 2006 till 2008 but then declined considerably for the rest of the years till 2014. Its revenue remained same from 2006-2014 with minor fluctuations.

Correlation coefficient measures the degree of relationship between two variables. Its correlation ranges from -1.0 to +1.0. The correlation is represented by the letter r (for example, r = 0.55). With correlation coefficient, there are three types of relationships.

- In positive relationship, higher scores on x are related with higher scores on y.
- In negative relationship, higher scores on x are related with lower scores on y.
- In this category, there is neutral relationship between x and y.

In statistics, it is widely accepted that the following scale can be used to estimate the effect size.

r = Correlation coefficient

Effect size would be evaluated in the following manner,

If r = +/- 0.5, it is considered a large effect.

If r = +/- 0.3, it is medium effect.

If r = +/- 0.1, it is small effect.

Following table indicates the correlation coefficient of donations with ROCE, operating profit and revenue. MS Excel database has been used in order to calculate the correlation coefficient of these variables. The following table tests the relationship between operating profit and CSR indicators for the period from 2006 till 2014. Operating profit has been used as dependent variable whereas CSR measures are independent variables.

Table 5.3: Correlation Coefficient of Donations and ROCE, operating profit and revenue

	Donations (£M)	*ROCE (£M)*	*Donations (£M)*	*Operating Profit (£M)*	*Donations (£M)*	*Revenue (£M)*
Donations (£M)	1					
ROCE (£M)	-0.866253833	1				
Donations (£M)	1	-0.866253833	1			
Operating Profit (£M)	-0.753608524	0.835696136	-0.753608524	1		
Donations (£M)	1	-0.866253833	1	-0.753608524	1	
Revenue (£M)	0.796978816	-0.83538208	0.796978816	-0.534029499	0.796978816	1

Table 5.3 shows the results of secondary data analysis through correlation coefficient. The findings revealed that higher donation scores were correlated with lower ROCE (r = - 0.86) scores which means that there is negative relationship between donations and ROCE. As the figure is over - 0. 5, therefore, it is considered a large effect size (Table 5.3). To see the relationship between donations and operating profit, the results indicated that higher donation scores were correlated with lower operating profit scores (r = - 0.75), indicating the negative

relationship between donations and operating profit. Table 5.3 reveals positive correlation (r = 0.79) between donations and revenue. As the higher donation scores were correlated with higher revenue scores which gives the strong positive relationship between donations and revenue. In M&S case, the study finds statistically mixed relationship between donations and financial performance (Table 5.3).

5.5 Community Investment and Financial Performance of M&S

Most of the retail firms are involved in community investments and educational programs and Marks and Spencer is no exception. It supports some local groups and charitable causes such as Breakthrough Breast Cancer, Macmillan Cancer Support, Royal British Legion, Oxfam, UNICEF, MCS, WWF and Great Ormond Street with fundraising and volunteering campaigns. M&S has a long history of ground breaking eco and ethical programs. In the past ten years, the company has spent £50m for charity partners, raised £15m for Oxfam with the help of its Shwopping initiatives which were launched to help minimize the unwanted clothes going to the landfill and has actively encouraged its employees to volunteer by allowing an annual paid volunteer day.

In 2006, M&S' total expenditure on community projects was over £8m which almost doubled in 2008 (CSR report, 2007, 2009). In 2006, M&S became first major UK retailer to start selling clothing from fair-trade certified cotton, helped Sri-Lankan community to rebuild houses destroyed by the Asian Tsunami and actively campaigned to raise money for the Breast Cancer Research (Table 5.4).

Table 5.4: Statistical description of Marks and Spencer's community work and financial performance

Year	Community work (£M)	ROCE (%)	Operating Profit (£M)	Revenue (£M)
2006	9.30	0.23	£784.50	£7,275.00
2007	13.90	0.24	£956.70	£7,977.50
2008	15.00	0.22	£1,095.90	£8,309.10
2009	12.69	0.14	£755.00	£8,164.30
2010	13.20	0.13	£701.10	£8,567.90
2011	12.30	0.15	£679.00	£8,733.00
2012	11.40	0.12	£658.00	£8,868.20
2013	14.20	0.10	£635.80	£8,951.40
2014	14.20	0.10	£619.20	£9,155.70

Source: data collected from M&S' website from 2006-2014

In 2006, M&S invested £9.30m on the community projects and its ROCE was 23%. In 2007, investment on community projects increased to £13.90m whereas there was 1% improvement in ROCE as compare to previous year. In 2008, community investment increased to £15m whereas ROCE fell to 22%. In 2009, investment on community work decreased to £12.69m whereas on the other hand, there was significant decline in ROCE as the figure reached to 14%. In the following year, investment improved slightly to £13.19m and ROCE decreased to 13%. In 2011, investment decreased to £12.30m and ROCE increased to 15% which was 2% up as compare to the previous year. In 2012, investment on community projects declined to £11.40m whereas ROCE fell to 12%. In the following year, community investment jumped up to £14.20m but ROCE further fell to 10%. In 2014, both variables, community investment and ROCE remained static (Table 5.4).

In 2006, company's operating profit was £784m and its investment on community projects was £9.30m. In the following year, community investment mounted to £13.90m whereas operating profit also increased to £956m. In 2008, community investment augmented to £15m and operating profit also mounted to £1095m. Later, in 2009, community investment declined to £12m and operating profit decreased to £758m. In 2010, money spent on community work increased slightly to £13m following the downfall of operating profit. In the following year, as community investment decreased again slightly to £12m, operating profit also fell to £679m. In 2012, community investment declined to £11m which resulted the downfall of operating profit to £658m. The following year also did not prove good in terms of operating profit despite increasing investment in the community work. In 2014, investment on community work remained static to £14m as it was in the previous year, but operating profit declined further to £619m (Table 5.4).

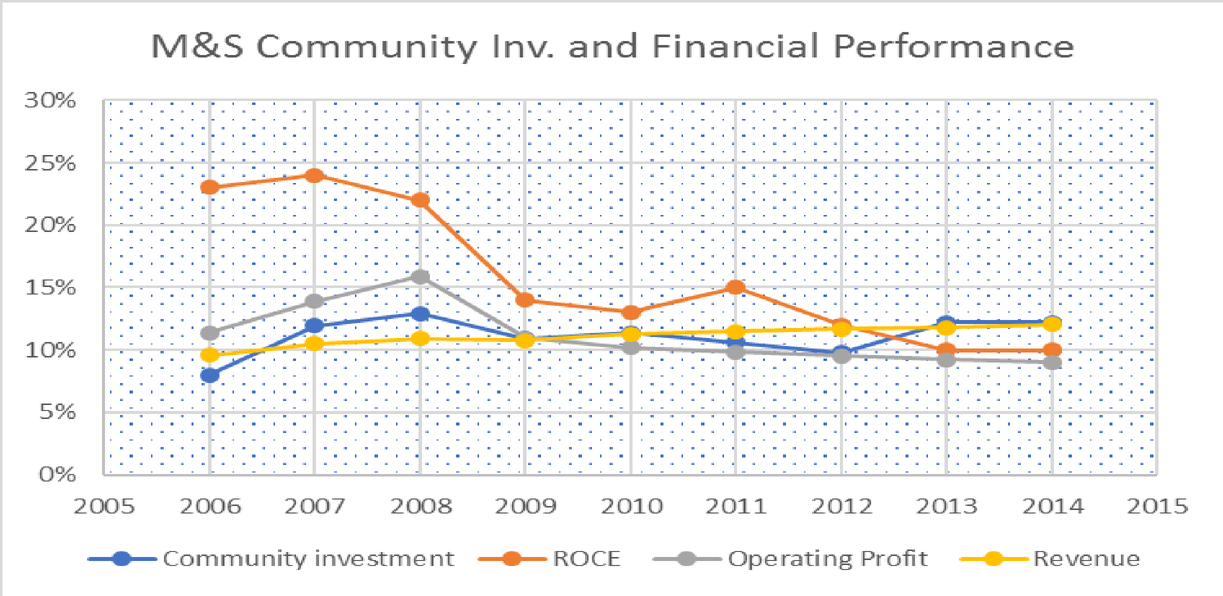


Figure 5.2 M&S' community investment and financial performance

In 2006, M&S' investment on the community projects was £9m and its revenue was £7275m. In the following year, community investment increased to £13m and revenue was improved to £7977m. In 2008, community investment improved, and revenue jumped up to £8309m. In 2009, community investment declined followed by the slight downturn of revenue. In 2010, community investment increased followed by the improved revenue figure. In 2011, community investment declined to £12m and revenue decreased to £8733m. In the following year, community investment decreased, and revenue also shrunk slightly. In 2013, community investment and revenue increased significantly. In 2014, investment on the community projects remained unchanged but revenue increased considerably (Table 5.4).

Table 5.5: Correlation Coefficient of Community work and financial performance

	Community work (£M)	*ROCE (%)*	*Community work (£M)*	*Operating Profit (£M)*	*Community work (£M)*	*Revenue (£M)*
Community work (£M)	1					
ROCE (%)	-0.179486017	1				
Community work (£M)	1	-0.179486017	1			

Operating Profit (£M)	0.289990857	0.835696136	0.289990857	1		
Community work (£M)	1	-0.179486017	1	0.289990857	1	
Revenue (£M)	0.530112435	-0.83538208	0.530112435	0.534029499	0.530112435	1

Table 5.5 displays how higher community work scores were correlated with lower scores of ROCE. Findings revealed that community work had a small negative effect on ROCE (r = -0.18). A small correlation was found between community work and operating profit with effect size of r = 0.28. To analyze the link between community work and revenue, it was noticed that higher scores of M&S' community work were correlated with higher revenue scores (r = 0.53) which confirmed positive relationship between community work and revenue (Table 5.5).

5.6 Co2 Emissions and Financial Performance of M&S

Jones *et al*. (2007) concluded that according to the top retailers, environmental issues were among the most reported CSR agendas for the retail companies. They included Co2 emissions, water and energy consumption, raw material usage, recycling, waste and packaging volume and application of chemicals. Reducing carbon emissions has been one of the important motives of the retailers as highlighted in their CSR reports. The focus on the reduction of carbon dioxide emission is based on the global concern about the levels of the greenhouse gas emissions that result in climate change and global warming (Jones *et al.*, 2007). Co2 is the long-lived gas remaining in the atmosphere for fifty to two hundred years and its main source is the ignition or flaming of fossil fuels. The UK government Energy White Paper (Department of Trade and Industry, 2003) set a goal to reduce CO2 emissions by 60% by 2050 (ONS, 2011).

In the UK, DEFRA (Department for Environment Food and Rural Affairs) is regularly consulting on ways to help businesses to demonstrate their sustainability credentials. Retail firms are working hard to conserve energy, saving money and want to deliver better resource efficiency by increasing the operational efficiency of their delivery fleets.

The retail industry faces a long history of challenges including environmental issues in the production process such as energy consumption in the retailing, delivering and manufacturing transportation, the use of pesticides in the cotton production, water consumption in the growing of cotton, washing and bleaching of fabrics, the use and release of chemicals in the water system following the finishing and dyeing of clothes and fabrics. Disposal of waste during the manufacturing process, animal rights and the disposal of clothes at the end of their lifespan are important challenges faced by retail industry (Sikri and Wadhwa, 2012). In the same vein, Fleiss *et al*. (2007) state that some of the raw material for the retail and textile industry like cotton are amongst the most environmentally damaging crops, often receiving multiple treatments of pesticides and fertilizer.

In 2007, Marks and Spencer announced a 100-point plan with the name of Plan A which comprised of five years to re-engineer itself to become carbon neutral, zero waste, ethical trading and health promoting business. Robert Peston, the BBC news editor published a report with a title, "*Rose goes green in pursuit of profit*". In the report, he highlighted main points of Plan A which was expected to cost the company £200m over five years. The company took a substantial risk of investing in the greener campaign in the highly competitive market where there was a little margin of increasing the prices than its rivals (BBC, 2007).

Marks and Spencer planned to work closely with the suppliers to help them for becoming more efficient by reducing their environmental footprints and provide good and safe working conditions for their employees. However, according to the company CSR report, only 32% of the food comes from the suppliers that meet the Silver Sustainable Factory Standards. The company also adopted many strategies in order to avoid wasting food such as daily promotions on short life products and the donations of the extra food to the charities including Fare Share, Neighbourly and Community Shop. M&S has been increasingly keen to communicate its commitment of CSR to its customers, shareholders, employees, government and to the public at large.

Environmental issues have been more commonly reported CSR agenda addressed in the CSR reports by the UK retailers and Marks and Spencer is no exception as these issues loom large within the CSR reports posted on the internet by the firm. These environmental issues include water consumption, waste, raw material usage, energy consumption and co2 emissions, packaging volumes, use of chemicals, recycling and re-use and biodiversity and relationship building with the environmental agencies. The company also introduced new trials different LED lighting, solar panels and HFC free refrigeration systems. Marks and Spencer, for instance, stresses its commitment to conduct business in an environmentally responsible way and it claims to be always looking for the innovative ways to reduce environmental impact. The projects include tightly temperature-controlled air conditioning within the stores, equipping new stores with efficient lighting technology, and efficient fixtures in the distribution centers and minimize the use of air shipment. The bulk of the company emissions into the atmosphere come from the transport distribution fleet.

M&S also claims that it puts food safety on a high plan at every stage right from the product design and production to transportation and sales in all its stores. The company also affirmed that its customers believe that keeping good standards of animal welfare is particularly important. The environmental impacts of the operations include greenhouse gas emissions, transport, energy usage, packaging, waste and water and sustainable buildings. Through the Word Economic Forum and Consumer Goods Forum, the company has actively supported the global progress on the youth employment, refrigeration, deforestation and engaging the new generation with sustainable consumption.

To be credible player today, retail firms have learned to understand all the environmental and social issues that are relevant to the business. In 2006, M&S realized that the company needed to begin working systematically to make its business more sustainable by focusing on the environmental and social issues. Focusing on these issues, it made hundred commitments in the form of Plan A. The company deliberately gave it this name because it asserted that there is no plan B when it comes to saving the planet (CSR report, 2007).

It adopted the strategy of becoming environmentally sustainable in terms of its Plan A which was claimed to be a comprehensive plan of any major retailer in the world. The company recognized that its business depended on the natural resources and focused on the increasing scarcity of the resources such as water highlights and committed to conserve water, air, soil and species. M&S published its CSR report under three headings i.e. product, people and places. The content of its annual CSR reports focused on the assessment of CSR risks, benchmarking the CSR reports produced by other retailers and cross referencing with the United Nations Global Reporting Initiatives (GRI).

The company understands that the UK customers do not define trust in terms of philanthropic work, rather they believe that trust lies in terms of explaining the process of making money and they expect to do business in a responsible way. They are interested to know how company makes money. The company's aim is to foster good relationship with all its stakeholders. A strong position on the CSR allows the company to position itself as an attractive place for the employees. Moreover, it adapts its CSR according to the constantly changing expectations and new issues emerging. By listening and responding to its stakeholders, CSR allows to anticipate what actions to be taken before the emergence of substantial risks (CSR Report, 2006).

Table 5.6 illustrates co2 emissions and financial performance of M&S from 2006-2014. In 2006, company's carbon emissions were 395m where as ROCE was 23%. In 2007, co2 emissions increased and ROCE also increased to 24%. In 2008, co2 emissions increased but ROCE decreased. In 2009, co2 emissions decreased and there was decrease in ROCE as well as it reached to 14%. In 2010, co2 emissions increased slightly but ROCE fell to 13%. In the following year, co2 emissions remained unchanged but ROCE improved slightly. In 2012, both ROCE and co2 emissions declined. In 2013, there was a meagre decline in co2 emissions and ROCE decreased as well. In 2014, co2 emissions declined and ROCE remained unchanged (Table 5.6).

Table 5.6: Marks and Spencer's Environmental and Financial Performance

Year	CO2e in million Tonnes	ROCE (%)	Operating Profit (£M)	Revenue (£M)
2006	395	0.23	£784.50	£7,275.00
2007	446	0.24	£956.70	£7,977.50
2008	469	0.22	£1,095.90	£8,309.10
2009	323	0.14	£755.00	£8,164.30
2010	418	0.13	£701.10	£8,567.90
2011	418	0.15	£679.00	£8,733.00
2012	387	0.12	£658.00	£8,868.20
2013	371	0.10	£635.80	£8,951.40
2014	339	0.10	£619.20	£9,155.70

Source: collected from CSR and financial report of M&S from 2006-2014

In 2007, co2 emissions increased following the rise of operating profit. In 2008, co2 emissions increased whereas operating profit mounted to £1095m. In 2009, co2 decreased to 323m and operating profit also declined significantly. In 2010, co2 emissions improved but operating profit decreased. In 2011, co2 emissions were static but operating profit decreased. In 2012, co2 emissions decreased and operating profit also reduced considerably. In 2013, both co2 emissions and operating profit declined to 371m and £635m respectively. In 2014, operating profit remained static whereas co2 emissions declined as well (Table 5.6).

In 2006, company's revenue was £7275m whereas its co2 emissions were 395m. In the following year, carbon emissions increased, and revenue also increased. In 2008, co2 emissions increased and revenue elevated to £8309m. In 2009, there was a slight decrease in the revenue and on the other hand, co2 emissions were declined as well. In the subsequent year, both variables i.e. co2 emissions and revenue improved as compare to the last year. In 2011, co2 emissions remained static whereas revenue augmented considerably. In 2012, co2 emissions decreased significantly whereas there was no impact on the revenue as it kept on increasing. In 2013, no relationship was found between environmental performance and financial performance as emissions decreased slightly and revenue increased. In 2014, again co2 emissions declined and revenue increased (Table 5.6).

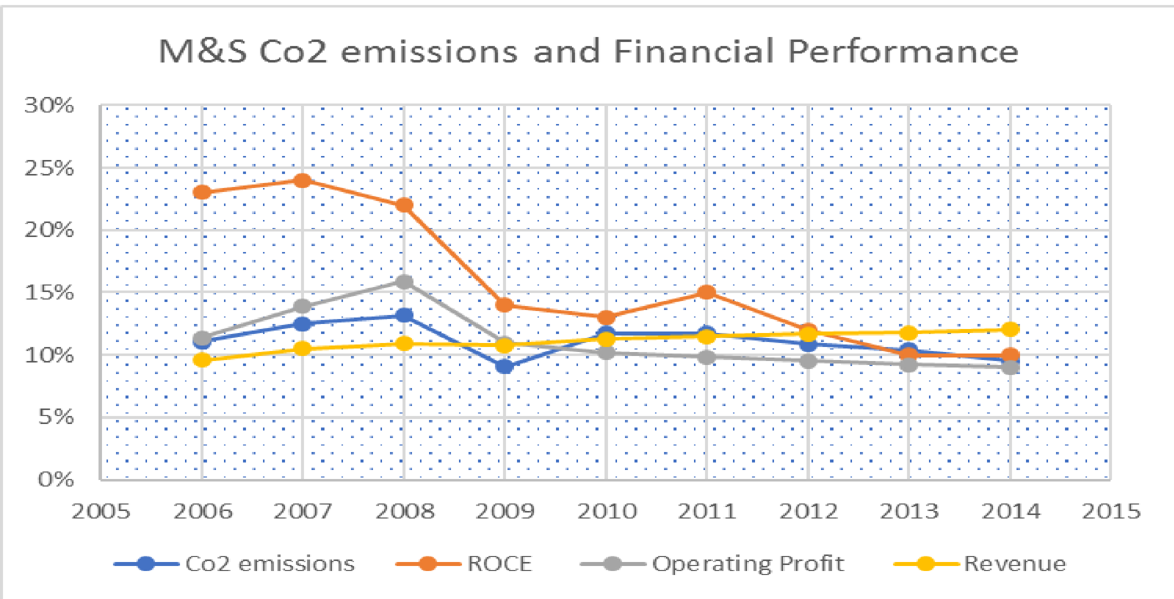


Figure 5.3: Comparison of M&S co2 emissions and financial performance

The figure 5.3 shows comparison between M&S' environmental performance with reference to co2 emissions and financial performance for the past nine years from the year 2006 to 2014. Despite company's Green Travel Policy, co2 emissions continued to rise in 2007. M&S's CSR report 2008 comprised of 48 pages where it asserted its performance for the last year's 100 commitments in a systematic manner. For the first time, company included its measurement against the performance and key performance indicators to help its stakeholders fully understand its full scale and breadth of its commitments and progress. The company emphasized the value of partnership in driving environmental and social change. It worked with many groups such as Oxfam, Break Through Breast Cancer, WWF, Save the Children, The Carbon Trust, Building Research Establishment (BRE), Waste Resource Action Program (WRAP) and Forum for The Future in helping to deliver its hundred commitments (CSR Report, 2008).

The following table tests the correlation coefficient between co2 emissions with ROCE, operating profit and revenue. First column represents co2 emissions in million tonnes and rows indicate its correlation results with ROCE, operating profit and revenue. The rest of the columns duplicate the results which are represented in the first column.

Table 5.7: Correlation of the link between Co2 emissions and ROCE, operating profit and revenue

	CO2 Emissions in million Tonnes	*ROCE (%)*	*CO2e*	*Operating Profit (£M)*	*c02e*	*Revenue (£M)*
CO2 Emissions	1					
ROCE (%)	0.665394711	1				
CO2 Emissions	1	0.665394711	1			
Operating Profit (£M)	0.712556538	0.835696136	0.712556538	1		
CO2 Emissions	1	0.665394711	1	0.712556538	1	
Revenue (£M)	-0.268457109	-0.83538208	-0.26845711	-0.534029499	-0.2684571	1

The results determined a strong correlation (r = 0.66) between co2 emissions and ROCE, strong positive correlation (r = 0.71) between operating profit and co2 emissions and a small negative relationship (r = - 0.26) between co2 emissions and revenue (Table 5.7).

5.7 CSR and Financial Performance of Next

Next retail chain was launched in 1982 with the collection of stylish clothes, shoes and accessories for women, followed by collection for men, children and home products. Next trades from more than 500 stores in the UK. For Next, CSR means focusing on key business related social, ethical and environmental issues and it ensures to run the business in a responsible way. The company understands the challenges of trading ethically and acting responsibly towards all the stakeholders including suppliers, employees and community. It offers support to different range of charities and organizations of different sizes by giving them donations that can be beneficial for them. Apart from offering donations to the needy charities and supporting individual charity requests, it agrees to support charities with specific annual donations. This commitment can help the charities to plan their work ahead with the confidence. Next also involves its employees across the business in fundraising events each year to support over 350 charities by undertaking different activities such as cycling, skydiving, running, cake sales, playing footballs and growing moustaches for “Movember” to raise awareness about the health issues faced by men.

Next sources its products from different countries of the world and claims to give paramount importance to ethical trading. The Next Code of practice (COP) is a program of ethical trading standards which forms an integral part of its business. The company claims to build a team of 45 members who try to establish cordial relationships with the suppliers through proper training as well as auditing their factories to meet the basic requirements and important principles of the code such as freedom of association, no child labor, safe and healthy working conditions, fair wages and benefits, no forced labor, equal opportunities, employment security, fair treatment of the workers, reasonable working hours and effective management system. Moreover, the company is the long-standing member of ETI (Ethical Trading Initiative) which is an alliance of companies, trade unions and non-governmental organizations (NGOs) working together to ensure the safe working conditions and rights of the workers for not only the UK market but also for the international labor standards.

Next realizes its obligation and responsibility to reduce the impact of direct business operations on the environment. It aims to create more sustainable ways of doing business to deliver better resource efficiency, save money and conserve energy. Its priority is to minimize the carbon intensity of its activities and natural resources that are used through development and operation of good business practice. Next recognizes the importance of environmentally significant operational activities and claims to explore the opportunities to manage environmental impacts resulted through the direct and indirect operations. Moreover, it has developed new targets for energy, waste and distribution by 2020 with the help of company priorities such as minimizing waste production and reducing energy use, improving energy efficiency as well as increasing the efficiency of delivery fleet.

Next direct carbon emissions include properties, distribution of Next products to retail stores, waste disposals from its stores, warehouses and head office in the UK, business travel, refrigerant losses from air conditioning units in its stores, warehouses and head office and manufacturing facilities. It measures and reports direct and indirect emissions in line with internationally recognized standards provided by the Greenhouse Gas Protocol Corporate Accounting and Reporting Standards published by the World Business Council. It understands that different greenhouse gases have different impact on the climate and co2 is a way of standardizing global warming effect of these emissions.

The following table illustrates that in the recent years, Next has devoted greater attention to the strategic implications of CSR because it understands the importance of building a good reputation which can make a difference for the business. The retailer provides information on a wide range of social, economic and environmental agendas, focusing on its customers and stakeholder requirements and by integrating sustainability into its business.

Table 5.8: Data Sample of Next's CSR and financial performance

Year	ROCE (%)	Operating Profit (M)	Revenue (M)	Donations £	Community work £	CO2 emissions
2006	0.58	£470.70	£3,106.20	313,377	34,397.00	27449
2007	0.57	£507.50	£3,283.80	270227	28,242.00	26144
2008	0.84	£537.10	£3,329.10	730978	42,969.00	26413
2009	0.41	£478.30	£3,271.50	885936	56,669.00	25602
2010	0.54	£529.80	£3,406.50	903435	87,460.00	26687
2011	0.56	£566.80	£3,297.70	857398	68,558.00	29571
2012	0.51	£598.70	£3,441.10	876449	75,235.00	29058
2013	0.61	£695.10	£3,562.80	911348	110,309.00	37274
2014	0.53	£722.80	£3,740.00	944986	114,829.00	38157

Source: collected from CSR and financial reports from 2006-2014

An analysis of the table 5.8 reveals that in year 2007, as the donations and community work decreased as compare to 2006, it didn't have considerable effect on the revenue and operating profit. In 2008, Next increased its investment on donations and community work and its revenue and ROCE was considerably high whereas there was significant increase in operating profit from £507m to £537m. In 2009, CSR investment was high but financial performance was low. In 2013, CSR performance was high and financial performance was significantly high as well. In 2014, CSR investment was increased, boosting its revenue and operating profit whereas ROCE was low.

Table 5.8 shows Next's operating profit in millions from the year 2006 till 2014 and displays the fluctuating trends of operating profit over the years. In 2006, Next's operating profit was nearly £500m which gradually increased in 2007 and 2008 but then declined 2009. Moreover, it depicts increase in operating profit in 2010 which kept on increasing in the following years. For example, in 2012, it increased up to £695m and in 2013, it increased rapidly up to £722m.

In 2006, Next' revenue was £3106m which increased in 2007 up to £3283m. it gradually increased in 2008 and decreased slightly in 2009 but again rose in 2010 up to £3402m. In 2011, it slightly decreased but again rose in 2012 and crossed the figure of £3500m in 2014.

5.8 Donation and Financial Performance of Next

In 2006, company spend just over £300,000 in donations to different charities. With 540 stores in the UK, Next supported wide range of charities and organizations of all sizes by trying to provide them with donations that could be beneficial for them. Apart from supporting individual charity request, company also agreed to pay some charities with some specified annual donations for several years. This commitment was highly beneficial for those charities as they could plan their work with confidence and certainty. In 2007, it donated less money as compare to the previous year but then in 2008, the figures fluctuated considerably, and company decided to spend a lot of money on donations to charities which increased to £700,000. The figures kept on fluctuating from 2009 till 2014 where it touched the highest figure of £900,000. NEXT also collaborated with 'ReusefulUK' in order to dispose of the products it no longer need knowing that they will be re-used by the needy. In 2010, NEXT started working with Oxfam, a globally known aid and development charity which took unsellable clothes to support its global work.

Table 5.9: Data Sample of Next' s donations and financial performance

Year	Donations	ROCE (%)	Operating Profit	Revenue (M)
2006	313,377	0.58	£470.70	£3,106.20
2007	270227	0.57	£507.50	£3,283.80
2008	730978	0.84	£537.10	£3,329.10
2009	885936	0.41	£478.30	£3,271.50
2010	903435	0.54	£529.80	£3,406.50
2011	857398	0.56	£566.80	£3,297.70
2012	876449	0.51	£598.70	£3,441.10
2013	911348	0.61	£695.10	£3,562.80
2014	944986	0.53	£722.80	£3,740.00

Source: collected from CSR and financial reports of Next from 2006-2014

In 2007, Next decreased its amount spent on donations and its ROCE decreased as well. In 2008, donations increased and as a result ROCE mounted as well. In the following year, donations surged but ROCE fell significantly. In 2010, company spent more money on donations and ROCE got better as compare to the previous year. In 2011, donations inflated whereas ROCE got better only by 2%. In 2012, donations increased slightly but ROCE fell by 5%. In 2013, donations mounted improving ROCE by 10% as compare to the previous year. In 2014, there was a meagre improvement in donations whereas ROCE declined considerably (Table 5.9).

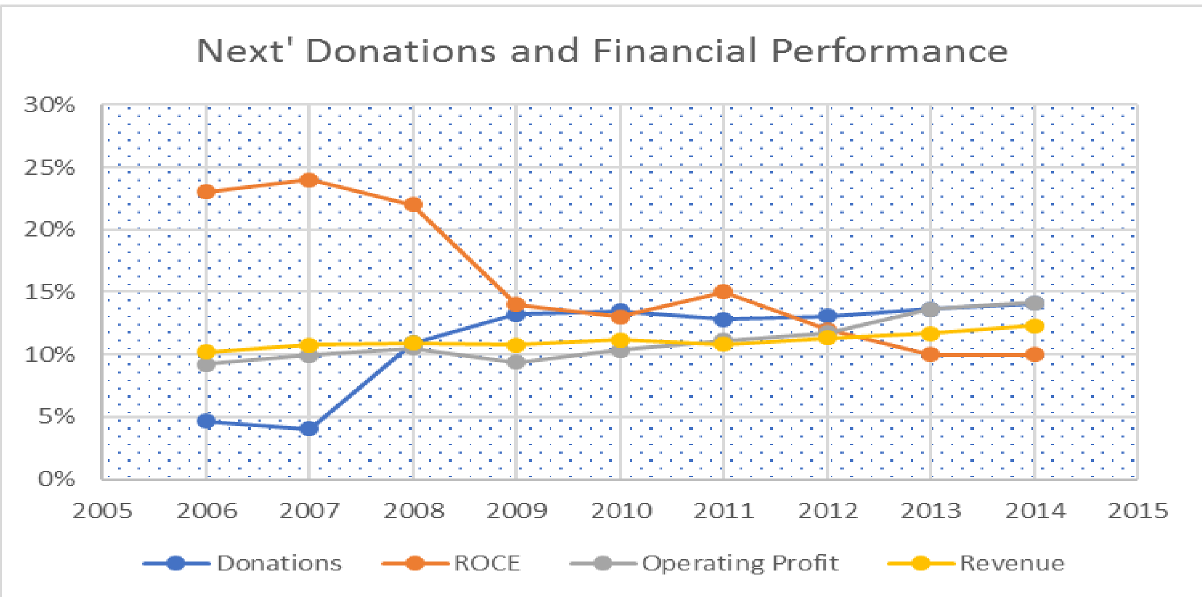


Figure 5.4: Comparison between Next's donations and financial performance

The above graph depicts ROCE from the year 2006 to 2014. From 2006 to 2007, ROCE remained stable but fluctuated sharply over the next coming years. For instance, in 2008, it rose significantly but fell dramatically in 2009 and kept fluctuating constantly in the subsequent years. As illustrated in Table 5.9, in 2008, the company spend more money on the donations and community work.

In 2007, donations increased and there was considerable improvement in operating profit. Same as previous year, with the increase of donations, operating profit increased significantly. In 2009, donations increased but operating profit deteriorated. In 2010, with improving donations, operating profit increased marginally. In the following year, donations were contracted but operating profit improved slightly. In 2012, donations increased marginally boosting operating profit to some an extent. In 2013, with added donations, there was significant increase in operating profit. In 2014, donations increased slightly whereas operating profit mounted considerably. In 2008, with increase of donations, revenue got better as well. Apart from that in 2010, revenue and donations increased. In the following year, revenue decreased with the downfall of donations. In 2012, 2013 and 2014 donations increased, and revenue mounted (Table 5.9).

Table 5.10: Correlation of CSR and financial performance of Next

	Donations	*ROCE (%)*	*Donations*	*Operating Profit*	*Donations*	*Revenue (M)*
Donations	1					
ROCE (%)	-0.188349817	1				
Donations	1	-0.188349817	1			
Operating Profit	0.57286555	0.039262143	0.57286555	1		
Donations	1	-0.188349817	1	0.57286555	1	
Revenue (M)	0.654893578	-0.058057018	0.654893578	0.931545778	0.654893578	1

The correlation coefficient between donations and financial performance was tested. Table 5.10 illustrates results of the link between donations and ROCE, operating profit and revenue. In Next case, findings revealed negative relationship between donations and ROCE (r = -0.18), positive relationship between donations and operating profit (r = 0.57) and positive relationship between donations and revenue (r = 0.65).

5.9 Community Investment and Financial Performance of Next

Table 5.11: Data Sample of Next's community work and financial performance

Year	Community work	ROCE (%)	Operating Profit (£M)	Revenue (£M)
2006	34,397.00	0.58	£470.70	£3,106.20
2007	28,242.00	0.57	£507.50	£3,283.80
2008	42,969.00	0.84	£537.10	£3,329.10
2009	56,669.00	0.41	£478.30	£3,271.50
2010	87,460.00	0.54	£529.80	£3,406.50
2011	68,558.00	0.56	£566.80	£3,297.70
2012	75,235.00	0.51	£598.70	£3,441.10

2013	110,309.00	0.61	£695.10	£3,562.80
2014	114,829.00	0.53	£722.80	£3,740.00

Source: collected from CSR and financial reports of Next from 2006-2014

Table 5.11 depicts the trends of company's expenditure on the community work. For over five years, NEXT worked in partnership with Doncaster Refurnish to support their valuable work in community. Doncaster Refurnish was a charity locating close to company's warehouses and its aim was to work for the community of Doncaster by alleviating poverty with the help of providing re-usable furniture to the economically and socially disadvantaged people to help them set their home in affordable prices. Moreover, it worked to create employment opportunities for the community. In 2013, NEXT hosted a charity event called NEXT Charity Golf Day which raised money for the children charity called, Rainbow Trust children's charity. This charity provided practical and emotional support to the families whose children were suffering from life threatening illness.

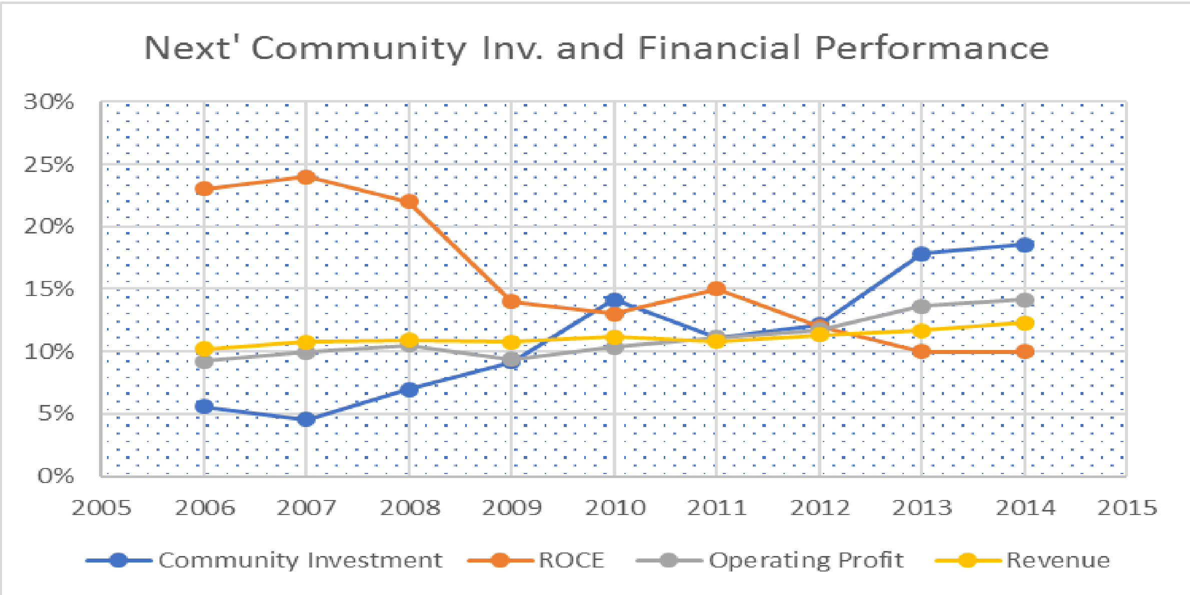


Figure 5.5: Comparison between Next community investment and financial performance

The line graph (figure 5.5) shows comparison between Next community investments and financial performance from 2006-2014. It shows how in 2007, investment decreased considerably but increased again in 2008 up to £40,000. In 2009, it rose to £60,000 which further increased in 2010 up to £80,000. In 2011, it fell to £68,000 but increased in 2012. In 2013, it fluctuated significantly and crossed £100,000 (Table 5.11).

Table 5.12: Correlation Coefficient of community work and ROCE, operating profit and revenue

	Community work	*ROCE (%)*	*Community work*	*Operating Profit (£M)*	*Community work*	*Revenue (£M)*
Community work	1					
ROCE (%)	-0.224628831	1				
Community work	1	-0.224628831	1			
Operating Profit (£M)	0.867540019	0.039262143	0.867540019	1		
Community work	1	-0.224628831	1	0.867540019	1	
Revenue (£M)	0.885086117	-0.058057018	0.885086117	0.931545778	0.885086117	1

Table 5.12 provides the summary statistics of correlation coefficient of secondary data collected from Next' website. The results manifested a small negative relationship between community work and ROCE (r = -0.22). To test the relationship between community work and operating profit, findings revealed that higher score of community work were positively related to higher operating profit (r = 0.86). Moreover, a strong correlation was determined between community work and revenue (r = 0.88).

5.10 Co2 emissions and Financial Performance of Next

Next was awarded with the Carbon Trust Standard award in 2009 which recognized the importance of carbon management and the success of reducing carbon footprint on yearly basis. Moreover, in 2013, it achieved re-certification of the standard. The company uses gas predominately for the heating purposes. Most of its sites have AMR meters which allows it to measure its energy consumption more accurately, identify the issues and solve them quickly rather than relying on the estimated gas billing. The transport and distribution of the products to different retail stores and accounts directory account for 24% of the its co2 emissions (CSR report 2014). For the directory, company used to work with the third party to deliver the parcels to the customers. In 2012, it took the control of heavy goods vehicles back which performed the Directory Trucking operation. The company pledges to reduce its co2 emissions and it has invested in additional double deck trailers which reduce the number of vehicle deliveries required and hence, the associated co2 emissions.

Table 5.13: Data Sample of Next's environmental and financial performance

Next	CO2 emissions	ROCE (%)	Operating Profit (£M)	Revenue (£M)
2006	27449	0.58	£470.70	£3,106.20
2007	26144	0.57	£507.50	£3,283.80
2008	26413	0.84	£537.10	£3,329.10
2009	25602	0.41	£478.30	£3,271.50
2010	26687	0.54	£529.80	£3,406.50
2011	29571	0.56	£566.80	£3,297.70
2012	29058	0.51	£598.70	£3,441.10
2013	37274	0.61	£695.10	£3,562.80
2014	38157	0.53	£722.80	£3,740.00

Source: collected from CSR and financial reports of Next from 2006-2014

In 2007, co2 emissions decreased and ROCE came down by 1%. In 2010, 2011 and 2013, co2 emissions and ROCE increased. In 2008, 2009, 2010, 2011, 2013 and 2014, whenever co2 emissions changed, there was fluctuation in operating profit as well. Apart from 2007 and 2011, co2 emissions, and revenue fluctuated throughout from 2006 till 2014 (Table 5.13).

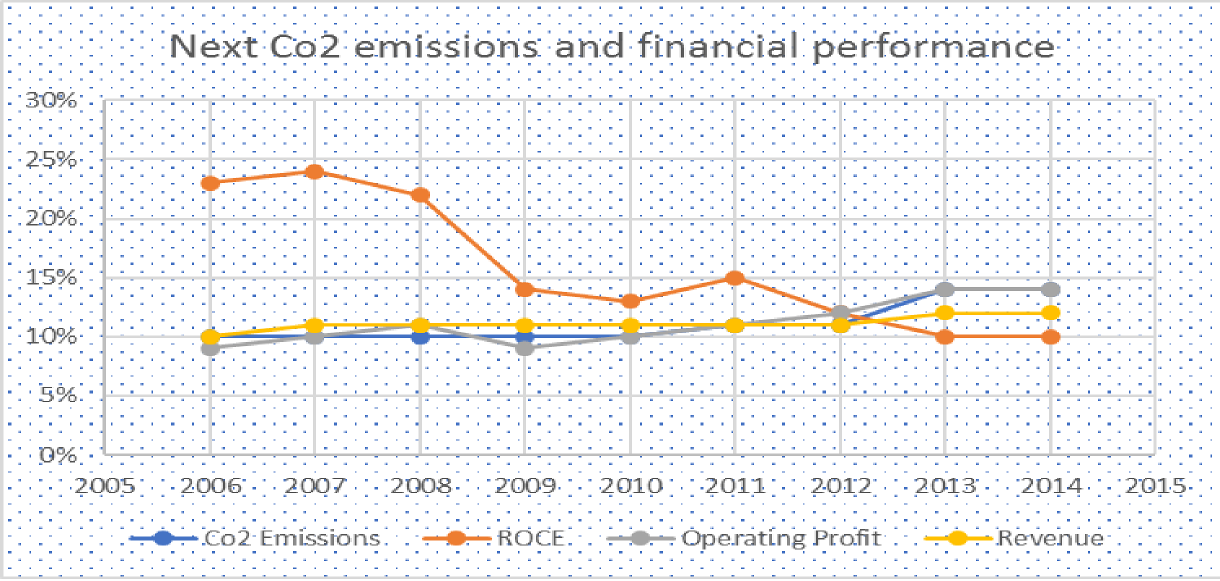


Figure 5.6: Comparison between Next' co2 emissions and financial performance

Table 5.14: Correlation Coefficient of Next's environmental and financial performance

	CO2 Emissions in Tonnes	*ROCE (%)*	*CO2e*	*Operating Profit (£M)*	*CO2e*	*Revenue (£M)*
CO2 Emissions	1					
ROCE (%)	-0.035605556	1				
CO2 Emissions	1	-0.035605556	1			
Operating Profit (£M)	0.949184455	0.039262143	0.949184455	1		
CO2 Emissions	1	-0.035605556	1	0.949184455	1	
Revenue (£M)	0.832703527	-0.058057018	0.832703527	0.931545778	0.832703527	1

The results manifested a small negative relationship between co2 emissions and ROCE (r = -0.03). The results have shown a strong positive relationship between co2 emissions and operating profit (r = 0.94). Apart from that strong positive link was found between the two variables of co2 emissions and revenue as higher scores of co2 emissions were correlated with higher scores of revenues with effect size of r = 0.83 (Table 5.14).

5.11 Tesco's CSR and Financial Performance

As a retailer, Tesco's business model is based on four activities i.e. using insight to understand the needs of the customers, buying products and services from the suppliers, moving them through distribution services and selling them to customers. Tesco can influence society because of its size and large scale of operational activities. It understands its pivotal role of creating health food awareness among the society and strives to make affordable health food available for the common mass. The company adopted many initiatives over the years in order to fulfil its responsibility towards the society. These initiatives include fund raising for a cause and promoting education, offering donations to the charities. It ensures to have good impact on the community in different ways such as offering good job opportunities in the community it operates, focusing on the young people developing their skills and preparing them to find a right career. Moreover, it strives to leave a good impact on the environment and make a difference. In the UK, Tesco claims to have community champions who are involved with the store managers and other shops in the region to shape how Tesco can get involved in the local community events, providing supports where it is needed.

Improving health is the biggest challenge that company faces as the key approach is to take little to make bigger difference. Tesco's partnership with British Heart Foundation and Diabetes UK aims to tackle and help prevent diabetes and heart diseases. It also has environment strategy that focuses on the five key environments i.e. forests, climate, farmlands, marines and freshwater. It also launched Tesco Supplier Network, an online community which enabled it to interact with over five thousand suppliers around the world. The nature of the company's business means that there is a lot of surplus food that is needed to be well managed.

Table 5.15: Tesco's yearly data sample of CSR and financial performance

TESCO	ROCE (%)	Operating Profit (£M)	Revenue (£M)	Donations (£M)	Community Work (£M)	CO2e Million Tonnes
2006	0.14	1,788	32,657	41.70	19.00	1.75
2007	0.15	2,083	35,580	43.40	18.20	2.25
2008	0.14	2,164	34,858	57.00	6.20	4.90
2009	0.10	2,540	37,650	61.60	7.40	5.20
2010	0.10	2,413	38,558	64.30	7.20	5.44
2011	0.11	2,504	40,117	74.50	10.00	5.66
2012	0.12	2,480	42,798	70.00	14.00	5.75
2013	0.06	2,272	43,088	50.00	10.00	6.05
2014	0.07	2,191	43,57	50.00	10.00	5.71

Source: collected from CSR and financial reports of Tesco from 2006-2014

Table 5.15 reveals the data sample which has been collected using yearly data spanning the period from 2006 to 2014. It was expected that this set of data might uncover the relationship between CSR and financial performance. The data suggested that the investment on community work remained strong for the initial two years from 2006 till 2007 whereas dropped considerably in the following seven years. On the other hand, there was gradual increase in the donations from 2006 to 2011. In 2007, CSR performance was high resulting in increased revenue, operating profit and ROCE. In 2008, despite having better performance in co2 emissions and donations, there was a sudden decline in community work resulting decreased revenue and ROCE but slightly better operating profit.

As shown above in the table 5.15, Tesco's ROCE rose to 15% in 2007 as compare to the previous year but declined by 1% in 2008. In 2009, it fell drastically to 10% which remained same in 2010. A slight increase by 1% was noticed in the following two years in 2011 and 2012, but again fell significantly by 6% in 2013. In 2014, a slight increase was noticed by 1%. Tesco's operating profit increased in 2007 as compare to the previous year, increased slightly in 2008 and excelled significantly to £2540m in 2009. It fell again in the following year, increased slightly in 2011 to £2504m and in 2012 decreased to £2480m. In 2013, a slight decrease was observed in operating profit which further fell in the 2014 to £2191m.

In 2007, Tesco's revenue increased to £35580m but fell slightly in 2008 to £34858, again got better in 2009 and in 2010 it reached up to £38558m. In 2011, revenue was increased to £40117m which further got better in 2012. In 2013 and 2014, it kept on increasing to £43088m and £43570m respectively (Table 5.15).

5.12 Donations and Financial Performance of Tesco

Tesco claims that its key focus is to help the poor and needy people to get some food. It has run some food collections in partnership with food poverty charities such as Trussell Trust and Fareshare to hold two Neighborhood Food Collections in July and on Christmas every year. Moreover, it launched scale for food strategy which highlighted the importance of monitoring the progress and disclosing the performance.

Table 5.16: Data Sample of Tesco's donations and financial performance

Year	Donations (£M)	ROCE (%)	Operating Profit (£M)	Revenue (£M)
2006	41.70	0.14	£1,788.00	£32,657.00
2007	43.40	0.15	£2,083.00	£35,580.00
2008	57.00	0.14	£2,164.00	£34,858.00
2009	61.60	0.10	£2,540.00	£37,650.00
2010	64.30	0.10	£2,413.00	£38,558.00
2011	74.50	0.11	£2,504.00	£40,117.00
2012	70.00	0.12	£2,480.00	£42,798.00
2013	50.00	0.06	£2,272.00	£43,088.00
2014	50.00	0.07	£2,191.00	£43,570.00

Source: Developed by the author from financial reports of Tesco from 2006-2014

In 2006, Tesco spent £41m on donations which increased by £2m in 2007. In the following year, a significant increase was noticed which reached at £61m in 2009. In 2010, it increased to £64m whereas in 2011, almost £75m were donated to different charities which was the highest yearly figure for the company. In 2012, it declined from £75m to £70m and fell significantly in 2013 and 2014 to £50m.

In 2007, Tesco's ROCE increased by 1% whereas donations increased by 2m as compare to the previous year. For the following three years, donations increased but ROCE dropped significantly. In 2011, donations rose swiftly as compare to 2010 whereas ROCE improved only by 1%. In 2012, donations dropped to £70m and ROCE improved by 1%. In 2013, a significant dropped down was noticed both in donations and ROCE which continued in the following year (Table 5.16).

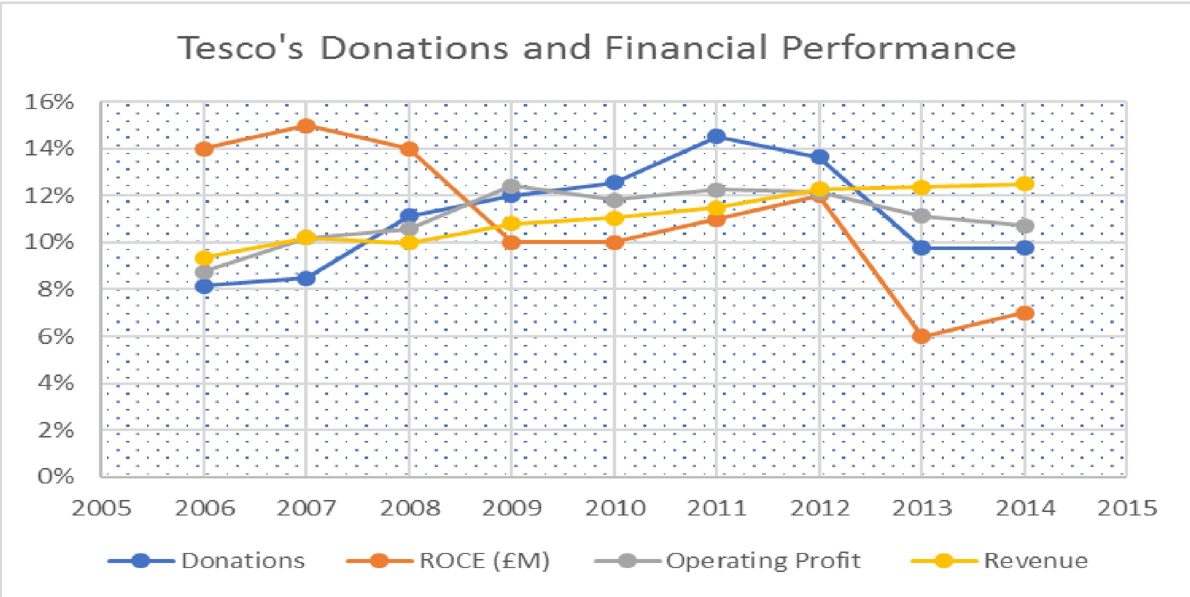


Figure 5.7: Comparison between Tesco's donations and financial performance

From 2007 to 2012, CSR and financial performance increased in the form of donations and operating profit. In 2012, donations decreased, and operating profit augmented. In the following two years, both donations and operating profit fell considerably. In 2007, revenue increased with the increment of donations. In 2009, 2010 and 2011, revenue was maximized with the optimization of donations whereas for the following three years, no relationship was seen between CSR and financial performance because of fluctuating donations and increasing revenue. Therefore, from 2012 to 2014, revenue increased continuously and was not affected by decreasing donations (Table 5.16).

Table 5.17: Results on the link between donations and ROCE, operating profit and revenue

	Donations (£M)	*ROCE (%)*	*Donations (£M)*	*Operating Profit (£M)*	*Donations (£M)*	*Revenue (£M)*
Donations (£M)	1					
ROCE (%)	-0.125497651	1				
Donations (£M)	1	-0.125497651	1			
Operating Profit (£M)	0.867504848	-0.394949105	0.867504848	1		
Donations (£M)	1	-0.125497651	1	0.867504848	1	
Revenue (£M)	0.391522043	-0.796221318	0.391522043	0.574439961	0.391522043	1

Table 5.17 provides a detailed analysis of the relationship between donations and three variables of financial performance. Findings revealed that higher scores of donations were corelated with lower scores of ROCE resulting a negative relationship between two variables with the effect size of r = -0.12. Furthermore, the results showed a strong positive correlation between donations and operating profit (r = 0.86). Donations also had positive relationship with revenue (r = 0.39).

5.13 Community Investment and Financial Performance of Tesco

Tesco shows an inclination to focus on the issues relevant to the society. It has over 300 community champions working for the betterment of the society within the stores (CSR report, 2014). Apart from that it has some career affairs and charity events to support the community. The company also takes the credit of launching twitter accounts in the UK to keep the society up to date with the current news in their area.

Tesco's team of local expertise and commercial, ethical and technical managers directly work with suppliers to provide customers high quality products that are produced responsibly. Table 5.18 provides a summary of money spent by Tesco on the community events and its comparison with ROCE, operating profit and revenue. In 2007, it spent £18m on the community projects and career affairs for the betterment of the society. In the following year, it fell drastically to only £6m which got slightly better in the following year and stayed almost same till 2010. In 2011, it reached up to £10m whereas in the next year, it spent £14m. in the next two years, it came down again to £10m. In 2014, it established an external advisory panel to report directly to the chief executive to provide an honest assessment of company's social performance and the challenges to do more (Table 5.18).

Table 5.18: Data Sample of Tesco's community work and financial performance

Year	Community Work (£M)	ROCE (%)	Operating Profit (£M)	Revenue (£M)
2006	19.00	0.14	£1,788.00	£32,657.00
2007	18.20	0.15	£2,083.00	£35,580.00
2008	6.20	0.14	£2,164.00	£34,858.00
2009	7.40	0.10	£2,540.00	£37,650.00
2010	7.20	0.10	£2,413.00	£38,558.00
2011	10.00	0.11	£2,504.00	£40,117.00
2012	14.00	0.12	£2,480.00	£42,798.00
2013	10.00	0.06	£2,272.00	£43,088.00
2014	10.00	0.07	£2,191.00	£43,570.00

Source: Created from Tesco's CSR and financial reports from 2006-2014

As indicated in the table above, in 2007, revenue increased to £35580m whereas community work decreased to £18m. In 2008, community investment fell off to a great extent whereas slight decline was seen in the revenue. For the following two years, community work improved slightly whereas revenue expanded gradually. In 2011, community work improved by £4m as compare to the previous year whereas revenue increased. In 2013 and 2014, community work remained static whereas there was slight increment in the revenue (Table 5.18).

From 2006 till 2009, operating profit increased steadily whereas community work declined continuously. In 2010, downturn was seen in operating profit and community work. In 2011, operating profit gained some momentum again and investment on community projects rose as well. In 2012, investment on community increased by £4m whereas no impact was seen on operating profit. In 2013, community investment and operating profit declined (Table 5.18).

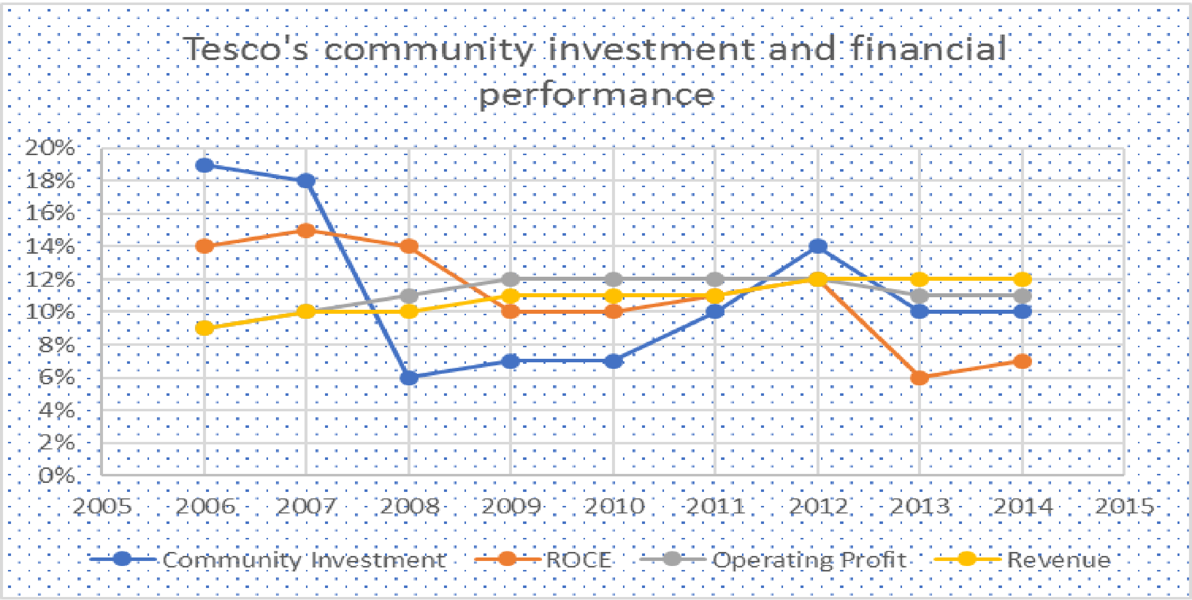


Figure 5.8: Comparison between Tesco's community investment and financial performance

From 2006 till 2010, investment on community projects condensed whereas ROCE increased in 2007 by only 1% and for the remaining years, either it dwindled or remained static. In 2011 and 2012, community work expanded, and ROCE enlarged considerably. In 2013, community work was cutback to £10m which remained unchanged in the later year whereas ROCE declined significantly in the same time span (Figure 5.8).

Table 5.19: Results on the link between Tesco's community work and financial performance

	Community Work (£M)	*ROCE (%)*	*Community Work (£M)*	*Operating Profit (£M)*	*Community Work (£M)*	*Revenue (£M)*
Community Work (£M)	1					
ROCE (%)	0.49153072	1				
Community Work (£M)	1	0.49153072	1			
Operating Profit (£M)	-0.623960472	-0.394949105	-0.623960472	1		
Community Work (£M)	1	0.49153072	1	-0.623960472	1	
Revenue (£M)	-0.314596616	-0.796221318	-0.314596616	0.574439961	-0.314596616	1

Table 5.19 provides summary statistics for the relationship between community work and financial performance. A positive correlation was noticed between community work and ROCE with the effect size of r = 0. 49. Findings revealed negative relationship between community work and operating profit (r = -0.62). To test the relationship between community work and revenue, higher score of community work were related to lower scores of revenue producing negative relationship (r = -0.31) between the two variables of CSR and financial performance.

5.14 Co2 Emissions and Financial Performance of Tesco

Tesco calculates its carbon emissions according to WRI (World Resources Institute) and WBCSD (World Business Council for Sustainable Development) Greenhouse Gas (GHG) Protocol which comprises of many gases such as carbon dioxide, ozone, nitrous oxide and water vapor. Its performance is strongly driven by strong focus on reduction of refrigerant gas leakage and use of less harmful alternatives including natural refrigerants. It also focusses on the goods delivered in transporting products from the warehouses or distribution houses to the stores. It seeks specific feedback from the campaigners and experts leading the way on reducing carbon emissions, food waste, tackling obesity and helping young people into their work. Following chart represents data of carbon emissions from 2006 to 2014.

Tesco aims to be zero carbon by 2050 and pledges to use scarce resources responsibly including supply chain. The company understands that climate change is the biggest threat world is facing and retail industry is no exception. It has profound impact on the planet, displaced population, rising sea levels, increased water scarcity, food productions, extreme weather events are some examples. It has three tier strategies to reduce emissions i.e. improving energy efficiency, reducing hydrofluorocarbons or HFCs leakage from the refrigeration system and replacing them with lower emission alternatives such as natural refrigeration systems and using renewable energy such as solar panels.

Its carbon emissions include grid electricity, distribution fuel, refrigerants, use of natural gas such as district heating, and business travel. Carbon footprints which comes from grid electricity are the pivotal focus for the company because most of its electricity is used in lighting and heating. The company made an “F Plan” strategy to tackle emissions from distribution which includes fuller trucks and containers, fuller cages and pallets, fuel economy and fewer miles.

Table 5.20: Yearly Data Sample of Tesco’s Co2e and financial performance

Year	CO2e Million Tonnes	ROCE (%)	Operating Profit (£M)	Revenue (£M)
2006	1.75	0.14	£1,788.00	£32,657.00
2007	2.25	0.15	£2,083.00	£35,580.00
2008	4.90	0.14	£2,164.00	£34,858.00
2009	5.20	0.10	£2,540.00	£37,650.00
2010	5.44	0.10	£2,413.00	£38,558.00

2011	5.66	0.11	£2,504.00	£40,117.00
2012	5.75	0.12	£2,480.00	£42,798.00
2013	6.05	0.06	£2,272.00	£43,088.00
2014	5.71	0.07	£2,191.00	£43,570.00

Source: Created from Tesco's CSR and financial reports from 2006-2014

In 2007, co2 emissions and ROCE increased. From 2008 till 2014, co2 emission increased steadily whereas ROCE decreased considerably throughout these years. In 2007, operating profit increased with the increment of co2 emissions. For the remaining years co2 emissions increased gradually whereas there was slight fluctuation in the operating profit. In 2007, co2 emissions increased with the increment of revenue. From 2008 till 2013, both variables of CSR and financial performance i.e. co2 emissions and revenue increased consistently (Table 5.19).

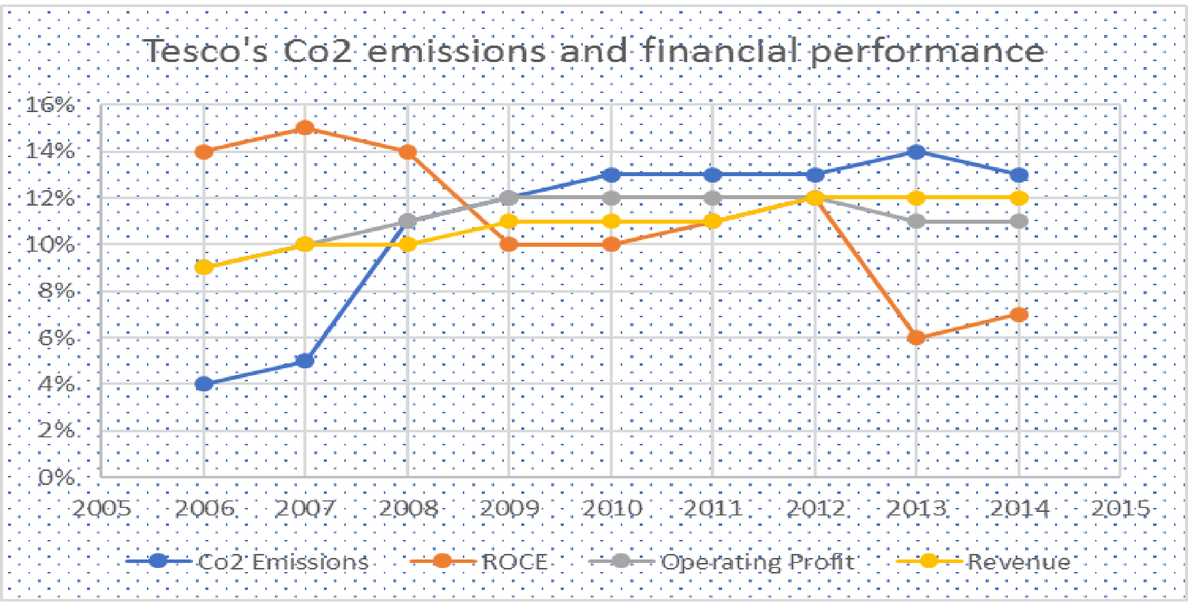


Figure 5.9: Tesco's Co2 emissions and financial performance

As indicated by the graph above, in 2006, company's co2 emissions were 1.75m tonnes which increased in 2007 to 2.25m tonnes. In the next year, it raised to 4.90m tonnes which continued to grow in 2010 and 2011. In 2012, company's co2 emissions were 5.75m tonnes which increased in 2013 to 6m tonnes. In 2014, it decreased to 5.71m tonnes (Table 5.20 and Figure 5.9).

The following table shows the results of co2 emissions and financial performance.

Table 5.21: Correlation Coefficient of Co2 emissions and ROCE, operating profit and revenue

	CO2 Emissions Million Tonnes	*ROCE (%)*	*CO2e*	*Operating Profit (£M)*	*CO2e*	*Revenue (£M)*
CO2 Emissions Million Tonnes	1					
ROCE (%)	-0.727921413	1				
CO2 Emissions Million Tonnes	1	-0.727921413	1			
Operating Profit (£M)	0.791210767	-0.394949105	0.791210767	1		
CO2 Emissions Million Tonnes	1	-0.727921413	1	0.791210767	1	
Revenue (£M)	0.80687999	-0.796221318	0.80687999	0.574439961	0.80687999	1

Above table illustrates a strong negative relationship between co2 emissions and ROCE (r = -0.72). A positive correlation was noticed between co2 emissions and operating profit (r = 0.79). To test the third variable of CSR and financial performance, findings showed that higher scores of co2 emissions correlated with higher scores of revenues (r = 0.80) leaving strong positive effect on revenue.

5.15 CSR and Financial Performance of PRIMARK

According to the research conducted by Ethical Consumer Magazine in 2005, Primark was voted as the most unethical retailer in the UK and was hit hard on many forums, blogs, you tube and BBC programs. BBC program Panorama (2008) denounced Primark's business practices. This program triggered negative publicity showing the footage of child refugee in India making clothes for Primark (Magee, 2008).

Primark whose parent company ABF (Association of British Foods) seems to be least concerned about CSR among the other retail companies. Oxfam International, a group of 14 organisations working together to eliminate poverty and injustice printed a report regarding the CSR approach of the companies. ABF scored 14 out of 70 in Oxfam's report which was worst in class out of 10 food giants working under CSR. Oxfam said that ABF was intricate in elaborating its CSR approach and its lack of transparency made it hard to determine its CSR level for many of its brands. Barbara Stocking, the chief executive of Oxfam said, "it's the time the veil of secrecy on this multi-billion-dollar industry was lifted" (Food navigator, 2016). This was because consumers had the right to know how the products were produced and the impact they had on the world's poorest people.

ABF operates through five strategic business segments i.e. retail, sugar, agriculture, grocery and ingredients. In retail segment, there is only one company, Primark which is held by ABF. Primark holds 29% of ABF's total revenue which is second to the grocery segment. All the data about Primark has been collected from the retail segment of ABF' s annual and CSR reports. In 2012, there were many environmental complaints about ABF relating to noise and odors and waste water errors and received 16 environmental fines worth of £137000 (Health and Safety Executive report, 2012). Unlike ABF's annual reports, there is no segmental CSR information in its so-called CSR reports. About the retail section of CSR report, it elaborates reactions which seem to be a cause of an action, either in the form of BBC panorama or Rana Plaza disaster.

Primark claims to offer customer quality, value for money and up to the minute designs. The firm's buying and merchandising team travels around the world to source and buy the garments that reflect each season's key fashion trends. But Primark's CSR approach seems to be impressed by Newton's law of motion where every action has got a reaction. Primark also acts as a result of Rana Plaza disaster, child labor issues and recruiting illegal immigrants in one its supplier's factory and BBC program exposing its unethical conduct. It fails to report its CSR performance in a coherent and defined way which can give a transparent picture of its actual performance.

A tragic incident occurred for Primark in 2013 when a commercial Rana Plaza building in Dhaka (Bangladesh) collapsed claiming 1127 lives and shocked everyone. As a result of that tragedy, the first action Primark took was to admit publicly that it was sourcing some of its products from one of the factories in Rana Plaza. It immediately announced compensation for the victim families of Rana Plaza and assured financial assistance (CSR Report, 2013). In the same year, ABF allocated 13 pages for its retail CSR report containing details about Primark's action because of that incident and no detail was provided about donations or community work.

Hall (2009, p. 4) writes, "Primark's growth has been startling. In 1999, the chain accounted for 13% of ABF's profit, in 2008, it made 35% of its profit and 24% of its sales. When ABF launched Primark, it was an insignificant side project. Some analysts wondered why a sugar and grocery company would bother venturing into the tricky world of retailing". He argued that while Primark's popularity was not in doubt, there was one weak link, its supply chain. The retailor had been subject to criticism about its supplier's usage of cheap factory labour. Critics argued that if a retailer was able to sell a t-shirt worth of £1.96, it must be cutting corner somewhere (Hall, 2009). Looking at its CSR reports, unlike other retail companies, it is least bothered about CSR proving Hall's (2009) arguments right. In 2011, it published a CSR report comprising of 16 pages. In 2012, it contained 28 pages. In 2013 and 2014, there was no CSR report published on its website.

Table 5.22: Yearly Data Sample of Primark

Year	CO2e Million Tonnes	ROCE (%)	Operating Profit (£M)	Revenue (£M)
2006	2.45	0.44	166.00	1,168.00
2007	2.89	0.19	200.00	1,602.00
2008	3.59	0.21	233.00	1,933.00
2009	3.85	0.22	252.00	2,314.00
2010	3.01	0.28	341.00	2,730.00
2011	3.61	0.28	309.00	3,043.00
2012	3.36	0.23	356.00	3,503.00
2013	3.14	0.37	513.00	4,273.00
2014	3.15	0.45	662.00	4,950.00

Source: CSR and financial reports of Primark from 2006-2014

In 2006, company's co2 emissions were 2.45m tonnes. In 2007, it started to increase slightly but it leaped in 2008 to 3.59m. In 2010, the figure fell to 3.01m which increased considerably again in 2011. In subsequent years, it kept on fluctuating at a minor pace (Table 5.22).

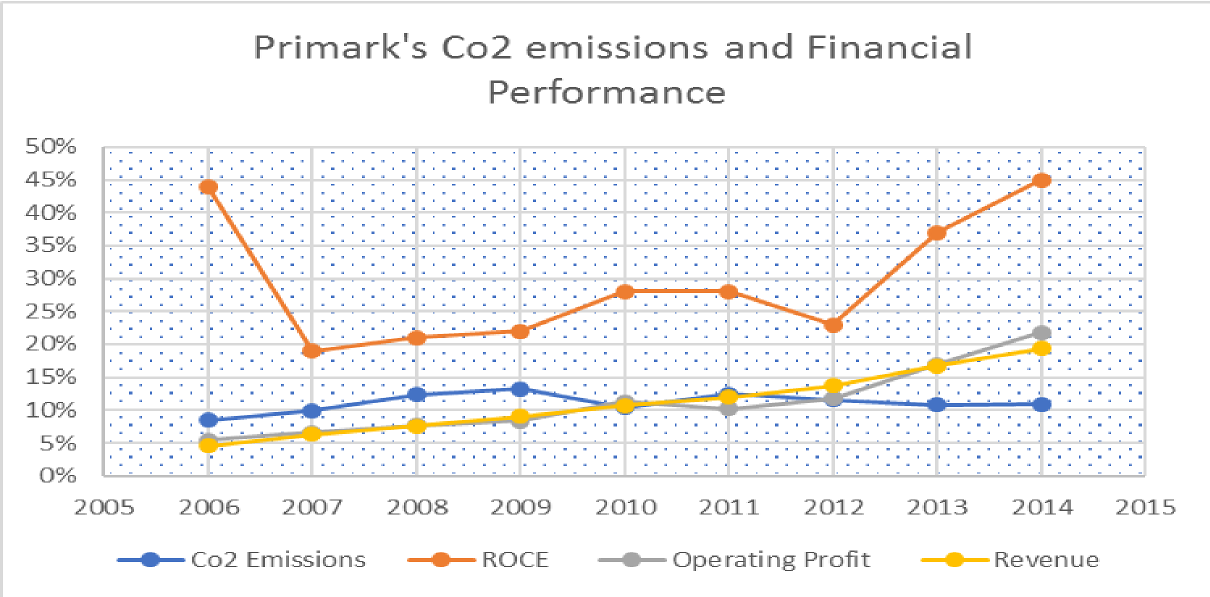


Figure 5.10: Primark's Co2 emissions and financial performance from 2006-2014

Figure 5.10 depicts the visual presentation of CSR and financial performance of Primark over nine years' time frame from 2006-2014. It also compares Primark's environmental performance with its financial performance.

Table 5.23: Correlation of Primark's environmental and Financial Performance

	CO2 Emissions Million Tonnes	*ROCE (%)*	*CO2e*	*Operating Profit (£M)*	*CO2e*	*Revenue (£M)*
CO2 Emissions Million Tonnes	1					
ROCE (%)	-0.542073928	1				
CO2 Emissions Million Tonnes	1	-0.542073928	1			
Operating	0.071309436	0.531334787	0.071309436	1		

Profit (£M)						
CO2 Emissions Million Tonnes	1	-0.542073928	1	0.071309436	1	
Revenue (£M)	0.225715905	0.39737033	0.225715905	0.967064596	0.225715905	1

Findings of the correlational analysis are summarized in Table 5.23. In Primark case, findings showed a strong negative relationship between co2 emissions and ROCE (r = -0.54) whereas positive relationship with operating profit (r = 0.07). In terms of third variable of CSR, higher scores of co2 emissions were correlated with higher scores of revenues (r = 0.22) showing positive relationship between the two variables.

Table 5.24 provides summary statistics for secondary data analysis of four selected companies. It is evident that findings revealed positive relationship between donations and revenue in three cases. There was significant negative relationship between donations and ROCE and mixed results with operating profit.

Table 5.24 Findings of Correlation analysis of Secondary Data from Selected Retail Firms

Correlations	Company	ROCE	Operating Profit	Revenue	
Donations	MS TE NE PR	r= -0.86 r= -0.12 r= -0.18 r= n/a	r= -0.75 r= 0.86 r= 0.57 r= n/a	r= 0.79 r= 0.39 r= 0.65 r= n/a	Brammer and Millington, (2008); Seifert *et al.* (2004); Wang *et al.* (2008); Khan and Hassan (2013)
Community Work	MS TE NE PR	r= -0.17 r= 0.49 r= -0.22 r= n/a	r= 0.28 r= -0.62 r= 0.86 r= n/a	r= 0.53 r= -0.31 r= 0.88 r= n/a	Brammer *et al.* (2007); Khan (2016).

Environmental Performance (CO_2)	MS TE NE PR	r= 0.66 r= 0.03 r= 0.49 r= -0.54	r= 0.71 r= 0.94 r= 0.79 r= 0.07	r= -0.26 r= -0.80 r= 0.83 r= 0.22	Andrew *et al.* (2012); Lu *et al.* (2013); Shah (2017)

MS= Marks and Spencer, TE= Tesco, NE= Next, PR= Primark, r= correlation coefficient

5.16 Summary

The chapter discussed secondary data sample of four selected UK retail companies and performed correlation analysis to determine the link between CSR strategies and financial performance. CSR data was easily available from retail companies' websites apart from Primark who did not bother to disclose its CSR information in its CSR report. However, data on co2 emissions was derived from ABF's website who was the parent company of Primark. Findings revealed mixed relationship between CSR and financial performance. One of the selected retail firm, M&S had a long history of doing good in CSR, whereas another retailer, Tesco, faced allegations for being involved in the corporate corruption and horse meat scandal which affected the trust of the consumers. Another retail firm, Primark was only interested in profit making and did not bother about CSR whereas Next, took a balanced approach. Overall, data set for the four retail companies provided an opportunity to examine the relationship between CSR and financial performance. The data sample collected from CSR and financial reports provided useful comparison between CSR and financial performance with the help of line graphs. The next chapter is based on the mall intercept survey to have a deeper understanding of CSR strategies in the retail industry and compare the findings of secondary data determined in this chapter.

Chapter 6

Primary Data Analysis

6.1 Introduction

Previous chapter presented secondary data collected from retail companies' websites and analyzed the relationship of CSR and financial performance (objective 2). This chapter aimed to explore the consumer perceptions of CSR practices of the selected retail companies in the UK through a mall-intercept survey administered to 250 consumers and understand how these perceptions can influence retailers' sales revenue (Objective 3).

The primary data was analyzed using Statistical Package for Social Sciences (SPSS) version 24 for windows 10. Descriptive statistics, exploratory factor analysis and principle component analysis were used to explore the richness of the survey data. Drawing on El-Farra and Badawi, (2012), data was collected from close-ended questionnaire to prioritize CSR strategies that could relate to perceived sales revenue. Normality of the data was determined through Shapiro-Wilks and Kolmogorov-Smirnov tests whereas reliability and internal consistency of the items were determined through Cronbach's alpha.

Initially, researcher entered all the responses of the participants in MS Excel spreadsheet. Later, all data from MS Excel was imported to SPSS to access the wide variety of statistical analysis including graphics and modelling. After importing data from MS Excel to SPSS spreadsheet, codes of the questions were developed in the rows. In the name column, questions were written in abbreviation whereas detail in labels was given. The value section of the column was developed according to each question.

6.2 Data Screening

The objective of the data screening is to detect and reveal what is not obvious to present the actual data (Hair *et al*., 2006). Many issues such as missing data, normality and homoscedasticity can occur while entering the data into information sheet which can have influence on the relationship of the variables. Missing data is a common issue in data analysis depending on the patterns and the fact that how much data is missing. Normality deals with the distribution of data which is a fundamental part of various types of data analysis. Hence, variables can be normally distributed before data analysis. It can be assessed by Kurtosis and Skewness test in descriptive statistics (Hair *et al*., 2006; Tabachnick and Fidell, 2007). Therefore, these issues were considered and solved before data analysis (Tabachnick and Fidell, 2007).

For this study, descriptive statistics were administered to assess the skewness and kurtosis. All kurtoses were negative whereas skewness was mixture of negative as well as positive (Table 6.1). Kolmogorov Smirnov and Shapiro test were applied to find the normality of data (Field, 2006). Findings of the normality test were revealed significant for all variables which might be due to the sample size (n = 250). As this test is sensitive to the large sample size, fewer deviation from normality can manifest the departure from normality of data (Field, 2006). Skewness varied between -0.293 and 0.359 which showed the moderate distribution of the data (Table 6.1).

Table 6.1: Descriptive Statistics

		Customer loyalty for their preferred retailer	Shopping behavior	Consumer preference for buying the product	Interest in the process of product	Repeat purchase resulted from unethical product	Eating beef burgers	Customer's broken trust and repeat purchase	Favorite retailer
N	Valid	250	250	250	250	250	250	250	250
	Missing	0	0	0	0	0	0	0	0
Mean		2.42	2.50	1.89	1.58	1.93	1.53	1.57	1.97
Median		2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Mode		1	2	2	2	2	2	2	2

Std. Deviation	1.150	1.186	.787	.495	.708	.500	.496	.806
Variance	1.322	1.408	.619	.245	.501	.250	.246	.650
Skewness	.076	.359	.193	-.309	.103	-.129	-.293	.058
Std. Error of Skewness	.154	.154	.154	.154	.154	.154	.154	.154
Kurtosis	-1.428	-.807	-1.358	-1.920	-.991	-1.999	-1.930	-1.457
Std. Error of Kurtosis	.307	.307	.307	.307	.307	.307	.307	.307
Range	3	4	2	1	2	1	1	2
Minimum	1	1	1	1	1	1	1	1
Maximum	4	5	3	2	3	2	2	3

Table 6.2: Tests of Normality

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	Df	Sig.	Statistic	df	Sig.
Customer loyalty for their preferred retailer	.188	250	.000	.845	250	.000
Shopping Behavior	.190	250	.000	.895	250	.000
Customer preference for buying the product	.240	250	.000	.798	250	.000
Interest in the process of product	.380	250	.000	.628	250	.000
Repeat purchase resulted from unethical product	.253	250	.000	.806	250	.000
Eating beef burgers	.357	250	.000	.635	250	.000
Customer's broken trust and repeat purchase	.378	250	.000	.629	250	.000
Favorite retailer	.225	250	.000	.797	250	.000
Favorite CSR strategy	.213	250	.000	.804	250	.000
Shopping in un-ethical company	.244	250	.000	.809	250	.000
Customer preference for the type of retailer	.407	250	.000	.612	250	.000
Customer awareness for CSR	.435	250	.000	.585	250	.000
Customer awareness for CSR strategies and sales revenue	.198	250	.000	.904	250	.000

Companies' motives behind CSR strategies	.335	250	.000	.738	250	.000
Purpose of CSR	.293	250	.000	.768	250	.000

a. Lilliefors Significance Correction

b. df= degree of freedom, sig.= significance

6.3 Demographic Characteristics of the Respondents

First part of the questionnaire was designed to collect demographic information from the participants comprising of four questions about age group, gender, employment status and annual income. Demographic questions were designed to describe the characteristics of the population and to breakdown the response of the survey into meaningful groups of respondents. Participants were asked to tick the suitable category. The purpose of these questions was to select the equal distribution of the sample in the research. Moreover, these questions were aimed to minimize the bias in the selection of the sample.

Respondents were asked about their age groups. Demographic details of the respondents revealed that 25% (n=63) of consumers were aged between 18-24, 24% (n=60) between 25-34 years of age, 28% (n= 69) between 35-44 and 23% (n=58) consumers were of 45 years or older (Figure 6.1).

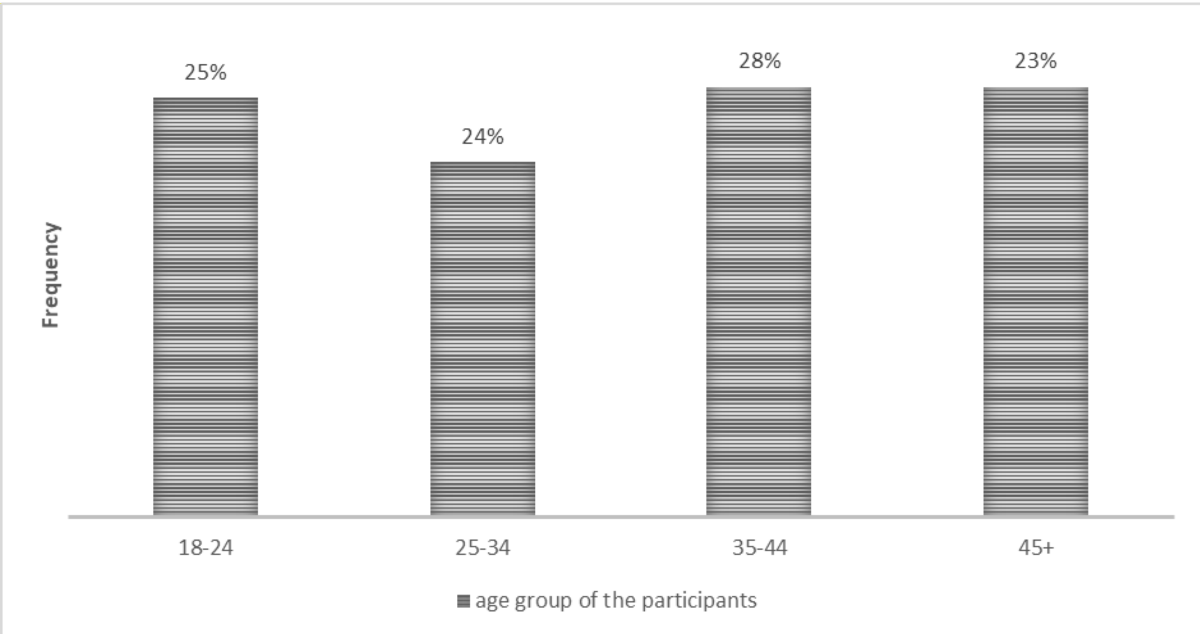


Figure 6.1: age group of the participants

Among 250 participants, 52% (n=130) were males whereas 48% (n=120) were females. While determining the questionnaire, the researcher ensured to have the true representation of males and females. In terms of employment status, four types of employment options were given to the participants. 27% (n=69) participants were employed, 30% (n=74) were unemployed, 22% (n=55) were self-employed whereas 21% (n= 52) were in government employment (Figure 6.2).

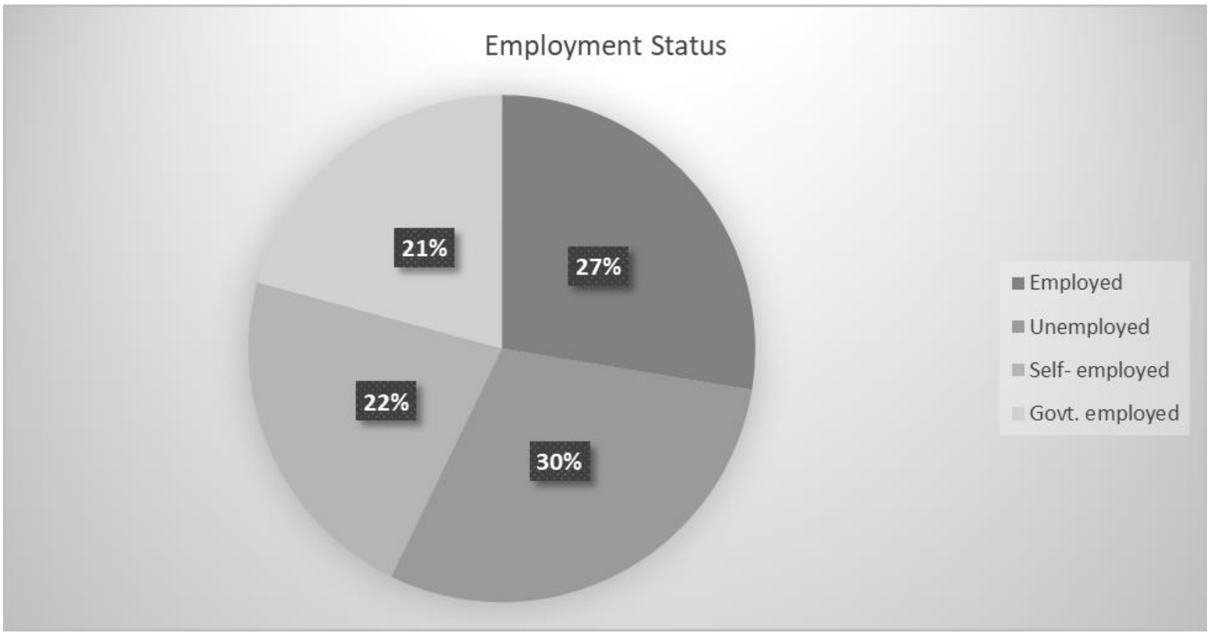


Figure 6.2: Employment status of the participants

As for as income was concerned, 29% (n=74) participants earned less than £11000 per annum, 28% (n= 69) consumers' yearly income was between £12000 to £15000, 26% (n=64) earned between £16000-£24000 and only 17% (n= 43) consumers earned higher than £26000 (Figure 6.3).

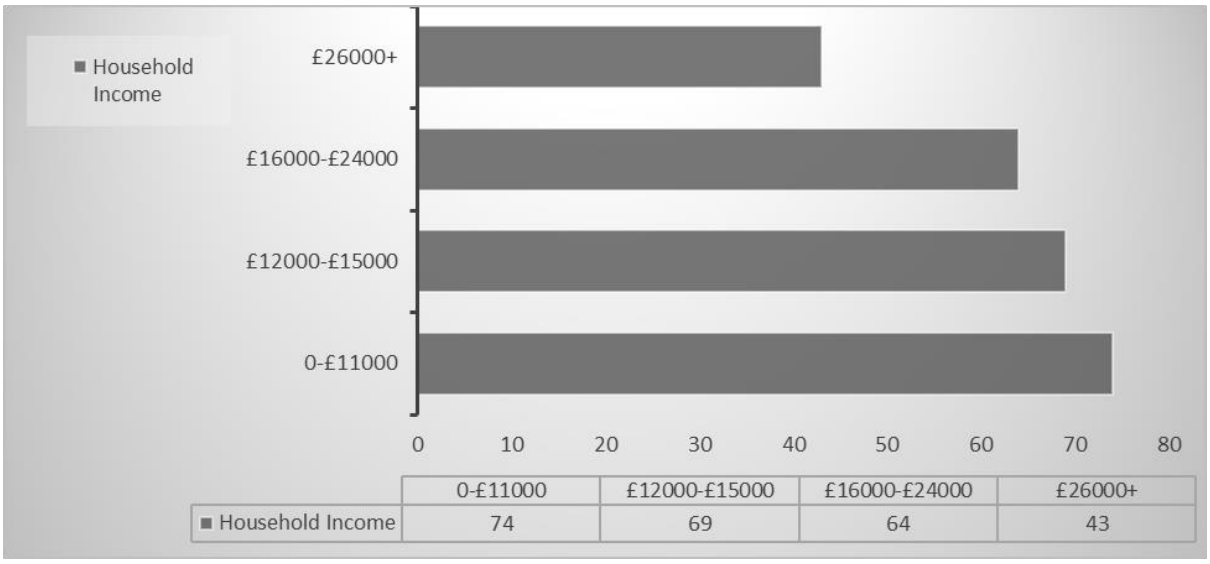


Figure 6.3: Household income of the participants

This demographic detail helped the researcher to acquire data from the participants belonging to different classes.

Table 6.3: Descriptive Statistical Analysis of Demographic Questions

Descriptive Statistics				
		Age of the Respondents	Employment Status	Income
N	Valid	250	250	250
	Missing	0	0	0
Mean		1.49	1.36	2.30
Median		2.00	1.00	2.00
Mode		2	1	1
Std. Deviation		1.106	1.097	1.073

Table 6.3 presented the descriptive statistical analysis of demographic characteristics of the participants and highlighted measures of central tendency such as mean, mode, median and standard deviation for nominal and ordinal questions with 95% confidence level and ensured that no data was missing. Demographic information provided data regarding retail customers and was necessary for the determination of whether participants were the representative sample of the target population.

6.4 Factors exploring the buying behavior and consumer perception of CSR

In descriptive statistics, ‘N’ shows the number of valid cases. There were no missing values as entire sample consisted of 250 consumers. The mean for each of the item was normal as there was no value below 1 or above 5. For this study, mean was not that important as questions were categorical and not measured on 5-point Likert scale. The descriptive statistical analysis and factor analysis of the fifteen items (Appendix 2) contained important components because of their relevance to consumer perception of CSR and perceived sales revenue.

Table 6.4: Descriptive Statistics

Factors	Factors Name	Mean	Std. Deviation	Analysis N
F1	Customers’ loyalty for the preferred retailer	2.42	1.150	250
F2	Shopping Behavior	2.50	1.186	250
F3	Consumer preference for buying the product	1.89	1.787	250
F4	Interest in the process of product	1.58	1.495	250
F5	Repeat purchase resulted from unethical product	1.93	1.708	250
F6	Eating beef burgers	1.53	.500	250
F7	Consumer's broken trust and repeat purchase	1.57	.496	250
F8	Preferred CSR retailer	1.97	.806	250
F9	Favorite CSR strategy	2.03	.783	250
F10	Shopping in un-ethical company	1.99	.717	250
F11	Consumer preference for the type of retailer	1.63	.484	250
F12	Consumer awareness for CSR	1.32	.466	250
F13	Consumer awareness for CSR strategies	2.72	1.176	250
F14	Companies' motives behind CSR strategies	1.94	.853	250
F15	Purpose of CSR	2.22	.812	250

There were different procedures available for factor analysis in SPSS. The most common among these procedures is principal component extraction method (Tabachnick and Fidell, 2007). The most common ways to assess the adequacy of extraction are scree plot and eigenvalues. Moreover, it was important to calculate the variance in scores for any type of given measures (Field, 2006). Communality is the total number of variances in all variables (Hair *et al*., 2007). In most of the constructs, less than .5 communality is required whereas for the large sample size it can be less than .7 (Hair *et al*., 2007).

In this study, exploratory factor analysis and principal component analysis were applied to extract commonalities and variance among the components to assess the reliability of the data. Table 6.5 shows that fifteen items were extracted with communalities ranging between .4 (less variance) to .9 (high variance), omitting four demographic questions about the respondents' profile because aim of the analysis was to explore the consumer perception of CSR and focus on the prioritization of the CSR strategies that could relate to perceived sales revenue instead of demographic comparisons.

Table 6.5: Communalities

	Communalities		
		Initial	Extraction
F1	Customers' loyalty for the preferred retailer	1.000	.964
F2	Shopping Behavior	1.000	.927
F3	Consumer preference for buying the product	1.000	.427
F4	Interest in the Process of Product	1.000	.787
F5	Repeat Purchase resulted from Unethical product	1.000	.595
F6	Eating Beef Burgers	1.000	.637
F7	Customer's Broken Trust and Repeat purchase	1.000	.667
F8	Preferred CSR Retailer	1.000	.733
F9	Favorite CSR Strategy	1.000	.577
F10	Shopping in un-ethical company	1.000	.447
F11	Customer preference for the type of retailer	1.000	.768
F12	Consumer awareness for CSR	1.000	.756
F13	Consumer awareness for CSR strategies	1.000	.736
F14	Companies' motives behind CSR strategies	1.000	.456
F15	Purpose of CSR	1.000	.700

	Extraction Method: Principal Component Analysis.

Factors involving buying behavior of consumers and their perception of CSR are presented in Table 6.5. The results of the factor analysis revealed that nineteen items were loaded with three dimensions i.e. community investment, donations and environmental performance with the communality variance ranging between 0.427 and 0.964. First factor assessed the consumers' loyalty for any of the four retailers i.e. Primark, M&S, Tesco and Next (mean, 2.42, Std. deviation, 1.150, communality, 0.964). Second factor probed the shopping frequency of the consumers to know how often they shop and included five options i.e. daily, once a week, twice a week, after two weeks or once a month (mean, 2.50, Std. deviation, 1.186, communality, 0.927).

Third factor covered the consumers' preference for buying the products and included three options i.e. quality, low price or company image (mean, 1.89, Std. deviation, 1.787, communality, 0.427). Fourth factor explored consumers' attitude towards the process of product (mean, 1.58, Std. deviation, 1.495, communality, 0.787). Fifth factor included assessment of the consumer behavior and their intention of repeat purchase in case of ethical issues (mean, 1.93, Std. deviation, 1.708, communality, 0.595). Sixth factor involved a filter question to sift the relevant consumers eating beef burgers (mean, 1.53, Std. deviation, 0.500, communality, 0.637). Seventh factor assessed the consumers' repeat purchasing intention in case of mis-trust (mean, 1.57, Std deviation, 0.496, communality, 0.667).

Eighth factor delved into the consumers' perception of retailer having certain CSR actions such as 'retailer working for the environment', 'offering donations to the organizations' and 'offering educational programs for the community' (mean, 1.96, Std. deviation, 0.806, communality, 0.733). Ninth factor explored the consumers' favorite CSR strategy with three options i.e. donations, eco-efficient programs and carbon neutrality and healthcare or educational programs (mean, 2.03, Std. deviation, 0.783, communality, 0.577). Tenth factor involved consumer perception of the firms involving in unethical conduct and its impact on their shopping behavior (mean, 1.99, Std. deviation, 0.717, communality, 0.447). Eleventh factor assessed the consumer preference of the retailers with environmental and community-based strategies (mean, 1.63, Std. deviation, 0.484, communality, 0.768).

Twelfth factor probed into the consumers’ familiarity of CSR (mean, 1.32, Std. deviation, 0.466, communality, 0.756) whereas thirteenth factor delved into the consumers’ perception of CSR strategies such as obeying the law and fair trade, donating money and helping the poor, improving environmental performance, helping the community or CSR means nothing for the consumers (mean, 2.72, Std. deviation, 1.176, communality, 0.736). Fourteenth factor inquired into the retailers’ motives of having CSR strategies (mean, 1.94, Std. deviation, 0.853, communality, 0.456) and fifteenth factor investigated consumer perception of retailers’ motives behind donations, community investment and environmental strategies with three options i.e. retailers want to help the society, just a marketing tool to gain public attention and sympathy or to sell their products and increase profits for the shareholders (mean, 2.22, Std. deviation, 0.812, communality, 0.700).

In component analysis, factors having eigenvalues greater than 1 were considered significant (Field 2006; Hair *et al.,* 2007). Eigenvalues are linked with variance of substantive importance (Tabachnick and Fidell, 2007). In component analysis, a factor having eigenvalue less than 1 is of less importance whereas components having eigenvalue of 1 or over are highly important (Field, 2006). For this study, factor analysis revealed that nine elements contained eigenvalues of 1 or over (Table 6.6).

The total extraction sums of square loadings sifted nine items with high importance with eigenvalues ranging between 1.049 and 4.623. The findings indicated that percentage of variability was high in customers’ loyalty for their preferred retailer (factor 1; eigenvalue, 4.623), shopping behavior of the customers (factor 2; eigenvalue, 1.538), customers’ preference for buying the products (factor 3; eigenvalue, 1.424), customers’ interest in the process of the product (factor 4; eigenvalue, 1.196), customers’ reaction at unethical issues (factor 5; eigenvalue, 1.149), beef burger consumption (factor 6; eigenvalue, 1.049), customers’ broken trust and repeat purchase (factor 7; eigenvalue, 1.905), customers’ preferred CSR retailer (factor 8; eigenvalue, 1.805) and, customers’ favorite CSR strategy (factor 9; eigenvalue, 1.739).

The factors with lower percentage of variability were: shopping in un-ethical companies (factor 10; eigenvalue, 0.610), customers’ preference for the type of retailer (factor 11; eigenvalue, 0.490), consumer awareness of CSR (factor 12; eigenvalue, 0.273), consumer awareness of CSR activities (factor 13; eigenvalue, 0.093), companies motives behind CSR strategies (factor 14; eigenvalue, 0.070) and, purpose of CSR (factor 15; eigenvalue, 0.036). Looking at the eigenvalues, factor 1 (eigenvalue, 4.623), *customer's loyalty for their preferred CSR retailer* and, factor 7 (eigenvalue, 1.905), *customers' broken trust and repeat purchase* were highly important.

Each factor referred to the question posed to retail consumers to identify the preferred CSR strategies perceived by retail consumers and explored the relevance of these strategies to perceived sales revenue for the selected retailers. Looking at the scree plot and eigenvalues, factor 1 (eigenvalue, 4.623), *which retailing company do you shop the most?* and factor 7 (eigenvalue, 1.905), *If you find out that beef-burgers contained traces of horse meat, would you trust to buy from the same retailer again?* were highly important. The frequency distribution of the factor 1 showed that 30% consumers shop from Primark, 22% from M&S, 24% from Tesco and 24% from Next. In this factor, Primark superseded other retailers which manifested surprising results considering its commitment to CSR. Primark as compare to its counterparts is considered least interested in showing its enthusiasm to the CSR issues. For the past few years, the firm has shown reactive commitments to CSR because of child labor issues and Rana Plaza disaster. On the contrary, M&S was the least preferred by consumers despite its rigorous approach to CSR and sustainable development plans. The analysis of factor 7 revealed that 90% consumers would not buy the product from the retailer involved in unethical conduct.

It is requisite for the retailers to establish good relationship with consumers to build up trust through offering promises that are fulfilled. False promises, mistrust and ethical issues can influence the consumers' decisions to buy the products and the business scandals can eventually undermine the business performance (Nuttavuthisit and Thogersen, 2017). In the retail sector, consumers buy the products from the retailers rather than directly from the producers or manufacturers leaving them with no choice but to trust the labels and communication informing them about the attributes of the products. In this regard, 90% consumer response (n= 120) has shown significant decrease in consumers repeat purchasing decision in case traces of horse meat found in the beef burgers. It may also reduce the perceived likelihood of the retailer for the other products which can affect their business performance.

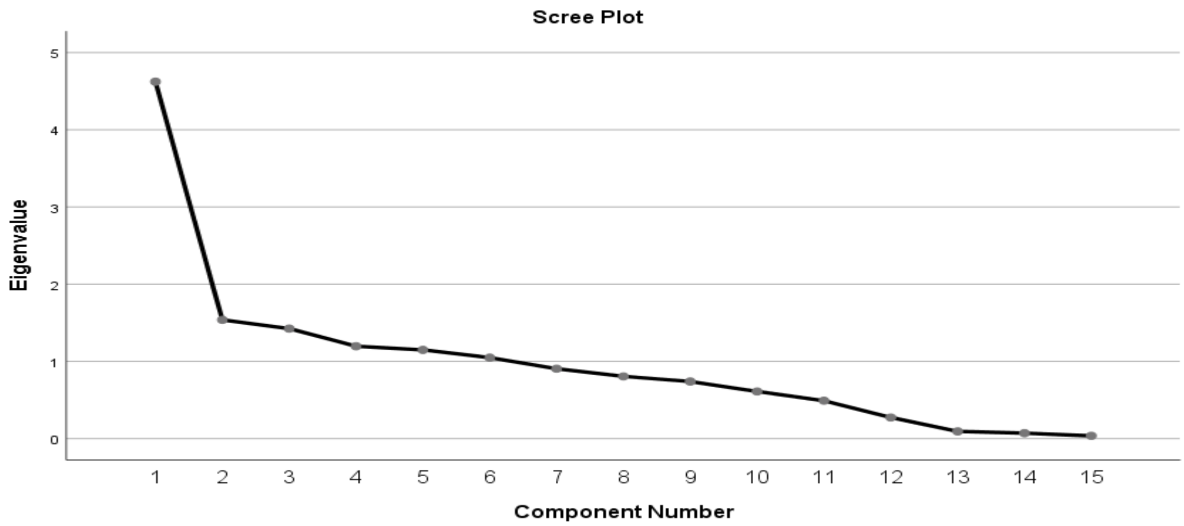
The findings of the exploratory factor analysis provide a strong evidence that consumers give high importance to ethical behavior of the retail firms and do not trust the firms breaching the ethical norms. Moreover, the high value of factor 8 (eigenvalue, 1.805), *which retailer would you like the most? retailer working for the environment (29%, n= 73), offering donations (38%, n= 97), offering educational programs for the community (32%, n= 80)* and factor 9 (eigenvalue, 1.739), *most of the retailers are involved in social work, which social work you think is important for the retail companies? Donations (35%, n= 88), eco-efficient programs and carbon neutrality (34%, n= 85), healthcare and educational programs (31%, n= 77)* suggested the importance of these factors. Findings revealed that consumers perceived philanthropic activities (factor 8, 38% and factor 9, 35%) slightly more than healthcare and educational programs (factor 8, 32% and factor 9, 31%) and eco-efficient and carbon neutrality (factor 8, 29% and factor 9, 34%).

Table 6.6: Total variance among the components

		Total Variance Explained					
		Initial Eigenvalues			Extraction Sums of Squared Loadings		
Factors	Questions	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	Q5	4.623	30.819	30.819	4.623	30.819	30.819
2	Q6	1.538	10.251	41.070	1.538	10.251	41.070
3	Q7	1.424	9.495	50.565	1.424	9.495	50.565
4	Q8	1.196	7.973	58.539	1.196	7.973	58.539
5	Q9	1.149	7.657	66.196	1.149	7.657	66.196
6	Q10	1.049	6.990	73.186	1.049	6.990	73.186
7	Q11	1.905	6.031	79.217	1.905		
8	Q12	1.805	5.369	84.586	1.805		
9	Q13	1.739	4.928	89.514	1.739		
10	Q14	.610	4.069	93.583			
11	Q15	.490	3.269	96.852			
12	Q16	.273	1.821	98.673			
13	Q17	.093	.621	99.294			
14	Q18	.070	.467	99.761			
15	Q19	.036	.239	100.000			
	Extraction Method: Principal Component Analysis.						

In factor analysis, scree plot is used to affirm the greatest number of components or factors. Scree test is applied using shape of resulting curve which determines the cut-off point (Hair *et al.*, 2007). For this study, eigenvalues against the components were shown with the help of scree plot. The vertical side of the graph showed highest eigenvalues whereas horizontal line represented components with the lower eigenvalues (Graph 6.1).

Graph 6.1 Scree plot of components



Internal consistency of the fifteen items was tested via Cronbach's Alpha which confirmed that items were internally consistent (Nunnaly, 1978). The Alpha coefficient of 15 questions showed higher internal consistency of (a = .795 > 0.70) which was above the criterion value (Nunnaly, 1978).

Table 6.7: Internal consistency of questions

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.795	.747	15

Cronbach's alpha if item deleted in item-total statistics (0.672 to 0.786) showed that all fifteen factors contributed towards the acceptable internal consistency of the study (Table 6.8). Reliability estimates (Cronbach's alpha) for the fifteen items are as follow: customers' loyalty for their preferred retailer (a= .762), shopping behavior (a= .774), customer preference for buying the product (a= .715), interest in the process of the product (a= .672), repeat purchase resulting from the unethical product (a= .726), eating beef burgers (a= .746), customers' broken trust and repeat purchase (a= .767), favorite retailer (a= .781), favorite CSR strategy (a= .786), shopping in unethical company (a= .768), customer preference for the type of retailer (a= .745), customer awareness of CSR (a= .755), customer awareness of CSR strategies (a= .691), companies' motives behind CSR strategies (a= .712) and purpose of CSR (.749). The reliability estimates shown in the table below suggested a high degree of reliability as the results exceeded the 0.60, the lower limit of acceptability (Hair *et al.*, 1998).

Table 6.8: Item-total statistics and Cronbach's alpha if item deleted

	Item-Total Statistics					
		Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
F1	Customers' loyalty for the preferred retailer	26.81	12.461	.708	.951	.762
F2	Shopping Behaviour	26.74	12.532	.665	.922	.774
F3	Customer preference for buying the product	27.34	14.595	.718	.897	.715
F4	Interest in the Process of Product	27.66	16.644	.653	.761	.672

F5	Repeat Purchase resulted from Unethical product	27.30	15.040	.726	.892	.726
F6	Eating Beef Burgers	27.70	18.958	.074	.158	.746
F7	Customer's Broken Trust and Repeat purchase	27.66	19.743	-.105	.087	.767
F8	Favorite CSR Retailer	27.26	19.400	-.073	.180	.781
F9	Favorite CSR Strategy	27.20	19.689	-.111	.160	.786
F10	Shopping in un-ethical company	27.24	19.203	-.030	.088	.768
F11	Customer preference for the type of retailer	27.60	18.923	.088	.151	.745
F12	Customer awareness for CSR	27.92	19.346	-.009	.052	.755
F13	Customer awareness for CSR strategies	26.51	18.195	-.005	.250	.691
F14	Companies' motives behind CSR strategies	27.29	20.519	-.222	.111	.712
F15	Purpose of CSR	27.02	18.209	.095	.139	.749

6.5 Section 2 Consumers' buying behavior

This section of the questionnaire provided evidence about consumers' buying behavior and their preferred retailer. The purpose of this section was to offer an exploration of the ways in which consumers tend to do their shopping. Four selected companies i.e. Primark, Marks and Spencer, Tesco and Next were included in the answers to see the preferred retailer. To elaborate the frequency of shopping among London consumers, 30% (n= 74) participants shop from Primark, 22% (n= 56) participants shop from Marks and Spencer, 24% (n= 60) from Tesco whereas 24% (n= 60) from Next (Figure 6.4).

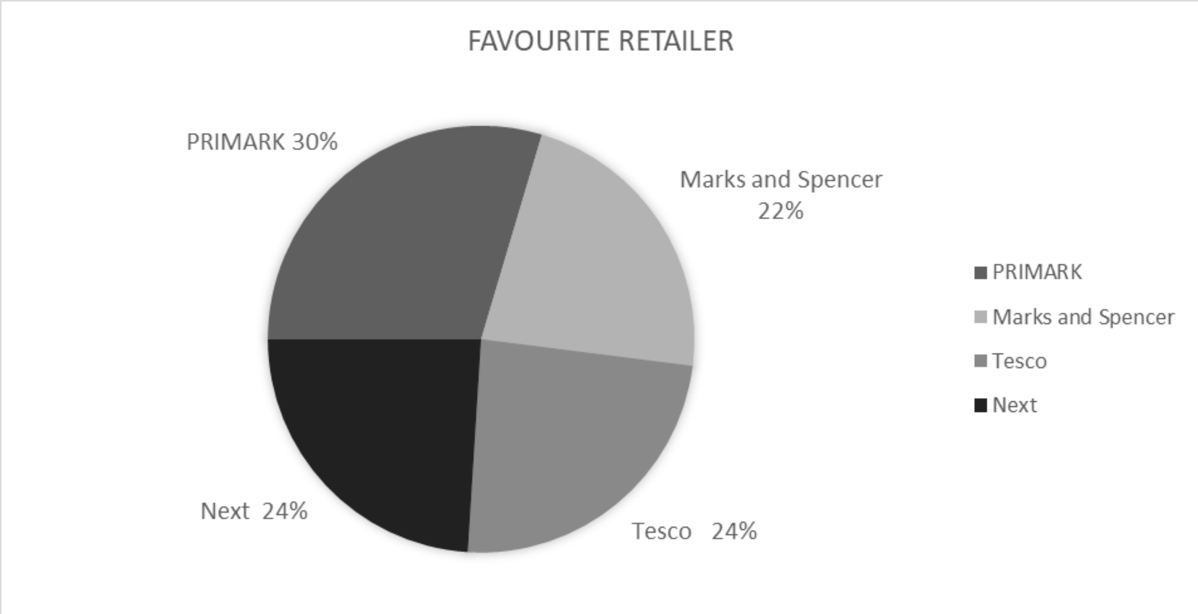


Figure 6.4: Favorite retailer of the participants

Moreover, it was important to get true representation of the consumers from four selected companies. Consumers were asked to indicate their shopping behavior by answering the question: *how often do you shop?* 23% (n= 62) participants shopped daily, 26% (n= 70) shopped weekly, 24% (n= 64) twice a week, 22% (n= 40) consumers shopped after two weeks whereas only 5% (n= 14) consumers had the experience of shopping once a month (Appendix 7). To know the shopping preference of the consumers while buying the product, respondents were asked, *what do you prefer while buying a product?* quality, low price or company image. 37% consumers (n= 92) preferred quality, 37% (n= 93) wanted low price whereas 26% (n= 65) consumers perceived company image or reputation while doing the shopping.

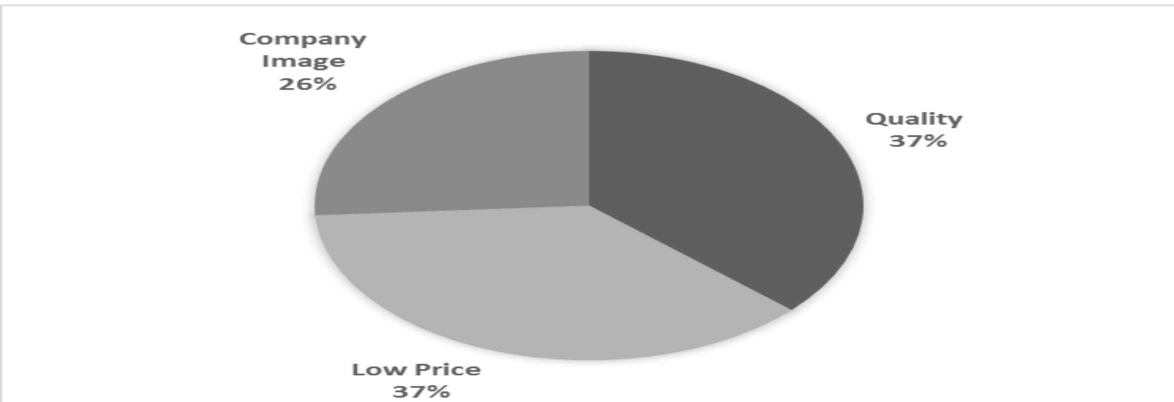


Figure 6.5: Shopping preference of the participants

Eighth question was about the inclination of the consumers whether they were interested to know how the product was made or they only wanted to buy the product. Findings revealed that 58% (n= 144) participants were not interested to know how the product was made whereas 42% (n=106) consumers were interested to know the process. This answer was expected from the busy life patterns of one of the most advanced cities like London. It is obvious that living in the populous city of England, Londoners are too busy in their lives and working patterns and do not have time for prolonged activities.

Following question was asked to assess the effect of ethical issues on consumer perception. This question enabled the researcher to know how consumers would react in case of ethical issues and whether their perception can change their decision to buy from certain retailers. Hence, question was about the usage of the product because of the ill-treatment of animals. A scenario was explained that if consumers came to know that the product they were interested to buy had been made through ill-treatment of the animals, would they prefer to buy the products. The findings indicated that 49% consumers (n=124) were not inclined to use the product because of ill-treatment of the animals whereas 22% (n= 54) respondents said they were only interested in the product while 29% (n= 72) consumers were still interested to buy the product.

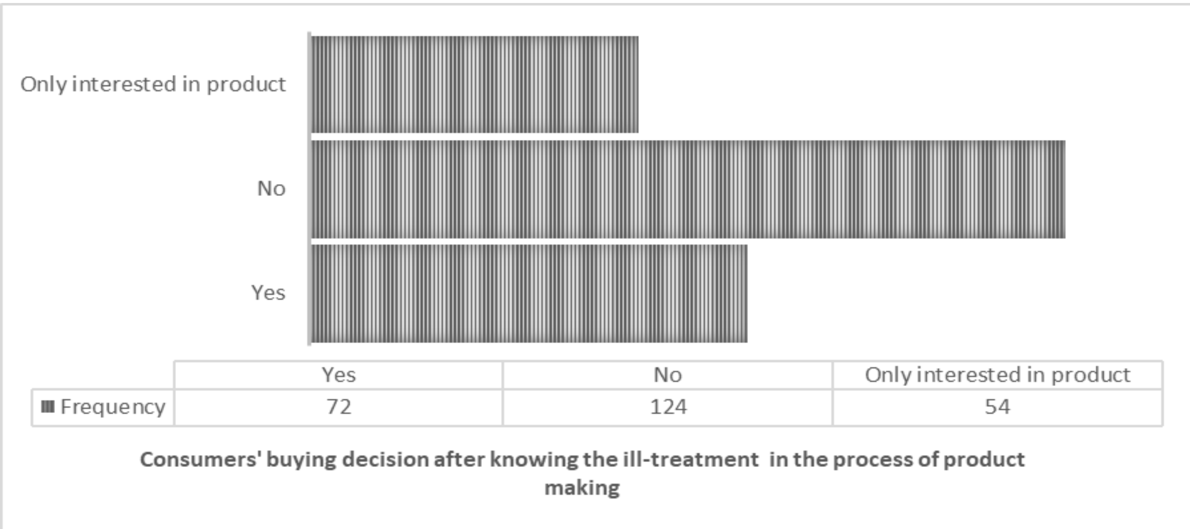


Figure 6.6: Consumers’ repeat purchase resulted from unethical product

The results indicated that ethical issues involved during the manufacturing of the products influenced consumers’ buying decisions. Therefore, it is important for the retailers to avoid any scandal or unethical practices as it can turn their customers against them which can eventually affect their financial performance. Retailers are primarily concerned with maximizing the sales of products which may occur through developing and managing their brand image. However, the challenge of maintaining and upholding their image becomes problematic during time of adverse publicity or unethical scandals. For instance, Tesco's horse meat scandal wiped £300 million off from its market value and this news came at a bad time for Tesco who was attempting to convince customers about the quality of its products. The bad publicity helped Tesco's shares to see 1% fall in FTSE 100 and it had to withdraw all products from the supplier in question and apologized customers for the illegal meat in its products (Fletcher, 2013). This was also noted in another case when the alleged accounting fraud from its executives regarding the overstated profits came into public view in 2014. As a result, a deterioration was noticed in Tesco's UK trading which culminated in a £6.3bn loss in 2015 (Binham and Vandevelde, 2017).

As consumers make buying decision and connections with the retailers through products, discernible unethical practices which may take place in case of horse meat scandal and accounting fraud accusations in case of Tesco, Rana Plaza incident in case of Primark or angora fur scandal in case of M&S, can adversely influence their brand image and business performance. The case is supported by this research as significant number of consumers (n= 124) refused to buy from the retailers involved in unethical practices (Figure 6.6, p. 177).

Out of 250 respondents, 53% (n= 133) participants said they eat beef burgers whereas 47% (n= 117) did not eat beef burgers. Participants who did not eat beef burgers and ticked no were asked to go directly to section 3 of the questionnaire (Appendix 2, p. 282). Moreover, a situation was given to the consumers that if they find out that instead of beef there was horse meat in the product, would they trust that retailer again and buy from them. This question was included because of the horse meat scandal in 2013, traces of horse meat were found in the products of many UK retail supermarkets including four of Tesco's own brand meat products. It led to significant loss of profits and public trust (Binham and Vandevelde, 2017). The purpose of this questions was to analyze consumers' reaction to ethical issues. Retailers decisiveness, quick response, proper communication and apt actions could help these retail companies to regain the trust. The severe criticism to these scandals led to tougher self-regulations that needed to take timely actions without any delays.

A filter question, *if you find out that beef-burgers contained traces of horse meat, would you trust to buy from the same retailer again?* was posed to explore the consumers' intention of repeat purchase in case of broken trust. Findings suggested that consumers did not like to do repeat purchase from the retailers involved in ethical issues and mistrust. Out of 133 consumers, 90% (n= 120) participants agreed that they would not buy again from that retailer whereas 10% (n= 13) of the respondents opted yes and admitted that ethical issues would not have impacted their buying decision (Appendix 10, p. 288). The results highlighted the importance of CSR strategies for the retail companies. There was almost clean sweep in the responses as consumers may not give a second chance to the retailers to buy the same product knowing that the retailer has cheated them for the same product.

Third section of the questionnaire was designed to examine the consumer perception of CSR strategies of the selected retail firms and prioritize the important strategies that would be helpful for the retail companies to improve their sales growth. To establish which CSR strategy supersedes the other, the following question was asked, *which retailer would you like the most?* Three options were given: *retailer working for the environment, offering donations to the organizations and offering educational programs for the community*. The frequency distribution of the responses revealed that 38% (n= 97) customers liked the retailer *offering donations*, 29% (n= 73) respondents favored the *retailer working for the environment* whereas 32% (n= 80) customers liked retailers *offering educational programs for the community* (Table 6.9).

Table 6.9: Favorite CSR Strategy

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Eco-efficiency and Co2 emissions	73	29.2	29.2	29.2
	Donations	97	38.8	38.8	68.0
	Health care and educational programs	80	32.0	32.0	100.0
	Total	250	100.0	100.0	

FREQUENCIES VARIABLES=FST

The results indicated that all three strategies were important for the retail companies with a slight difference in percentage. Therefore, firms can focus on the preferred CSR strategies and improve their sales revenue by attracting more customers. Considering the selected retailers' involvement in community and social work, following question was asked, *which social work do you think is important for the retail companies*? Three options involved, *donations, eco-efficient programs and carbon neutrality and health care and educational programs*. Out of 250 customers, 35% (n= 88) preferred donations with 31% (n= 77) of consumers liking healthcare and educational programs, and 34% (n= 85) respondents liked organizations working towards environment.

When asked, *would you mind shopping in the organizations involving in un-ethical conducts?* 49% (n= 122) consumers said yes which shows that customers care about the un-ethical conducts of the retail firms, 26% (n= 65) consumers said no whereas 25% (n= 63) did not care about retailers' unethical behavior (Figure 6.7).

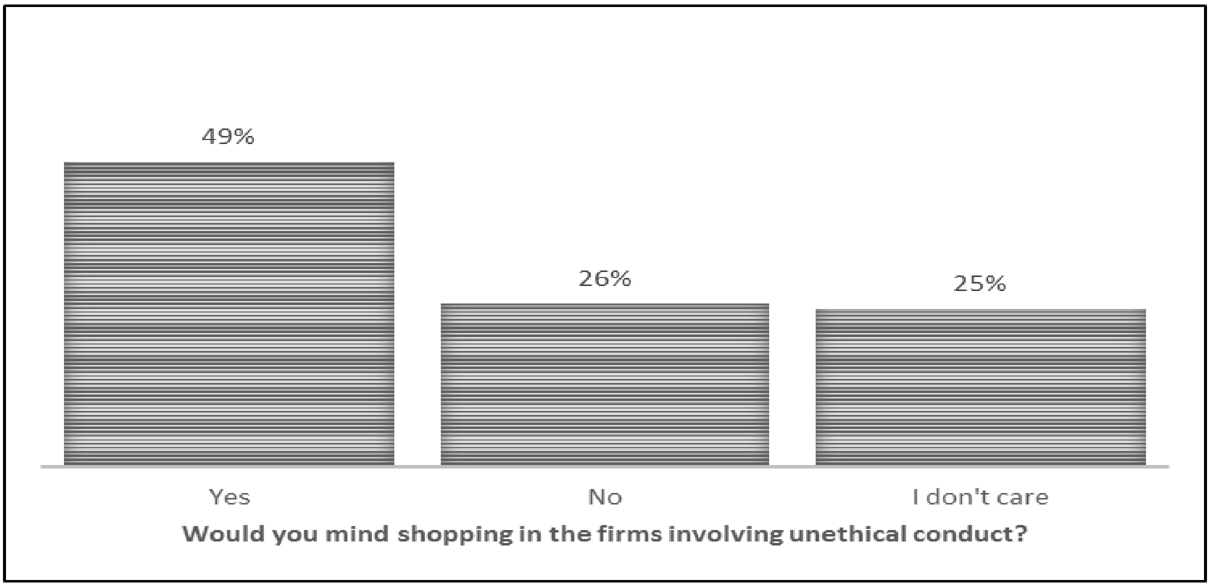


Figure 6.7: Consumers' shopping behavior

Ethics is a branch of philosophy that is connected with values relating to human conduct, with respect to right or wrong behaviour. So ethics relate to retailers' moral values and principles. The retail industry is the fundamental link in the distribution channel from the consumer view point. It is therefore important for the retail companies to act in an ethical manner because their un-ethical behaviour can impact buying decisions of consumers. There are different un-ethical practices that retailers can get involved in. For instance, they can charge full price for the sale items or telling in-complete truth about the characteristics of the product. The retailers should charge fair price to customers. Consumers have the right to know the nitty gritty details about the product being sold to them.

Ethics is an important phenomenon for the long term sustainability of the business. In today's dynamic and competitive environment, ethical business is the key. Shareholders should be given fair returns on their investment. They must be disclosed with correct information about the financial details of the organisation. Ethical practices must be followed towards employees as well. Negative employment issues can lead to loosing reputation and customers. Moreover, it can lead to loose staff morale or can result in low productivity or high labour turnover. In order to avoid these confrontations, retail managers should implement ethical practices towards employees.

There are interesting revelations about the occurance of ethical issues within the retail sector. 49% respondents answered yes that they would mind shopping in those companies that invoved in un-ethical conducts such as mistreating the animals. 26% respondents said they did not mind and 25% respondents said they did not care whether retailers were involved in the unethical behavior or not (Figure 6.7).

6.6 Section 3 Perceived Importance of CSR strategies

In this section, the questions included three variables of CSR including donations, community work and environmental performance to explore the consumer perception of CSR strategies. *Which retail company would you prefer to shop?*

- *Company offering high price but caring for the environment and community*
- *Company offering low price but not working for the environment and community*

This question was designed to know the consumer preference about the environmental and community programs over the price. Two options were given whether consumers liked the retailers offering low price and not bother about environmental and community programs or offering high price but caring for the environment and community. The findings revealed that out of 250 consumers, 63% (n= 157) consumers chose to pay the high price for the products caring for the environment and community as compare to 37% (n= 93) offering low price but not caring about the environment and community (Figure 6.8).

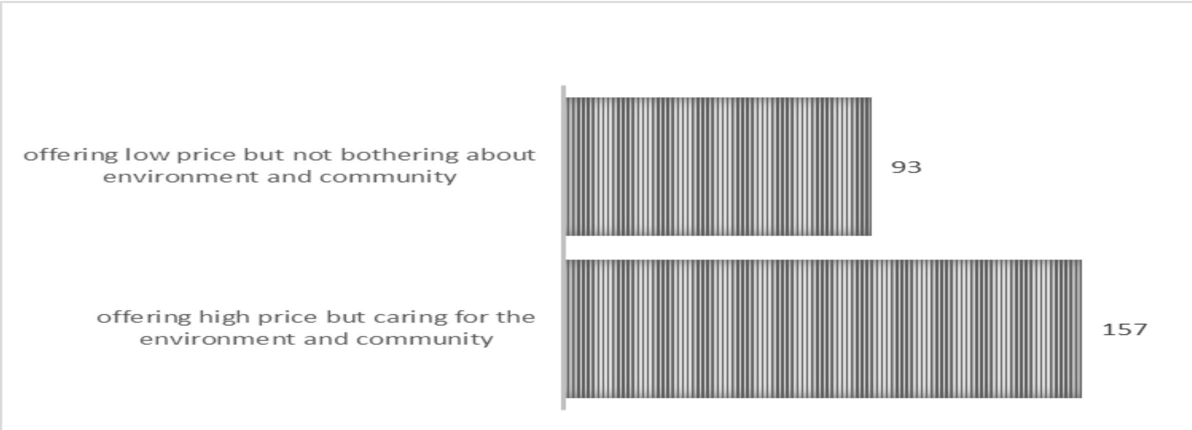


Figure 6.8: Customer preferencce for the type of retailer

Given the central role of consumers in order to increase sales, retailers need to pay particular attention to the consumers' views on CSR. Communicating CSR activities is important as consumers are becoming aware of CSR initiataives and have positive attitude towards these strategies. Consumers liked the retailers caring for the environment and working for the community despite offering high prices (63%, n=157) which suggests that these strategies are likely to affect consumer behaviour positively. Moreover, the findings revealed that unemployed consumers preferred retailers offering low price and not caring for the environment and community (Figure 6.9, p. 183). Consumers' perception of the firms' motives engaging in CSR can influence their responsiveness and evaluation of CSR (Ellen *et al.*, 2006; Vlachoes *et al.*, 2009).

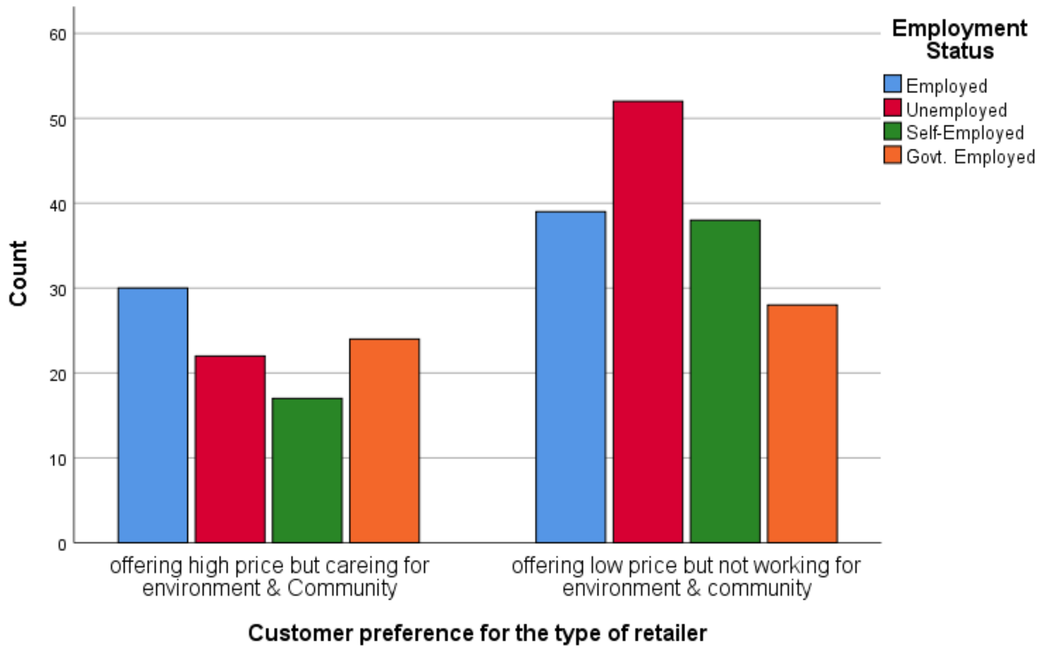


Figure 6.9: Employment status and customer preference for retailer

Table 6.10: Descriptive Statistics of Survey Results 2017

		Findings of Survey
N	Valid	250
	Missing	0
Mean		2.72
Std. Error of Mean		.074
Median		2.73[a]
Mode		3
Std. Deviation		1.176
Variance		1.383
Skewness		.082
Std. Error of Skewness		.154
Kurtosis		-.772
Std. Error of Kurtosis		.307
Range		4
Minimum		1
Maximum		5
Sum		680

To assess the consumer perception of CSR strategies, following question was asked, *what does corporate social responsibility mean to you?* Five options were included, *obeying the* *law and fair trade, donating money and helping the poor, improving environmental performance, helping community or CSR meant nothing to them*. The results indicated that 36% (n= 90) consumers considered CSR important for improving the environment with slight difference between obeying the law and fair-trade (20%, n= 50) and donating money and helping poor (19.6%, n= 49). 17% (n= 43) participants opted for helping community whereas 7% (n= 18) said it meant nothing to them (Table 6.11).

Table 6.11: Descriptive Statistics of CSR strategies

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Obeying Law and Fair Trade	50	20.0	20.0	20.0
	Donating money and helping poor	49	19.6	19.6	39.6
	Improving environment	90	36.0	36.0	75.6
	Community work	43	17.2	17.2	92.8
	nothing	18	7.2	7.2	100.0
	Total	250	100.0	100.0	

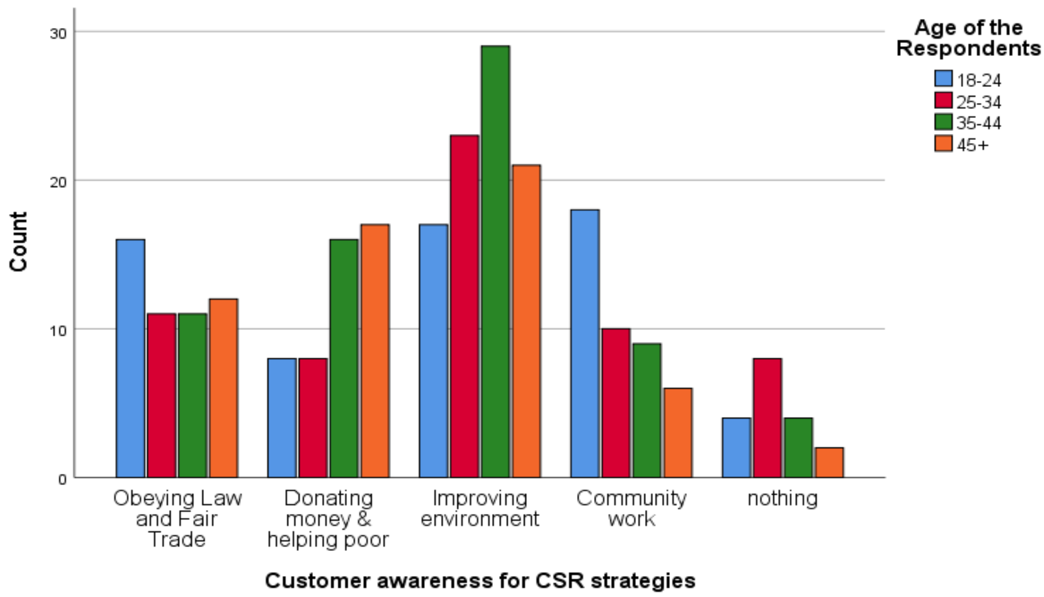


Figure 6.10: Consumer awareness of CSR strategies

6.7 Retailers’ motives behind CSR strategies and perceived sales revenue

This question was devised to dig deeper into retail companies' motives of adopting CSR strategies. *Retail companies give importance to CSR because they want to, keep consumers aware of their good work, create good image, or attract more customers and increase sales.*

Table 6.12: Descriptive Statistics of companies' motives behind CSR strategies

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	ISAAC	98	39.2	39.2	39.2
	CGI	68	27.2	27.2	66.4
	KCAG	84	33.6	33.6	100.0
	Total	250	100.0	100.0	

ISAAC= Increase Sales and attract customers CGI= Create good image KCAG= Keep consumers aware of good work

The findings revealed that 39% (n=98) participants agreed retail firms adopt CSR strategies to attract more customers and increase sales. 27% (n=68) said to create good image whereas 33% (n=84) of the participants agreed that retail firms want to keep the customers aware of their good work. Mostly, consumers aged over 45 agreed that the motive of the retailers was to increase sales and attract more customers (Figure 6.11).

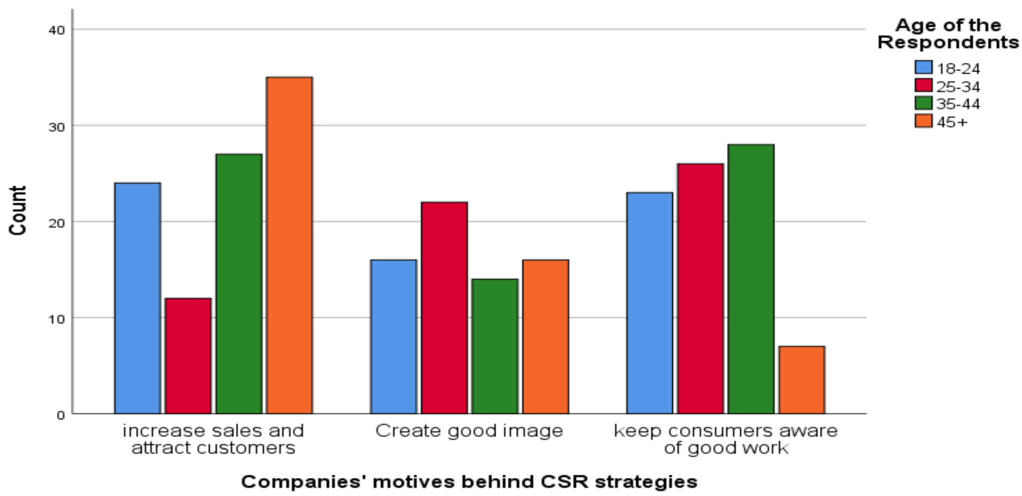


Figure 6.11 companies' motives behind CSR strategies

The following question dealt with the fact that *why retail firms help community, donate money and seek to improve environmental performance because they want to,* help the society and create the difference or to improve their sales and profits. Another option was that CSR was just a marketing tool to gain public sympathy.

Table 6.13: Consumer Perception of CSR strategies

Q19	Retail companies donate money, help community and increase environmental performance because;	Percentage of Respondents
A	they want to help society	24%
B	just a marketing tool to gain public sympathy	30%
C	to sell their products and boost profit	46%

Source: survey results (2017)

The above table shows the consumer perception of CSR strategies. Most of the respondents believed that CSR was just a marketing tool to gain the public sympathy and retail firms have no intention to help the society. Findings revealed that 24% (n= 61) consumers believed that retail companies adopt CSR strategies to help society. 30% (n= 74) consumers were of the view that retail companies adopted CSR strategies because they wanted to gain public sympathy whereas 46% (n= 115) consumers agreed that companies devised CSR strategies to improve their sales and boost their profits.

The findings suggested that consumers' understanding of the corporate social activities such as community investment, donations and environmental performance served as a marketing tool (30%, n= 74) for the retail managers. Based on these strategies, the retailers can devise their strategies to increase sales performance. Retailers can also see marketing potential in philanthropic activities to boost their sales through consumers perception of firms' motives for engaging in CSR activities.

The survey showcases the consumer perception of CSR strategies and whether ethical issues impact the mindset of the consumers. During the 1960s and early 1970s, there was a growing realization that poverty remained a major factor of the UK society (Coates and Silburn, 1970). There was a basic series of debate about the importance and significance of people's participation in different sides of government activities. In 1969, community development project program was launched. It was the biggest action research project funded by the UK government. The main intention was to acquire information about the impact of social services and policies to encourage coordination and innovation. The projects mainly focused on the research and social action as a source of creating local services and encouraging self-help. Social planning deals with the assessment of social and community needs and the systematic planning for fulfilling those needs. It comprises of identification of social needs, agency services and social policies, setting of priorities and goals, designing service programs and mobilization and implementation of those social programs.

Retail companies tend to support the wellbeing of all involved in the industry including supplying and providing support services to the industry. Many retail companies introduced programs such as improving the skills of unemployed. Hence, the retail companies try to leave a good impression on the society by donating their products or money to the local charities. Some firms create food specifically for donations whereas some offer excessive food or clothing for the cause. Donations of the items due to imperfect packaging, soiled and damaged products, quality control and approaching expiration dates are most common donations by the UK retailers. Moreover, these donations also benefit the retail firms through cost savings and disposal charges in the warehouses for the products otherwise might get discarded and tax deductions.

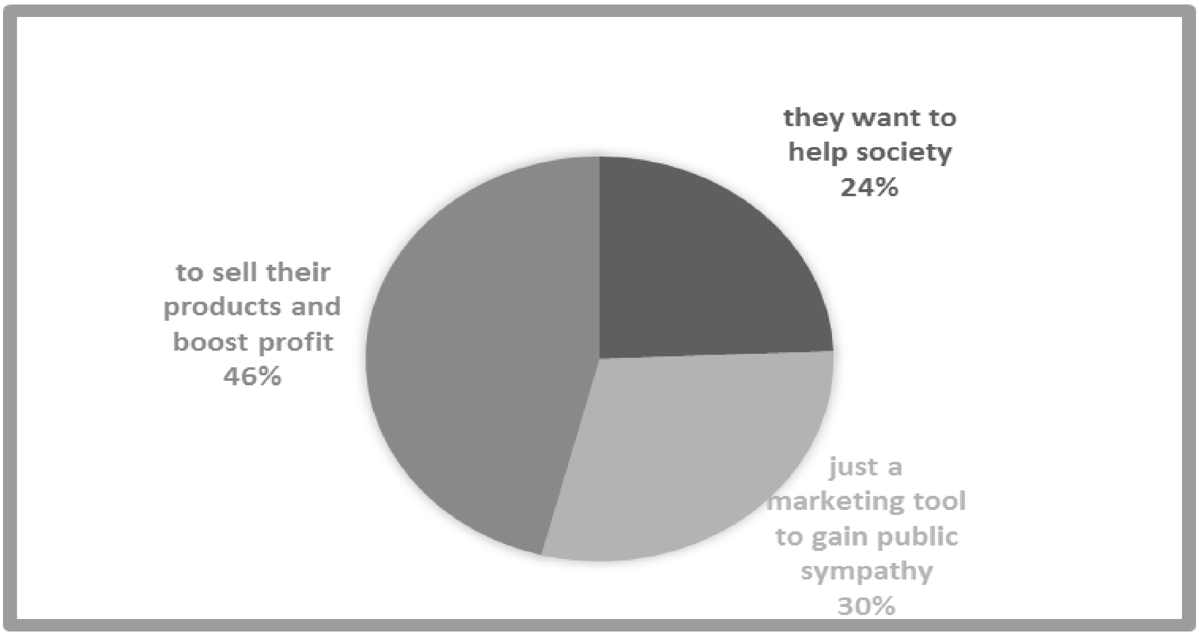


Figure 6.12: Purpose of CSR

The findings of the survey revealed that 30% of the study population believed that CSR was just a marketing tool to gain the sympathy of the people. 46% consumers thought that retail companies adopted CSR strategies because they wanted to boost their profit and sell their products whereas 24% consumers were satisfied that firms had a real intention to help the society through CSR strategies (Figure 6.12, p. 187).

Table 6.14 shows the range, mean, skewness and kurtosis of the third section of the quenstionnaire. The skewness among the questions varied between 0.111 and -0.812 showing that data was approximately symmetric. The kurtosis value varied between -0.751 to -1.957 showing the acceptable distribution of data.

Table 6.14: Descriptive Statistical Analysis of Third Section of Questionnaire Responses

Descriptive Statistics[a]											
	N	Range	Minimum	Maximum	Mean	Std. Deviation	Variance	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
CPFTR	250	1	1	2	1.56	.497	.247	-.243	.154	-1.957	.307
PCS	250	2	1	3	2.16	.789	.622	-.284	.154	-1.339	.307
CMBCS	250	2	1	3	2.40	.745	.555	-.812	.154	-.751	.307
CACS	250	4	1	5	2.67	1.208	1.460	.111	.154	-.867	.307
Valid N (listwise)	250										

CPFTR= Customer preference for the type of retailer, PCS= Purpose of CSR Strategies, CMBCS= Companies' motives behind CSR strategies, CACS= Customer awareness for CSR strategies

Table 6.15 presents the findings of the primary data to assess the relationship between donations and perceived sales revenue of the selected retail companies. The details of the selected retail firms have been explained in chapter 5. The researcher used MS Excel to extract selected firms' expenditure data on donations, community work and, co2 emissions over a nine years' time span and established correlation with perceived sales revenue from the descriptive statistics of the retail consumers in the survey. The purpose of this analysis was to assess the relationship between donations, community work and co2 emissions with perceived sales revenue for the selected retail companies. The results revealed minor positive relationship in M&S case (r= 0.03) whereas significant positive relationship in Next (r= 0.79) and Tesco's case (r= 0.46).

Table 6.15: Correlation between donations and perceived sales revenue of the company

	DON	*COMP*	*DON NEXT*	*COMP*	*DON TESCO*	*COMP*
DON M&S	1					
COMP	0.033419548	1				
DON NEXT	0.792832058	-0.287007973	1			
COMP	0.003419548	1	-0.287007973	1		
DON TESCO	0.461429577	-0.414567832	0.656947431	-0.414567832	1	
COMP	0.003419548	1	-0.287007973	1	-0.414567832	1

DON= Donations, COMP= perceived sales revenue of companies, M&S = Marks and Spencer

Findings of the secondary data reported (Table 5.24, p. 158) that donations had negative effect on ROCE (MS r= -0.86/ TE r= -0.12/ NE r= -0.18), mixed results on operating profit (MS r= -0.75/ TE r= 0.86/ NE r= 0.57) and positive relationship with revenue (MS r= 0.79/ TE r= 0.39/ NE r= 0.65). Therefore, aggregate results of primary and secondary data provided some support for the positive relationship between donations and revenue (Table 6.19, p. 192).

To assess the relationship between community work and perceived sales revenue of the selected firms, findings of the primary data showed negative relationship in all three cases (M&S r= -0.11, Next r = -0.32, Tesco r = -0.58).

Table 6.16: Correlation between Community work and perceived sales revenue of the companies

	COMW	*COMP*	*COMW*	*COMP*	*COMW*	*COMP*

			NEXT		*Tesco*	
COMW M&S	1					
COMP	-0.114068224	1				
COMW NEXT	-0.322181958	-0.09959837	1			
COMP	0.114068224	1	-0.09959837	1		
COMW Tesco	-0.58568912	0.392314357	-0.455609868	0.392314357	1	
COMP	-0.114068224	1	-0.09959837	1	0.392314357	1

COMW= Community work, M&S= Marks and Spencer, COMP = perceived sales revenue of the companies

The results of the secondary data manifested mixed relationship of community work with ROCE (MS r= -0.17/ TE r= 0.49/ NE r= -0.22), operating profit (MS r= 0.28/TE r= -0.62/ NE r = 0.86) and, sales revenue (MS r= 0.53/ TE r= -0.31/ NE r= 0.88) as shown in Table 5.24 (p. 158). Overall, aggregate results of the primary and secondary data revealed negative relationship with community work and sales revenue (Table 6.19, p. 192).

Table 6.17 and 6.18 revealed the findings of the primary data to assess the relationship between environmental performance and perceived sales revenue. The results showed negative relationship in all four cases (M&S r= -0.24, Next r = -0.46, Tesco r = -0.33, Primark r = -0.26).

Table 6.17: Correlation coefficient of environmental performance and perceived sales revenue of the company

	COE	*COMP*	*COE NEXT*	*COMP*	*COE TESCO*	*COMP*
COE M&S	1					
COMP	-0.246031869	1				

COE NEXT	-0.466992219	0.157121051	1			
COMP	-0.246031869	1	0.157121051	1		
COE TESCO	-0.337467826	-0.47741927	0.464614745	-0.477419269	1	
COMP	-0.246031869	1	0.157121051	1	-0.477419269	1

COE= Co2 Emissions, M&S = Marks and Spencer, COMP= perceived sales revenue of company

Table 6.18: Correlation between environmental performance and perceived sales revenue of the company

	COE Primark	*COMP*
COE Primark	1	
COMP	-0.26394944	1

COE= Co2 Emissions, COMP= perceived sales revenue of the company

The results of secondary data showed (Table 5.24, p. 158) that co2 emissions had mixed relationship with ROCE (MS r= 0.66/NE r= -0.03/ TE r= 0.49/ PR r= -0.54), operating profit (MS r= 0.71/ NE r= 0.94/ TE r= -0.79/ PR r= 0.07) and sales revenue (MS r= -0.26/ TE r= -0.80 / NE r= 0.83/ PR r= 0.22). Overall, the results of the primary and secondary data revealed mixed relationship with environmental performance and sales revenue (Table 6.19).

Table 6.19: Triangulation of secondary and primary findings

Correlations	Company	Revenue (Perceived sales revenue)		
		Secondary	Primary	
Donations	MS TE NE PR	r= 0.79 r= 0.39 r= 0.65 r= n/a	r= 0.03 r= 0.46 r= 0.79 r= n/a	Barnet and Salomon, 2002; Seifert *et al*., 2004; Brammer and Millington, 2008; Wang *et al.,* 2008
Community Work	MS TE NE PR	r= 0.53 r= -0.31 r= 0.88 r= n/a	r= -0.11 r= -0.58 r= -0.32 r= n/a	Brammer *et al*., 2007; Khan, 2016.
Environmental Performance (Co2)	MS TE NE PR	r= -0.26 r= -0.80 r= 0.83 r= 0.22	r= -0.24 r= -0.33 r= -0.46 r= -0.26	Andrew *et al*., 2012; Lu *et al*., 2013.

6.8 Summary

In nutshell, this chapter presented findings of the primary data to explore the consumer perception of CSR and its relationship with perceived sales revenue. Results were presented with the help of charts and graphs to show the frequency distribution of the respondents. In the beginning, data was screened through looking for missing data to get ready for the final analysis. Normality test was performed to assess the accuracy of data. Exploratory factor analysis sifted the relevance of the components and assessed the adequacy of extraction of variables. Eigenvalues and scree plots were adopted to extract the factors and calculate the variance. Cronbach's Alpha was performed to seek the reliability of the items. Findings showed some indication of positive relationship between donations and perceived sales revenue.

Chapter 7

Summary and Discussion of Findings

7.1 Introduction

The research aimed to investigate the link between CSR and financial performance of the retail companies in the UK. In this chapter, the researcher encapsulates the thesis, the selected approach and results of the investigations carried out to examine the underlying research questions. First part of the chapter summarizes the findings of the thesis in line with the relationship between CSR and financial performance. Second section provides a discussion of the findings and discusses how findings inculcated from this study have advanced the CSR strategies of the retail firms while providing new knowledge and depth to the concept of CSR in the context of the UK retail sector. The last section presents an empirically-based framework of CSR strategies to increase financial performance of the retailers.

7.2 Secondary Data Source to Examine CSR and Financial Performance Relationship

To examine the relationship between CSR and financial performance, secondary data was collected from four UK retail companies' websites from 2006-2014 whereas primary data was collected through mall intercept survey of 250 retail consumers in London. It was important to select a method which was reflective and best suited to this study. It was then decided to select Pearson's correlation coefficient to analyze data. Many researchers used this method to analyze CSR and financial performance (Pava and Krausz, 1996; Preston and Bannon, 1997; Nelling and Web, 2009; Ehsan and Ahmed, 2012). The correlation coefficient was selected because it had the tendency to measure the linear relationship between CSR and financial performance. Due to its methodological limitations, correlation coefficient was not enough to determine the relationship between CSR and financial performance. Therefore, the researcher opted to use primary data source to assess the relationship between CSR strategies and perceived sales revenue of the retail firms. Therefore, by combining various sources, the study led to gaining the confidence to the research findings (Eisenhardt, 1989).

7.3 Primary Data Source to Explore Consumer Perception of CSR

Primary data was collected through mall intercept survey and target participants were randomly selected from the defined population of the UK retail consumers. The selection of the questions was prompted by a desire to explore the important CSR strategies and their relationship with perceived sales revenue for the UK retail firms. For understanding the mechanism of CSR strategies and how they were perceived by the common mass, a series of questions were asked to the consumers in the UK retail industry.

To understand the CSR strategies of the retail industry, busy venues and shopping malls were chosen carefully to get true representation of the retail consumers. Through mall intercept survey, respondents were intercepted and screened by the researcher on the spot for suitability during shopping in different malls and public places in London. It was important for the researcher to know how consumers perceived CSR strategies of the retail companies. A close-ended questionnaire was designed which consisted of 19 questions that respondents filled on the spot in the presence of the researcher. Activities that constituted this survey were printing 250 copies and going on different locations in London cites including shopping malls.

The questionnaire was divided into two parts. Part A contained information sheet and voluntary consent explaining title and background and the purpose of this research study (Appendix 2, p. 283). Moreover, procedure of the survey was explained, and respondents were assured of their anonymity and privacy. The respondents were also informed that how the information obtained because of this survey would be processed. Part B of the questionnaire consisted of three sections. First section comprised of personal details asking about the age, gender, employment status and household income of the participants. Second section contained seven questions to know the loyalty of the customers with retail companies and to assess their buying behavior. Third section had further eight questions which were devised to examine the consumer perception of CSR strategies of the retail firms and identify the most important strategies that could be helpful for the retail firms.

7.4 Synopsis of Secondary Data Analysis

From the literature review, following hypothesis was derived by the researcher.

H1: Donations are positively related with financial performance measured as ROCE, operating profit and sales revenue.

Table 7.1 presents the correlation coefficient of money donated by selected retail companies to charitable organizations and its correlation with ROCE, operating profit and revenue. Overall, Next and Tesco found negative relationship between donations and ROCE. To examine the relationship between donations and ROCE, the results indicated that higher donations scores correlated with lower operating profit scores showing the negative relationship between the two variables with the significance level ranging from -0.12 to -0.86. For Next, higher scores of donations correlated with higher scores of operating profits at 0.57 level. In Tesco's case, findings revealed a strong positive correlation between donations and operating profit with the strength level of 0.86. Therefore, looking at the results of three companies, there was a mixed relationship between donations and operating profit.

Table 7.1: Findings of correlation between donations and financial performance measures

CSR and Financial performance	Marks and Spencer	Next	Tesco
Donations			
ROCE	Negative r = - 0.86	Negative r = -0.18	Negative r = -0.12
Operating Profit	Negative r = - 0.75	Positive r = 0.57	Positive r = 0.86
Revenue	Positive r = 0.79	Positive r = 0.65	Positive r = 0.39

A correlation was determined between donations and operating profit in Next and Tesco's case. On the other hand, higher donation scores were correlated with lower ROCE resulted in negative relationship for M&S with significance level of -0.75. Moreover, findings revealed positive relationship between donations and revenue in all three cases ranging between 0.39 and 0.79 (Table 7.1).

Table 7.1 indicated the results of the relationship between indicators of CSR and financial performance. The results based on the selected companies' CSR and financial data revealed negative relationship between donations and ROCE whereas positive correlation of donations and operating profit and revenue. The findings revealed negative relationship between donations and ROCE in all three cases. On the other hand, mixed relationship was found between donations and operating profit whereas positive link was found with revenue. So, the conclusion was drawn from the results that if firms gave donations, it could have positive effect on revenue.

H2: Community investment is positively related with financial performance measured as ROCE, operating profit and revenue.

Table 7.2: Results of companies' Community work and financial performance

CSR and Financial Performance	M&S	Next	Tesco
Community Work			
ROCE	Negative r = -0.17	Negative r = -0.22	Positive r = 0.49
Operating Profit	Positive r = 0.28	Positive r = 0.86	Negative r = -0.62
Revenue	Positive r = 0.53	Positive r = 0.88	Negative r = -0.31

Community work was selected as another independent variable of CSR to examine its relationship with financial performance measures. Findings showed small negative relationship between community work and ROCE in M&S and Next' case with significance level of -0.17 and -0.22 but strong positive relationship in Tesco's case with the significance level of 0.49.

Although, relationship between community work and ROCE revealed negative correlation in first two cases but its significance level was low. Moreover, comparison of tests indicated that positive relationship occurred between community work and operating profit with significance level of 0.28 and 0.86 in M&S and Next' cases but had strong negative relationship in Tesco's case (-0.62). The negative effect was found between community work and ROCE ranging from -0.17 to -0.62. On the other hand, positive relationship between community work and financial performance ranged from 0.28 to 0.88 (Table 7.2). Overall, findings revealed mixed relationship between community work and financial performance.

H3: Co2 emissions are positively related with financial performance measured as ROCE, operating profit and revenue.

Table 7.3: Co2 emissions and financial performance

CSR and Financial Performance	M&S	Next	Tesco	Primark
Co2 Emissions				
ROCE	Positive r = 0.66	Negative r = -0.03	Negative r = -0.72	Negative r = -0.54
Operating Profit	Positive r = 0.71	Positive r = 0.94	Positive r = 0.79	Positive r = 0.07
Revenue	Negative r = -0.26	Positive r = 0.83	Positive r = 0.80	Positive r = 0.22

Co2 emissions was the environmental measure of CSR which showed positive relationship with operating profit with the significant level ranging from 0.07 to 0.71. On the other hand, it had low negative relationship with ROCE in Next' case (-.03) but higher negative link in Tesco and Primark' cases with the significance level of -0.72 and -0.54 respectively. Moreover, it had positive relationship with revenue in three cases whereas negative effect in M&S' case. Overall, co2 emissions revealed mixed relationship with the financial performance (Table 7.3).

7.5 Summary of Primary Data Analysis

H4: Retail firms' CSR strategies such as donations, environmental performance and community work are positively related with perceived sales revenue.

Based on the three strategies of CSR such as co2 emissions, community work and donations, customers were asked to select the best suited CSR strategy according to their perception and knowledge. The findings revealed that consumers considered all three strategies important with minor differences in percentages. However, donations were preferred as an important CSR variable that could mean that corporate donations may increase sales revenue (Table

6.9, p. 179). Moreover, descriptive statistics of the survey data revealed that 29% consumers liked retailer working towards eco-efficient programs and carbon neutrality which showed the importance of environmental related CSR strategies.

The exploratory factor analysis of the primary data revealed the importance of some items in the context of this study. For instance, ‘customer’s reaction at unethical issues’, ‘beef burger consumption’ and ‘consumer’s broken trust and repeat purchase’ emerged as highly important and it helped the researcher to understand how consumers reacted to the un-ethical scandals of the retail companies (Table 6.5, p. 168). 90% consumers agreed that they would not buy the products again from the retailers involved in un-ethical conducts. The findings of the correlation analysis of the primary data revealed that donations were positively related to perceived sales revenue (Table 6.15, p. 190).

7.6 Corroborating Secondary and Primary Data

The first part of data collection was straight forward, and the researcher had no issue in the availability of the secondary data apart from Primark which had very low CSR disclosure. The data over the period of nine years was easily available from the companies’ websites. In trying to gain an understanding of CSR and financial reports, it was important for the researcher to explore the methods of investigation which were best suited to this form of study.

Second part of the research comprised of mall intercept survey which was carried out to identify preferred CSR strategies for the retail firms. The survey took place between December 2016 to June 2017. Participants were given enough time to think freely before answering questions. Common CSR related issues were considered important part of the questionnaire without any constraint being put on the participants.

In this study, donation was the first CSR variable used to examine the link on ROCE, operating profit and revenue. Results of the secondary data indicated positive link with revenue (MS r= 0.79/ TES r= 0.39/ NE r= 0.65), negative link with ROCE (MS r= -0.86/ TES r= -0.12/ NE r= -0.18) and mixed results for operating profit (MS r= -0.75/ TES r= 0.86/ NE r= 0.57). Statistical Findings from the survey revealed that donations seemed to be strong indicator (n=97) as compare to the other two variables i.e. environmental performance and community work (Table 6.9, p. 179). Findings of the correlation analysis of the primary data revealed that corporate donations were positively correlated (MS r= 0.03/ TE r= 0.46/ NE r=

0.79) with perceived sales revenue (Table 6.19, p. 191). Hence, results from secondary data and primary data confirmed that donations could lead to better sales revenue.

In conclusion, findings from the hypotheses testing accept the view of donations as a discretionary social responsibility that can improve financial performance of the retail companies. The study suggests that retail firms should engage in philanthropic activities in order to improve their financial performance.

Many researchers (Brammer and Millington, 2008; Seifert *et al.*, 2004; Wang *et al.*, 2008) applied donations as independent variable in their study and found mixed results. Wang *et al.* (2008), for instance, used panel data of 817 firms listed on Taft corporate giving, a directory which contained record of companies donating money to non-profit organizations. They used donations as independent variable and ROA and Tobin's q (the ratio of market value of company's assets) as dependent variables of financial performance. Using Descriptive statistics, correlation metrics and regression analysis, findings suggested U shape link between corporate philanthropy and financial performance.

For this study, community work was used as second independent variable of CSR. Findings from the secondary data suggested mixed correlation on ROCE (MS r= -0.17/ TE r= 0.49/ NE r= -0.22), mixed results on operating profit (MS r= 0.28/TE r= -0.62/ NE r = 0.86), and mixed results on revenue (MS r= 0.53/ TE r= -0.31/ NE r= 0.88) (Table 7.2). Moreover, primary data suggested negative correlation between community work and perceived sales revenue (MS r= -0.11/ TES r= -0.58/ NE r= -0.32).

However, some researchers such as Brammer *et al.* (2007) examined the link between corporate social performance (employee perception of community activities) and organizational commitment of banking sector in the UK. Data was derived from employee perception through mail survey of 4700 employees of financial service companies in 2002. Descriptive statistics and correlation analysis were performed. Findings emphasized the importance of community work to the job satisfaction of employees. Khan (2016) also analyzed community initiatives and financial performance of Meezan Bank in Pakistan. Based on the longitudinal data of 13 years, study found positive results. Therefore, either previous researches used primary data or secondary data for the analysis.

Environmental performance was the third variable of CSR which had mixed relationship with ROCE (MS r = 0.66/NE r = -0.03/ TE r = 0.49/ PRI r = -0.54), operating profit (MS r = 0.71/ NE r = 0.94/ TE r = -0.79/ PRI r= 0.07) and revenue (MS r= -0.26/ TE r= -0.80 / NE r =

0.83/PRI r = 0.22). Although quantitative analysis of the secondary data was a viable option (Andrew *et al.*, 2012), yet researcher utilized triangulation to compare the findings of secondary data analysis. Therefore, mall intercept survey was conducted to improve confidence in the results. Lu *et al*. (2013) analyzed the link between CSR and financial performance. Two stage approach was used to examine the link between indicators of CSR i.e. human rights, employee relationship and environmental performance. Secondary data of US semiconductor companies from 2004-2008 was collected. In the first stage, dynamic data envelopment analysis was adopted whereas in second stage regression analysis was performed to determine the relationship. The findings concluded that US semiconductor companies should focus on quantitative variables such as environmental performance to improve their corporate efficiency (Lu *et al.*, 2013).

7.7 Discussions

The study curated secondary and primary data to examine the relationship between CSR and financial performance of four selected UK retail firms. The findings show that corporate donations have positive correlations with sales revenue and supports the hypothesis that, retailers' philanthropic activities have positive relationships with sales revenue. These corroborate the existing discourse on the positive relationship between firms' donations and their financial (sales) performance. The findings also show that community work and environmental-friendly strategies relate either positively or negatively to ROCE, operating profit and sales revenue. These are inconsistent with the hypothesis that retailers' involvement in community work or intensification of environmental-friendly activities have positive relationships with financial performance. The nuances of these are further explored to align with the three CSR dimensions and their relationship with financial performance are as follows:

First, the positive relationships between M&S', Next' and Tesco's donations and sales revenue over time suggests that retailers with similar operational characteristics can pursue philanthropic strategies to register their reputation with customers and use such generous activities to persuade customers to buy their products (Mohr *et al.*, 2001; Saeidi *et al.*, 2015). It supports the existing assertion that retail firms use donations as corporate strategies to increase stakeholders' confidence in their operational activities (Maas and Liket, 2011) and to build up customers' loyalty towards their sales (Porter and Kramer, 2002). However, it would be naive to assume that philanthropic activity is the only factor that can determine the increasing sales in the retail sector and, therefore, can increase sales growth from just four case studies.

Notwithstanding, in a competitive UK retail market, there are many non-CSR activities such as aggressive advertisement, price levels, special occasions, sales promotion, media reports, macro-economic regulations and policies that affect sales growth (Mohr and Webb, 2005; Samy *et al.*, 2010; Harjoto and Jo, 2011). So, what is important here is to appreciate the fact that, retail companies have responsibilities towards the communities within which they operate, and their stakeholders expect them to act in a manner acceptable to the society. Though retailers' financial performance and survival in the market can benefit from the way the companies commit their CSR strategies to the communities within which they serve (Peters and Mullen, 2009).

It is evident that retail companies make a considerable effort to curtail negative impact of their operational activities on the environment and pursue environmental strategies that help them gain customers goodwill, competitive advantage and increased sales (Mohr and Web, 2005; Berrone and Gomez-Mejia, 2009; Graham and Porter, 2015; Golgeci *et al.*, 2019). However, such relationship may not always be consistent as such activities can also incur costs than benefits (Lioui and Sharma, 2012). While the findings of this study suggest that retailers' philanthropic activities are preferred by the consumers, which may relate positively with sales growth over time. This is significant for the retailers with similar operational attributes who can pursue such altruistic strategies to register their reputation with customers (Mohr and Web, 2001; Nyame-Asiamah and Ghulam, 2019).

Second, the findings on the community work and ROCE, operating profit and sales revenue are mixed, to corroborate studies where outcomes on CSR and financial performance are simultaneously positive and negative for various cases within the studies (Margolis and Walsh, 2003). For instance, taking community work as one of the CSR strategies that encourages financial performance (Ameer and Othman, 2012), the results from this study prompts retail firms to examine the negative long-term effect of their community work on customer's buying behavior and their loyalty. The retail firms can introduce new community-based initiatives that meet social expectations and build trust with their customers. One way of accomplishing this is to consider the moral reasoning of helping others and incorporate stakeholder principles into the retail firms' broader business strategies that can set them apart from their competitors.

Third, it is notable that retailers make considerable efforts to restrict negative impact of their operational activities on the environment and pursue carbon emission strategies that can help them increased sale margins and gain customer's goodwill (Mohr and Webb, 2005; Ameer and Othman, 2012). However, such relationships are not always consistent. In this study, mixed findings between co2 emissions and financial performance mirror the observations of previous studies that report inconclusive results on firms' CSR activities and financial performance (Peters and Mullen, 2009; Rodgers *et al.*, 2013). This can be understood because the extensive research on the relationship between CSR and financial performance applied different theoretical frameworks and accounting principles, with diverse philosophical approaches (Margolis and Walsh, 2003; Samy *et al.*, 2010; Adeneye and Ahmed, 2015).

Apart from the methodological differences that limit an effective comparison of different research on CSR and financial performance, the geographical spread of the contemporary UK retail operations itself poses risks to the environment. The retailers outsource, manufacture and distribute their products across spatial locations. In doing so, they incidentally cause environmental concerns that require responsible actions from the retailers to ensure that their operations are environmentally and ethically safe for consumption. This has significance for sustainable development theories and stakeholders, which inspire retailers to pair their activities with transparent and sound environmental practices as a way of building mutual trust with customers and making them more competitive (Aras and Crowther, 2009; Samy *et al.*, 2010; Nyame-Asiamah and Ghulam, 2019).

The study underpins stakeholder perspective because businesses, no matter how successful they are cannot aloof themselves or exist in a vacuum (Bartlett and Preston, 2000). They need customers to buy their products or services, suppliers to supply them commodities, investors to invest in their business and give them money, employees to create difference and work hard to serve their customers. Modern business requires actual business interactions with wider group of stakeholders i.e. society, communities, employees, suppliers, creditors, directors, governments, non-profit organizations, NGOs, unions etc. It should no longer restrict it to the narrow group of stakeholders. Because of the negative activities or mistakes on the part of the retail companies can turn any of these groups hostile towards them ultimately affecting their financial performance. Particularly it is important for the retail companies to foster good relationship with their suppliers to get any discounts or low prices to maximize their profits.

It is also imperative for the companies to value money. But certainly, it is not the only thing to value for, there are more things that they need to do to be able to succeed in a competitive environment. In tough competitions, retailers must create a culture of continuous improvements and spotting the opportunities to succeed. Instead of advertising gimmicks, they need to show real intentions to develop the thriving communities in which they can operate successfully.

7.8 CSR and Perceived Sales Revenue

Findings of the exploratory factor analysis and principle component analysis sifted nine items with high importance with higher percentage of variability in '*customer's broken trust and repeat purchase'*, '*favorite retailer'* and '*preferred CSR activities*' which implies that customers give high importance to ethical and philanthropic behavior of the retail firms. Therefore, findings of this study prompt retail companies to establish good relationship with consumers to build up trust through offering promises that are fulfilled. It is consistent with Bozic *et al.* (2019) who draw on food safety scandals in the UK and found many retailers guilty of selling mislabeled meat products. This referred to beef-related products that were found to contain horse meat, anathema to British consumers who did not eat such meat, resulted in dropped sales in process meat across the UK and increase in the sales of vegetarian meals (Bozic *et al.*, 2019). Therefore, consumers lost trust not only on the food retailers because of the deception on the food labelling, but also in health and safety protocols and supply chains (BBC, 2013; Food standards Agency, 2014).

The findings of this study suggest that ethically produced products are important for consumers and negative or unethical activities of the retail firms can influence consumers' decisions to buy a product. For instance, 90% UK consumers agreed that they would not do a repeat purchase for the beef burgers if they found that companies used horse meat in the product. In another question, consumers were asked if they would use the product made because of the ill-treatment of the animals even if the product was of good quality, 49% participants refused to use the product (Figure 6.6, p. 177). Therefore, unethical conduct of the retail companies may lose customers which can affect their financial performance in the long run. Moreover, it is important for the retail firms to remain within the ‘rules of game’ of which ethics is a vital part.

The study found that increased philanthropic activities can lead to better financial performance. Companies do have responsibilities towards society. But it is also true that businesses that want to be sustainable over long period must increase their profits to be in the game of business. But they must do so in a manner acceptable for the society and for the customers. The retail companies should conform to the changing needs of the stakeholders as the rules and regulations of the game keep on changing as per the needs of the society.

In today’s competitive world, CSR and morality have found a special place in companies’ strategies. Based on the survey response, participants clearly indicated that they would not like to trust the retailer involved in fraudulent activities. Increased attention towards product ingredients, new production process techniques and obesity concerns have influenced levels of trust in the retail industry. Survey reveals that specific trust in retailers affect the consumer perception and their loyalty to the firms. The retail companies’ image and integrity come on the stake in case of mistrust or scandal which can impact their financial performance in the long run. Furthermore, the results reveal that fraudulent activities or mistrust greatly affect the relationship of the company with the stakeholders. Retailers should act according to public demands and play intermediary role between customers and suppliers. Their relationship with suppliers can enhance their purchasing power to move supply chains to more carbon efficient practices. It provides enough evidence that UK retailers should focus on donations to enhance their business performance.

PETA (People for Ethical Treatment of Animals) is an animal organization who investigated more than thirty shearing sheds in Australia and US disclosing the excessive abuse. Shearers were caught even kicking and punching sheep apart from hitting them on their face through electric clippers and standing on their necks, limbs and heads. In Australia, more than fifty percent of the world’s merino wool is produced and used in the products ranging from carpets to clothing. Lambs are forced to bear a gruesome procedure named as Molesting. In this process, huge part of the skin is cut from the backside of the animals without using painkillers. Every year, hundreds of lambs die before the age of eight weeks.

There are various un-ethical practices that are likely to be involved with retail industry. For instance, retailers utilize many of their products from manufacturers who can be involved in un-ethical practices. Through intensive agricultural practices, there are different horrors inflicted on the animals. The transformation of animal ill-treatment is drastically dramatic and more importantly highlights the point that animals are not things or commodities. The view point is advanced in this thesis with the help of survey that how people weigh unethical behavior and ill-treatment of the animals and whether it affects their buying behavior. It appears from the results of this study that customers would mind shopping in the companies involved in un-ethical practices which corroborate with other researcher's findings (Smith, 2008; Wagner *et al.,* 2009; Trudel and Cotte, 2009) who confirmed that customers get affected by un-ethical practices.

In retail sector, many garments have been manufactured and imported from the places where animals are being miss-treated. For instance, garments are made from the fur of sheep. Sheep are benign creatures who like other creatures feel pain, loneliness and fear. Because there is a market for their skin and fleece, they are treated as a wool producing machines. If they are not manipulated genetically and left alone, they would grow enough wool to protect themselves to guard themselves from extreme temperatures as fleece tend to be effective insulation against the cold and heat. But shearers careless and hasty work lead to constant injuries of the sheep. Workers use thread and needle to sew the wounds without bothering to give them pain relief. Furthermore, tails and ears are often ripped off or cut during the process of cutting fleece from the skin.

Ill-treatment of animals is an important issue as it initiates from a tradition that strives for the basic trait that differentiates humans from other animals. Animal protection law in the UK has remained dormant, although some may elaborate it as stable. Formation of criminal liability for mistreating animals reached at the crucial point that animals needed legal protection. The debate flares the hottest question whether ill-treatment of the animals affect the public perception of the firm. The issues are sometimes framed as a choice whether consumers would like to shop in a firm involved in the ill-treatment of the animals or not. Researchers, owners of the factory farms and others who want to continue using animals in their institutions have adopted animal welfare.

CSR strategies can be considered as an investment opportunity rather than the cost between the firm and society (Porter, 2006). Identification of the intersection points between firm and society allow the firm to utilize the value proposition that is niche for its customers. Charitable giving, donations, helping the community or reducing carbon footprints are the ways to maintain the customers' goodwill and increase margins. Retail companies should encourage dialogue and communications with its stakeholders to harmonize social expectations and business practices. They should adopt cutting edge strategies aligned with business transparency and mutual trust with stakeholders. Moreover, they should establish instruments to strengthen their competitiveness of their products among the consumers through efficient transmission and distribution processes.

Once retail firms begin to transform their business, they create inertia. The inertia resulted from the initial move allow firms to carry forward the strategic direction of CSR and change the reactive move to proactive action. CSR can be activated in three ways, reactive, inertial or proactive. Reactive is simply responding to social needs and expectations. Inertial CSR deals with the complete transformation of the firm into adopting what is expected out of them and continuously even exceeding the expectations (Emezi, 2014). Companies can be proactive when they start meeting public expectations but still, they decide to undertake further initiatives. Marks and Spencer claim to be proactive but underperformed to be even categorized as inertial.

Generally, firms that increase CSR activities can have marginal benefits of positive consumer perception of their CSR performance. The period of self-interested companies trying to pursue shareholder wealth by hook or by crook has been changed by an era of CSR. Companies give a significant consideration to restrict the negative impact of their activities and operations on the environment and society.

On the other hand, survey findings indicated that firms can potentially invest in CSR activities to create good will. The requirement for the retail firms to be socially responsible is an opportunity for them to create good perception. By aligning CSR initiatives, retail firms may add value while fulfilling their economic and social goals. However, majority of the respondents believed that firms engage in CSR activities to boost their sales.

There is a considerable debate regarding the complexity of the relationship between CSR and financial performance (McWilliams *et al*., 2006). The findings also corroborate with Barron (2003) who acknowledged that CSR could be ‘efficient management theory’ that may lead to better economic results. Therefore, the research findings of the survey have proven additional understanding of what CSR means to London consumers in the retail industry and corroborates with Creyer and Ross (1997) who examined consumer responses to corporate behavior of the firms. They concluded that consumers were ready to punish companies involved in unethical behavior and rewarded those companies who were engaged in doing good ethically.

There is also a notion that cause related marketing strategies can influence consumer choice specifically when there is a link between brand and the ethical cause supported by the consumers. As much as people claim that main pursuit of the companies is to make profits and maximize the shareholder's values. If this is true, then it is also evident that neither companies nor consumers can be insensitive towards the ethical issues or mistrust. Hence, corporate hypocrisy or fraud (Tesco), child labor, poor working conditions and disasters like Rana Plaza (Primark) may affect financial performance of the retailers.

Retail firms improve their competitive context by using their social investments and strategic giving. By doing so, they align economic and social goals to improve their long-term business prospects. By aligning CSR strategies and social philanthropy, retail firms not only give money but also donate their distinct resources and capabilities that can result in social good and improves firm's competitive edge (Kramer, 2002).

Retail companies should keep themselves aware of the social expectations to offer them the best solutions, strengthen their connections with the local communities and promote responsible consumption. Companies should strive for greater goals once they achieve their desired one and CSR strategies based on the social issues can bring fresh approach to the retail strategies and help the firms to discover opportunities to build trust and good relationship with its consumers. By doing this, firms can not only make bigger social impact but can also increase their financial performance. Retail firms should look for broader ways to make an impact on the local communities. In addition to companies' business strategies, CSR initiatives should be part of their long-term planning.

The retail industry is highly resource intensive, depending heavily on water and natural reserves and energy. It is also one of the major contributors to the UK economy and is important as a distribution channel for water, food and lifestyle products. Retailers like Tesco and Marks and Spencer have acquired proactive environmental and sustainability agendas in particularly establishing sustainable supply chain. Initiative taken by the retail firms are not only cost saving but also help them to create and enhance their brand image. Those companies that are willing to learn from such CSR strategies will have more competitive edge and will position themselves for the long-term sustainable growth.

UK retail industry is often expanded geographically, with distribution, manufacturing and retail operations divided across various countries and regions. Retail firms should work hard to ensure their international corporate standards for labor, safety, quality of products and more so for sustainability. So, their responsibility is unique, containing various components of law, supply chain, manufacturing, compliance, human resources and ethics.

Retail companies are under pressure by markets, regulators, governments and customers to constantly perform as a corporate citizen and do good for the society. Participation in charitable giving, disaster relief efforts, protecting the environment, providing help to solve community issues, offering health care benefits, complying with regulations and remaining profitable and staying in the business prove to be a daunting task for the retail firms. Social expectations and pressures from media, markets, employees, NGOs, suppliers and other stakeholders are considered as social norms. Society considers the moral reasoning of helping others and setting precedence for their competitors.

In nutshell, retail firms should focus on the vital issues of energy conservation, emission reduction, sustainable and green products, supply chain, packaging, waste reduction, biodiversity conservation, green stores and environmental reporting. Therefore, while having a better understanding among the UK retail industry, it enables them to better identify the areas of improvement and the issues that are easy to address. Firms can select and prioritize CSR strategies that will have significant potential enhancing their profits and understand that by planning CSR as a part of their overall plan, they can ensure that shareholder value and profit do not overshadow the requirement to behave ethically. So, CSR strategies can be considered as an investment opportunity rather than the cost between the firm and society (Porter, 2006).

Mostly consumers are thought to be drivers of the business but there is little debate about how customers perceive CSR initiatives and how this perception can be linked with financial performance. According to Barnett (2007), consumers like the firms that address environmental and social effects crossing the legal requirement and going beyond regulations are business case where consumers like sustainability strategies. This study supports the notion that the relationship of CSR and consumers is strongly contingent (Bhattacharya and Sen, 2004; Vogel, 2005; Smith, 2008).

When firms perform responsibly or commit fraud and show irresponsible behavior, society reacts and takes notice. As companies continue to perform CSR, they are required to be in the business and be profitable to be able to perform at customers' expectation level. If companies do not make profit, their business will eventually deteriorate and shut down. Being proactive with CSR is not merely to be in good books of consumers but also to create profits and sustain them by aligning CSR into profit making mission (Torugsa *et al*., 2013).

Findings of this study show that consumers are concerned about the social and environmental impact of the retail firms' activities and they are ready to punish the firms through their spending decisions. This concern has been manifested in their increased demand of environment-friendly products and eco-efficient programs based on highly recognized standards. The retail firms realize that consumers are concerned about the social issues that can impact how consumers perceive these companies and their products. Retail firms believe that tougher regulations are not enough rather companies should make informed decisions on the high street. Findings can help the retail companies to adopt proper CSR strategies favored by consumers to improve their financial performance.

Trust is the philosophical heart of business ethics, which may enhance the companies' image or undermine their performance in case of scandals. False promises, mistrust and ethical issues can influence the consumers' decisions to buy the products and the business scandals can eventually undermine the business performance (Cao and Li, 2015; Nuttavuthisit and Thogersen, 2017). In the retail sector, consumers buy the products from the retailers rather than directly from the producers or manufacturers leaving them with no choice but to trust the labels and communication informing them about the attributes of the products. Mistrust may come about where customers are given information, products or services which are not in line with their expectations, which may affect customers' perception about the firms, and it can eventually influence the sales growth as customers may talk to one another, which may also reduce the perceived likelihood of the retailer for the other products affecting their business performance (McMohan-Beattie *et al.,* 2002; Johnson and Grayson, 2005; Bozic *et al.,* 2019).

Resulted from the combination of the secondary and primary data, the findings of this study suggest that retail firms can take a cautious approach to ethical activities (Bozic *et al.,* 2019). This study found stakeholder theory as a paramount theoretical principle in the domain of CSR that can clout retail firms' commitments to ethical behavior, altruistic and charitable discourse, environment friendly activities and persuade them to flaunt moral obligations to customers, communities and society in general (McWilliams *et al.,* 2006; Samy *et al.,* 2010).

7.9 Theoretical Framework of CSR

This study has developed an empirically-based framework of CSR strategies which can be useful for the retail firms to increase their financial performance. It also makes recommendations that the UK retail industry may take advantage of the changing trends in consumer demands.

Based on the study findings, donations can improve the revenue of the retail companies. Therefore, the study proposes that retail companies should invest in the corporate giving. This preference of investment on donations can help the firms to spot the resources that can be lucrative for the firms as well as for the communities. They can also show their commitment to the long-term development of the local programs by partnering with local NGOs and community groups.

From the consumers' point of view, introducing philanthropic strategies may result in increased consumer trust which can lead to attract new customers and sustain the image of the companies. The benefits that may arise from implementation of CSR strategies, policies and practices are in today's turbulent times are more important than ever before in the retail sector.

For research scholars and policy makers, findings on the CSR strategies are of interest and theoretical framework can provide a guideline for the future investigation of CSR and financial performance. Moreover, it is important for the policy makers to ensure that strategic CSR should be carried out to target wider audience. Special attention should be given while enlarging CSR strategies because they can develop and enhance retailers' relationship with the consumers who may get affected by these strategies.

The study indicates that consumers have become more aware of the CSR issues existed in the retail firms. Organizations are scrutinized and are accountable for their actions at the local or global level. The consumers are increasingly concerned about the unethical business practices. Retail companies should make sure that they avoid practicing unethically.

From planning and reviewing their CSR strategies to implementing it, firms should focus on the CSR activities related to their industry to achieve their objectives. Firms should continue innovating new strategies keeping in mind the needs of their consumers that can set them apart from their competitors.

Good employers create good communities. There is a notion that CSR is core to create successful and sustainable business. Retail industry is dynamic and valued participant when it comes to implementing its philanthropic plans with improved financial ambitions. Retail firms can try to accelerate their social impact by working with charities. By doing so, firms can show delivery of a positive net contribution to the world around them and can also align their business and social purposes.

With the emergence of a transparent, informed and connected world, gaining the public trust and confidence is of utmost importance, otherwise there is a high risk of losing the customers who can increase firms' sales growth.

Retail companies can also be driven by a higher purpose and should strive to identify social problems on which they can make a reputable, measurable and sustained impact. Engaging stakeholders and directing sources to local issues can create a positive effect on the consumers.

CSR and ethical issues such as accounting fraud, poor working conditions, ill-treatment of animals and issue of mistrust in the retail industry have come under scrutiny in the recent past. Therefore, the retail firms should take a deeper look at these issues and try to solve them. They should take a strategic approach in dealing with their stakeholders. Their good relationship with stakeholder will become a market research which can help reducing the risk and building firm's image. Consumer views should shape companies CSR strategies. The success of the retail firms lies in the solution of the social issues and how they embrace the standards.

Firm's ethical concerns and socially responsible behavior will be valued by their consumers and other stakeholders. Therefore, retailers should shift their focus from short-term profit making to long-term competitiveness. Retail companies should constantly understand and assess consumer demands and opportunities connected with ethical performance. Consumers are demanding for transparency and accountability. To create increased transparency, there is a need for the better reporting and honest information disclosure.

7.10 Summary

The chapter has provided summary and discussion on the findings of CSR and financial performance. All hypotheses developed in the conceptual framework were discussed. Moreover, survey revealed that retail companies should focus on philanthropic strategies and help community to be sustainable and successful in the long run. The study applied post-positivist approach in which secondary and primary data were used to test hypotheses. This study encapsulated past performances of the retail firms through secondary data whereas survey data provided present scenario of what consumers thought about the CSR variables and their link with perceived sales revenue. The sample consisted of four retail companies i.e. Primark, Tesco, M&S and Next and 250 London consumers for survey. MS Excel and SPSS version 24 software were used to analyze the hypothesized relationship between CSR and financial performance and to explore the consumer perception of CSR.

Theoretically, the study confirmed the debate that CSR strategies are well perceived by the consumers which can increase retailers' customer base and improve their business performance. Moreover, the findings of the study suggested that philanthropic activities may lead to better sales revenue providing valuable insight into consumer perception of CSR. In the next chapter, potential research directions are discussed.

Chapter 8

Conclusions, Contributions and Recommendations

8.1 Introduction

The aim of this research was to investigate empirically the link between CSR and the financial performance of the retail companies in the UK from 2006-2014. The results showed that philanthropic strategies had positive relationship with sales revenue, but mixed relationships were found between community work, environmental performance and financial performance. This chapter presents the synopsis of the objectives and theoretical, methodological and practices contributions. It also presents research framework for the retailers to increase their business performance followed by discussing the limitations of the study.

8.2 Synopsis of the Study Objectives

The study comprised of four objectives. First objective was to develop a conceptual framework of CSR strategies and financial performance indicators. This objective has been achieved in Chapter 3. Using the deductive approach, logical inferences were made from the literature and conceptual model was developed explaining the key variables of CSR and financial performance.

Second objective was to examine the relationship between CSR and financial performance measured as ROCE, operating profit and revenue of the selected retail firms in the UK. This objective has been achieved in chapter 5 using secondary data collected from selected firm's websites and analyzing it with correlation coefficient.

Third objective was to explore the consumer perception of CSR and its relationship with perceived sales revenue of selected retail firms in the UK. This objective has been completed in Chapter 6 through mall intercept survey of 250 consumers.

Fourth objective was to develop an empirically based framework of CSR strategies that could increase financial performance of the firms. This objective has been completed in chapter 7 by offering some recommendations for the retail firms for improving their sales performance.

8.3 Research Contributions

8.3.1 **Theoretical Contribution**

Many studies have examined CSR and financial performance, but the results are inconclusive (Donaldson, 1999; Williams and Seigel, 2001; Brammer and Pavelin, 2006; Mullen and Peter, 2009). Ehsan and Ahmad (2012), Peter and Mullen (2009) and Brammar and Pavelin (2006) found that CSR leads to profitability whereas Inoue *et al.* (2011) and Momun *et al.* (2013) found negative link between CSR and financial performance. Therefore, the problem laid in the fact that previous research was deficient as researchers were not agreed upon the relationship between CSR and financial performance. However, there is a lack of research in the literature in relation to the UK retail industry which focused on the CSR and financial performance (Pederson, 2010).

After reviewing extensive literature on CSR and financial performance, the problem was identified. The retail industry's CSR and financial performance relationship model was developed (Figure 3.3, p. 77) based on three variables of CSR i.e. donations, community work and environmental performance and their link with financial performance variables was examined using primary and secondary data. The study confirmed positive relationship between donations and revenue (or perceived sales revenue) (Table 6.19, p. 192) and therefore, it is fair to claim that many theoretical contributions emerge from this study.

The selected variables of CSR and financial performance might have been used individually in the past for the different industries (Brammer and Millington, 2008; Seifert *et al*., 2004; Wang *et al.*, 2008; Lu *et al*., 2013; Khan, 2016) but have not been used together till date in the UK retail industry. The inculcation of the findings provides an increased understanding of the CSR strategies of the retail firms from consumers' perspectives which provides additional contribution to knowledge. This study provides a novel theoretical understanding of the relationship between CSR and financial performance from both secondary and primary data sources in the retail industry.

Thirdly, this research was conducted in the UK retail sector using the stakeholder approach which is another contribution to the empirical findings from this sector. The key amalgamation of primary and secondary data brings empirical evidence from relatively advanced cultural context considering that most of the prior studies have used banking sector, sports industry and food sector.

8.3.2 **Methodological Contribution**

The methodological contribution of this study is that it has combined primary and secondary data to test the link between CSR and perceived sales revenue in the context of the UK retail industry. Most of the prior studies on the relationship between CSR and financial performance either used secondary data (Seifert *et al*., 2004; Wang *et al*., 2008; Kent *et al*., 2011; Andrew *et al*., 2012; Ehsan *et al*., 2012), or used only primary data (Brammer *et al*., 2008; Pederson, 2012). So, the reason for the inconclusive results was because previous research relied heavily on the secondary data as 82% of the research on the relationship of CSR and financial performance was based on the secondary sources and only 18% research was conducted using primary data (Taneja *et al*., 2011).

The detailed review of the literature rendered a deeper insight into the CSR strategies and their relationships with financial performance and allowed the researcher to conceptualize the links between three dimensions of CSR activities and financial performance. Prior research has over relied on the secondary data to find the links between CSR strategies and financial performance, leaving the pathway for the researcher to explore the consumer perception of CSR and understand its link with perceived sales revenue. This research integrates the primary and secondary data to not only examine the coefficients but also provide valuable insights into customers' buying behavior and perceived sales growth in the UK retail industry. Methodologically, the survey data supports the debate that CSR initiatives are well recognized by the consumers which can increase retail firms' customer base and therefore, improve the business performance of the retailers. Therefore, this study synthesizes primary and secondary data and inculcates findings that donations positively relate to (perceived) revenue providing an impetus for the future research to focus more on the primary data to seek various stakeholder perspectives of CSR that may solve the debate of CSR and financial performance.

8.3.3 **Practice Contribution**

Findings of this study have some important implications for managers, investors and retail firms.

Firstly, this study highlighted the importance of donation strategy because it leads to better revenue (Visser, 2006). The result showed that consumers preferred donation strategy over environmental and community work. Findings of this study showed positive relationship between donations and sales revenue (Table 6.19, p. 192). This means that managers can pursue philanthropic activities to improve their sales revenue.

Secondly, investors can better understand what consumer's want from retail firms and make important investment decisions. They can assess which CSR strategies are focused by retail firms which can provide them better returns on their investment. Therefore, this study can help the retail companies to demonstrate CSR strategies to gain and maintain the trust of its stakeholders such as investors, suppliers and consumers to improve their financial performance.

For policy makers in the retail industry, the key findings can help to enhance the future potentials of CSR (Freeman, 1984). Hence, the practical implication of this study is ascertained through survey questionnaire instrument which proves to be effective tool to measure the consumer perception of CSR strategies and perceived sales revenue.

Finally, retail firms seeking to implement or improve socially responsible practices can focus on the consumer perception of CSR.

8.4 Limitations

The study has some limitations relating to generalizability of the findings, sample size and logistic constraints.

First, using four companies for the past performance analysis may limit generalizability. Therefore, theoretical framework for this study can be tested with a bigger sample size. There was a time limit because of which longitudinal analysis of four companies was practical, but more tests for the bigger sample are needed to strengthen its generalizability.

Second, present study was restricted to the survey of London consumers whereas future research can expand it to other parts of the UK and Europe to acquire a wider perception of CSR and financial performance.

8.4.1 **Methodological Limitations**

Although special care was taken to plan the research design and to ensure minimization of errors, objectivity and thoroughness, yet there were some limitations in the study of this magnitude.

Firstly, secondary data can be vague and there was a possibility of collecting inaccurate data. To minimize the risk, the sources of the secondary data were checked by the researcher. Moreover, secondary data was collected over the course of nine years and there could have been other factors affecting the financial performance of the retailers. Therefore, future research can consider some control variables such as research and development to increase the validity of the findings.

Secondly, general criticism involved with the primary data is linked with subjectivity and bias. To overcome this limitation, close-ended questionnaire was chosen. For instance, the choice of interview-based survey could have created more subjectivity issues and open the gateways of manipulation. The results of interview-based surveys can be subjective and biased as the researcher may transcribe audio tapes as a preconceived prejudices or line of thoughts (Saunders *et al*., 2012). So, the researcher avoided interviews and chose close-ended questionnaire to ensure the objectivity and impartiality in the research.

Thirdly, this research is limited by financial resources and timespan. In natural environment, survey can take longer time requiring substantial human and financial resources. Despite having the limitations, this study is significant and unique as it widens and enriches the CSR and financial performance debate in the UK retail industry.

Lastly, as the research analysis of this study was based in the UK retail sector, there is a limitation of the research findings to be generalized for the retail firms in Asian countries having different cultural context.

8.5 Delimitations

This study examined the link between CSR and financial performance of four selected companies in the UK retail sector. As prior studies reported varied findings (Donaldson, 1999; Peters and Mullen, 2009; Aras *et al.,* 2010; Ehsan and Ahmed, 2012; Khan *et al.,* 2013; Adeneye and Ahmed, 2015), this study attempted to clarify the contested relationship with deductive approach. After reviewing the relevant literature on CSR and financial performance, three variables of CSR i.e. donations, community work and carbon emissions were deduced and mapped out on the firms' financial performance using correlation analysis. Then, mall intercept survey was conducted using close-ended questionnaire to 250 London consumers to analyze the relationship of CSR variables with perceived sales revenue. For primary data analysis, the researcher decided to select one variable of financial performance as findings of secondary data revealed positive relationship with sales revenue and mixed relationship with operating profit and ROCE.

8.6 Future Research

There are many avenues that can be explored for the future research. The results of this study are based on using three variables of CSR and financial performance of four selected retail companies, the future research can utilize the larger sample size and more variables to test the significance of the relationship between CSR and financial performance. Future research can assess the view-points of different stakeholders such as managers, investors or suppliers of the retail industry to explore the relationship of CSR and financial performance.

Future studies can also be done in a different industry or different countries and increase the sample size to test the relationship between CSR and financial performance to see if there will be different results. It will be interesting to see how consumers from a different country perceive CSR strategies and their role to improve financial performance.

Currently a paper based on the disclosures of environmental performance, donations and community work of the UK retail industry is published. Other paper regarding consumer perception of CSR is being developed to share with the research community.

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13th September, 2017

RE: London School of Commerce Postgraduate Researcher Conference 2017

This is to confirm that Frank Nyame-Asiamah and Ghulam Sughra presented the thesis entitled *Corporate Social Responsibility and Financial Performance of Retail Industry in the United Kingdom* at the London School of Commerce's (LSC) Postgraduate Researcher Conference 2017, held at the LSC on September the 13th, 2017.

Regards,

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DO CSR DETERMINANTS STIMULATE PROFITS: ANALYSIS OF RETAIL COMPANIES IN UK

Ghulam Sughra and David Crowther

ABSTRACT

Corporate social responsibility (CSR) has been consistently discussed by the retail companies as a key factor of their strategic plan. The widely divided literature on the link between CSR and financial performance has distracted the researchers to focus on the important variables of CSR, that is donations, community work and environmental performance. This chapter provides a reflection on why retail companies make these variables of CSR as the integral part of their core strategy and pinpoint the underlying benefits of adopting these variables. In the CSR disclosures, donations, community work and environmental performance are highly focused by the retail companies. Thus this chapter paves the way for the discussion for the highly significant variables of CSR in the retail industry. The chapter not only presents a framework on which future studies can be based but also improves the understanding of the concept that why donations, community work and environmental performance are important for the retail industry in the United Kingdom. The retail companies and the policy makers at the global or local level develop effective

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This is to certify that

Ghulam Sughra

Has chaired a parallel session at the SRRNet International Conference 2019.

Professor Dr David Crowther

Conference Chair & Chair of the Network

Professor Dr Sónia Monteiro

Director of the Research Center of Accounting and Taxation

Appendix 1 Places for the Sample

Date	No. of Questionnaires	Places
10/12/2016	15	Westfield Shopping Centre W12 7GF
11/12/2016	15	Kensington High Street W8 5SE
12/12/2016	16	Whit gift Shopping Centre Cr0 1TY
13/12/2016	17	Piccadilly Circus W1J 9HP
15/12/2016	17	Wembley Town Centre HA0
02/01/2017	15	Thomas Neal Centre WC2H 9LX
03/01/2017	17	Canary Wharf Shopping Centre E14 5AH
04/01/2017	18	Centre Court Shopping Centre SW19 8YA
05/01/2017	15	Eden Walk Shopping Centre KT1 1BJ
10/02/2017	15	Angel Centrale N1 0PS
20/02/2017	15	Cardinal Place London Victoria SW1E 5JD
06/06/2017	15	Tower Bridge Station SE1 3QX
07/06/2017	15	Queen Elizabeth Stadium West Ham E20 2ST
08/06/2017	15	Lewisham shopping centre SE13 7EP
08/06/2017	15	Elephant and Castle Shopping Centre SE1 6SD
12/06/2017	15	Broadway Shopping centre W6 8AB

Appendix 2 Survey Questionnaire and Consent form

PART A: Information Sheet and Participant Consent

Title: A study investigating CSR and financial performance of the retail companies in United Kingdom from 2006-2014

Background:

This research seeks to examine the relationship between CSR and financial performance in UK retail industry from 2006-2014. The current research is deficient in this respect that researchers are not agreed upon the link between CSR and financial performance. So, this study is an attempt to understand the CSR strategies of the retail companies in UK and to quantify the public perception of CSR by analysing how these companies are using different factors of CSR to enhance their financial performance.

You are being invited to participate in a research study titled **Investigating CSR and its impact on the financial performance in the UK retail industry.** This study is being done by **Ghulam Sughra** from Cardiff Metropolitan University.

The aim of this questionnaire is to know why retail companies such as PRIMARK, TESCO, M&S and Next are using CSR strategies and will take you approximately **10** minutes to complete. Your participation in this study is entirely **anonymous**, **voluntary** and you **can withdraw at any time**. You are free to omit any question.

Why You:

You are being asked because you might be someone who can help retail companies to adopt such CSR strategies that can be helpful for the better community.

What Will Happen?

You will be asked nineteen questions by survey questionnaire which you can fill it.

Do I have to?

No, you don't. No one is forcing you. If you start and you decide you don't want to carry on, that's fine. There is no problem.

What I Do?

Once I receive the information, this will be used to quantify the public perception of CSR and will be analysed by using SPSS software.

Have you got any questions?
If you have any questions, you can ask me by sending email.

PART B

<u>All answers are confidential and you will not able to be identified from the information you provide.</u>

Please mark the appropriate box with a tick or a cross.

Section 1: Personal Details

1- In which age group do you fall in?

18-24 ☐ 25-34 ☐ 35-44 ☐ 45+ ☐

2- What is your gender?

Male ☐ Female ☐

3- What best describes your employment status?

Employed ☐ Self-employed ☐ Govt. employed ☐ Unemployed ☐

4- What is your approximate annual income?

0 - £11000 ☐ £12000- £15000 ☐ £16000-£25000 ☐ £26000 and above ☐

Section 2: (By answering this section, you will help the researcher to know your loyalty with the retail companies and your buying behaviour).

5- Which retailing company do you shop the most?

1- PRIMARK ☐ Marks and Spencers 2- ☐ 3- TESCO ☐ 4- NEXT ☐

6- How often you go to shopping?

Daily ☐ Once a week ☐ twice a week ☐ after two weeks ☐ Once a month ☐

7- What do you prefer while buying a product?

Quality ☐ Low price ☐ company image ☐

8- Are you interested in how a product is made?

Yes ☐ No ☐

9- Would you use the product made as a result of ill- treatment of the animals even if the product was of good quality?

Yes ☐ No ☐ I am only concerned with product ☐

10- Do you eat beef-burgers? (If you tick, No, go to Section 3)

Yes ☐ No ☐

11- If you found out that beef-burgers contained traces of horse meat, would you trust to buy from the same grocery retailer again?

Yes ☐ No ☐ I would not buy beef-burgers but will buy other products ☐

Section 3: (By answering this section, you will help the researcher to examine your perception about CSR strategies of the retail firms and identify the most important strategies which will be helpful for the academics and retail companies).

12- Which retailer would you like the most?

Retailer working for the environment ☐ offering donations to the organisations ☐ offering educational programs for the community ☐

13- Most of the retail companies are involved in social work, which social work you think is important for the retail companies?

Donations ☐ Eco-efficient programs and carbon neutrality ☐ Health-care programs and Educational Programs ☐

14- Do you mind shopping in the companies involved in un-ethical conducts?

Yes ☐ No ☐ I don’t care ☐

15- Which retail company would you prefer to shop?

Company offering high price but caring for the environment and community ☐

Company offering low price but not working for the environment and community ☐

16- Have you heard of Corporate Social Responsibility?

Yes ☐ No ☐

17- What does Corporate Social Responsibility mean to you?

Obeying the Law and fair trade ☐ Donating money and helping the poor ☐ improving environmental performance ☐ helping the community ☐ Nothing ☐

18- Retail companies give importance to Corporate Social Responsibility because they want to:

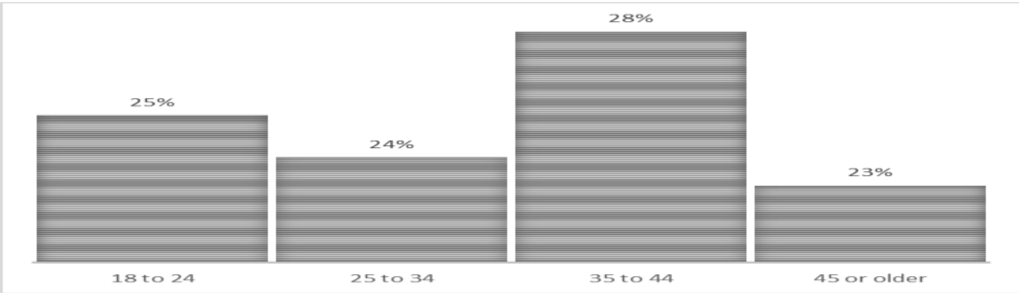
Keep the consumers aware of their good work ☐ create good image ☐ attract more customers and increase their sales ☐

19- Retail companies donate money, help community and increase environmental performance because:

They really want to help the society ☐ Just a marketing tool to gain public sympathy ☐ to sell their products and increase profits ☐

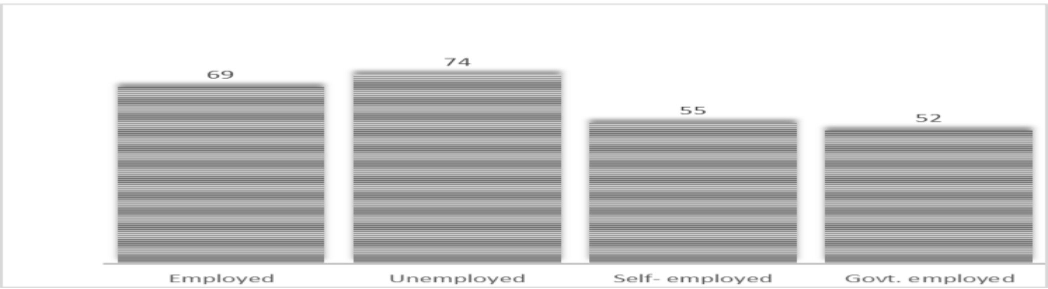
Appendix 3

Age group of the participants



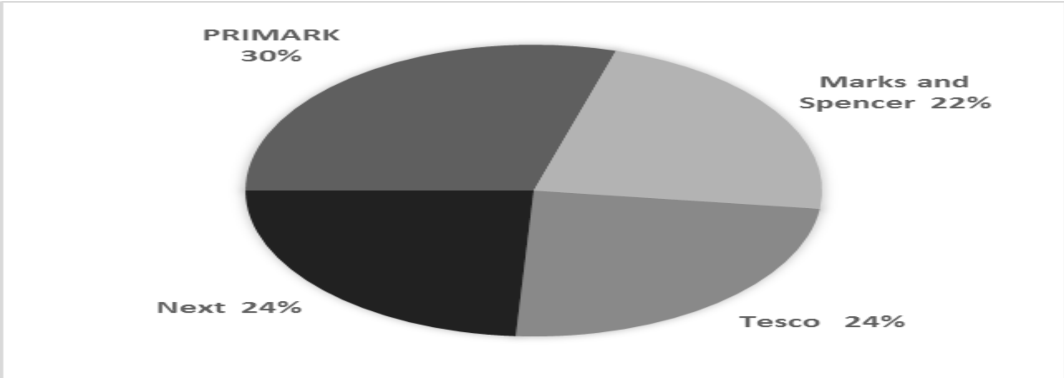
Appendix 4

Frequency distribution of the employment status of the participants



Appendix 5

Appendix 6



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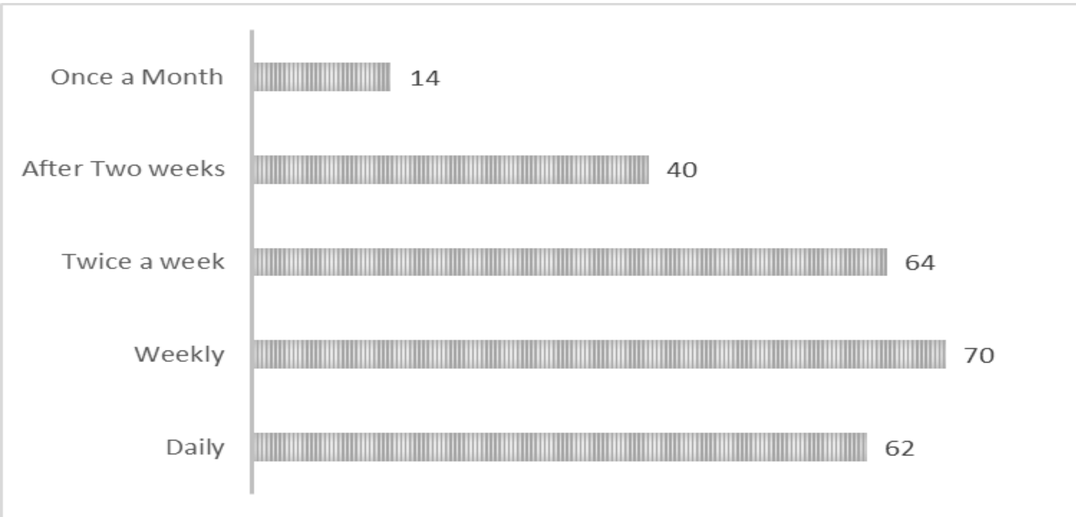

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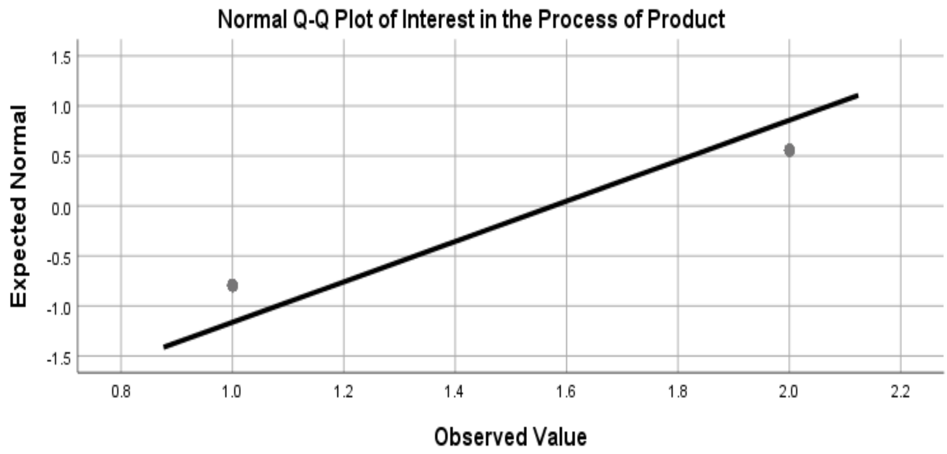

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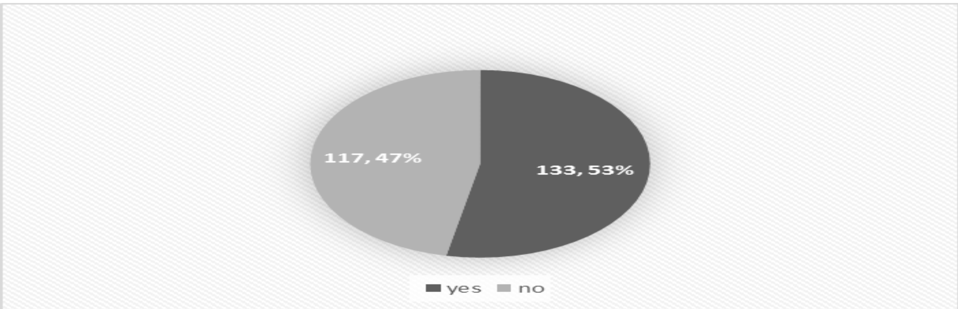
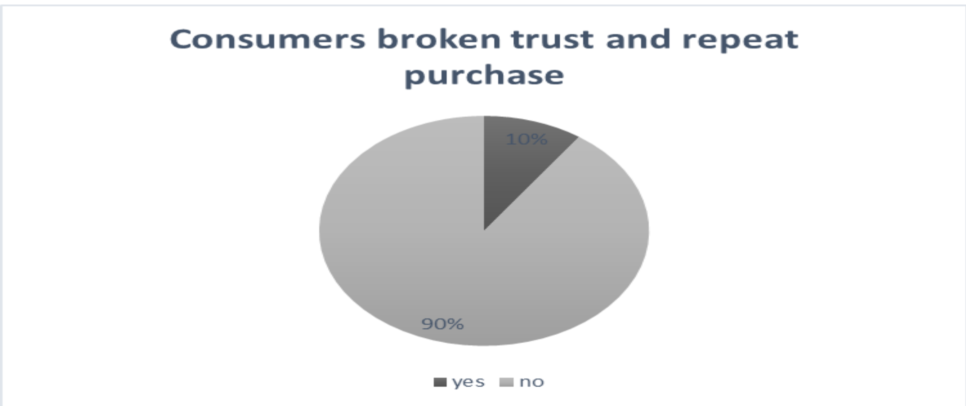
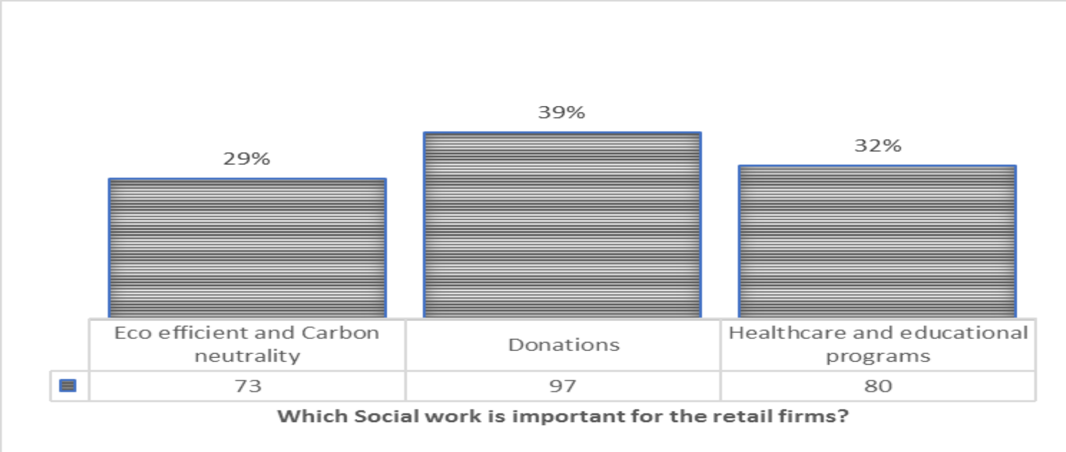


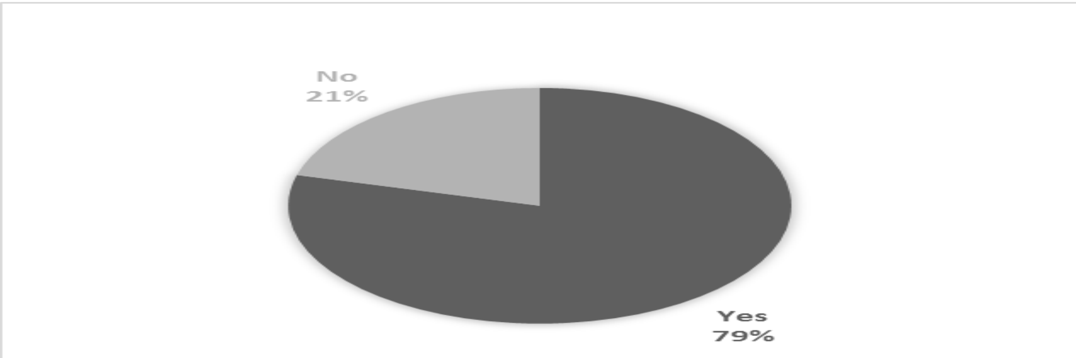
Appendix 10



Appendix 11



Appendix 12



Appendix 13

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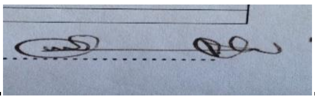
DECLARATION

This Work has not previously been accepted in substance for any degree and is not being concurrently submitted in candidature for any degree.

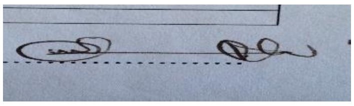
Signed ....  .... (candidate) Date

...........18/03/2020………………………….

STATEMENT 1

This thesis is the result of my own investigations, except where otherwise stated. Where correction services have been used, the extent and nature of the correction is clearly marked in a footnote(s).

Other sources are acknowledged by footnotes giving explicit references. A bibliography is appended.

Signed ....  ....(candidate) Date

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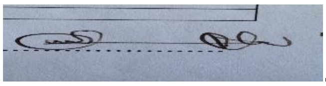
I hereby give consent for my thesis, if accepted, to be available for photocopying and for inter-library loan, and for the title and summary to be made available to outside organisations and that I do hereby give Cardiff Metropolitan University the right to make available the Work.

Signed .... ........(candidate) Date

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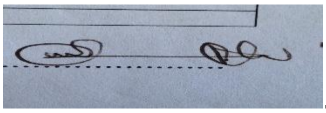
Signed .... .........(candidate) Date

...............18/03/2020..