

CHRISTIAN SERVICE UNIVERSITY COLLEGE

SCHOOL OF BUSINESS

DEPARTMENT OF ACCOUNTING AND FINANCE

IMPACT OF COOPERATE SOCIAL RESPONSIBILITY ON ORGANIZATION

PERFORMANCE. A CASE STUDY OF NESTLE GHANA

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A PROJECT WORK PRESENTED TO THE BUSINESS STUDIES DEPARTMENT OF

CHRISTIAN SERVICE UNIVERSITY COLLEGE IN PARTIAL FULFILLMENT OF

THE REQUIREMENTS FOR THE DEGREE OF BACHELOR OF BUSINESS

ADMINISTRATION IN ACCOUNTING

MAY, 2019

STATEMENT OF AUTHENTICITY

We have read the University regulation relating to plagiarism and certify that this report is all our own work and do not contain any unacknowledged work from any other source. We also declare that we have been under supervision for this report herein submitted.

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ABSTRACT

The purpose of the paper is to understand the various CSR activities carried by Nestle Ghana and how these CSR programmes impact the company's performance. This study therefore seeks to address the issue by assessing the impact of Corporate Social Responsibility on organizational performance, Hundred (100) questionnaires were administered by the researcher to customer of Nestle Ghana. The sources of data were primary source of which questionnaire was the data collection instrument. Statistical Package for Social Science (SPSS) was used in analyzing the data.

The customers selected to be the respondent has worked with Nestle Ghana for period of years in the organization. The findings indicated that the company engages in CSR activities that are giving funds to community.

Corporate organizations should integrate the innovative CSR strategies into different marketing communication strategies to build and sustain a competitive advantage.

The study found out the company's two main projects like the Nestle project and had not only increased the company's performance but had also improved the company's sales, improved its image not only to the employees but to the society at large. The study recommends that the organization to increase more of its CSR activities. The study suggest that there are further areas to be researched they are effect of creating share value on the performance of Nestle Ghana Limited.

ACKNOWLEDGEMENT

First and foremost, we would like to express our profound gratitude God Almighty for our lives and the wisdom granted us throughout our studies in this University.

Secondly, we would like to express our sincere appreciation to Dr. Stephen Banahene, our supervisor for his guidance and good counsel throughout this academic exercise.

Last but not the least; we would like to thank all the lecturers of Christian Service University College – Kumasi for the knowledge imparted onto us throughout our studies in this University.

DEDICATION

This dissertation is dedicated to all our individual families. Thank you for been there for us when we needed you most.

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CHAPTER ONE

INTRODUCTION

1.0 BACKGROUND OF STUDY

The term 'corporate social responsibility' came into use in the late 1960's and early 1970s, after many multinational corporations formed. The term stakeholder, meaning those on whom organization's activities have an impact, was used to describe corporate owners beyond shareholders as a result of an influential book by R. Freeman, Strategic management: a stakeholder approach in 1984. Proponents argue that corporations make more long term profits by operating with the perspective, while critics argue that CSR is distracts from the economic role of businesses. Others argue CSR is merely window-dressing, or an attempt to pre-empt the role of government as a watchdog over powerful multinational corporations.

Corporate Social Responsibility (CSR) as a theory entails the practice whereby corporate bodies freely assimilate both social and environment upliftment in their business idea and processes.

Corporate Social Responsibility (CSR) can also be understood as a management concept and a process whereby companies integrate social and environmental concerns in their business operations and in their interactions with the full range of their stakeholders on a voluntary basis. (European Commission, 2001). A business enterprise is mainly established to create value by producing goods and services which society demands. The present day conception of corporate social responsibility (CSR) implies that companies freely integrate social and environmental concerns in their operations and interaction with stakeholders.

Today, managers of Multinational National Companies (MNCs) have found a need that the environment in which they operate should be provided for because their intermediate and macro environments have a direct impact on the attainment of the corporate goals, objectives and mission statement.

CSR is a means of discussing the extent of obligations a business has to its immediate society; a way of proposing policy ideas on how those obligations can be met; as well as a tool by which the benefits to a business for meeting those obligations can be identified (CSR Guide). It involves the way organizations make business decisions, the products and services they offer, their efforts to achieve an open and honest culture, the way they manage the social, environmental and economic impacts of business activities and their relationships with their employees, customers and other key stakeholders having interest in the Business and its operations. The activities of these firms are therefore visible because of their global reach. As such, there is a higher incentive to protect their brands and investments through CSR. The CSR activities in this sector are mainly focused on remedy the effects of their business activities on the local communities. So, the firms operating in this sector have often provided pipe-borne waters, hospitals, schools, etc.

CSR in Ghana as in many other developing countries is still in the implementation stage. However, in recent times there has been a clarion call on organizations to undertake social programmes, as government alone cannot handle societal problems. (Kwesi Amponsah, CSR in Ghana).

Corporate Social Responsibility (CSR) can also be known as corporate citizenship, corporate philanthropy, corporate giving, corporate community involvement, community relations, community affairs, community development, corporate responsibility, global citizenship, and

corporate social marketing. Consequently, Henry Ford can boldly assert that a good company delivers excellent products and services, but a great company does all that and also strives to make the world a better place.

1.1 PROBLEM STATEMENT

The notion of CSR practices has been tackled directly by two streams of research, the social performance model (Wood, 1991) and the stakeholder management framework (Clarkson, 1995; Donaldson and Preston, 1995).

Research has indicated that creating consumers' positive assessments of CSR practices rest heavily on a corporation's ability to create consumer's consciousness linkages between the CSR practices of a corporation and its corporate image.

Antagonists have asserted that the business of businesses should remain business—simply making profits; while protagonists have spoken of firm's responsibility to maintain an equitable and working balance among the claims of the various directly interested groups—stakeholders, employees, customers and the public at large.

It is now widely accepted that corporate governance and its CSR component has moved from the profit-centered model to the socially responsible model, a concept referring to the way in which companies exercise responsibility for the economic, social and environmental ethical issues.

CSR has become increasingly important because today's heightened interest in the proper role of business in society has become promoted by increased sensitivity to and awareness of environmental and ethical issues.

Issues such as environmental damage improper treatment of workers and faulty production leading to customer inconvenience or danger are being highlighted in the Ghana media; elsewhere, investors and investment fund managers have begun to take account of a firm's CSR policy in making investment decisions; some consumers have become increasingly sensitive to the CSR programmes of the firms from which they buy their goods and services. These trends have contributed to the pressure on companies to operate in an economically, socially and environmentally sustainable way.

In Ghana, the Corporate Social Responsibility Movement (CSR Movement) has argued that profit maximization should not be the company's single objective.

The Ghana Club 100 (GC), in ranking the nation's best performing companies considers their social responsibility in areas such as; issues for health, education, poverty alleviation, environmental concerns, issues relating to the socially vulnerable, and contribution to sports development.

In recent business environment, the attention of every organization is to develop a good and lasting bond with customers and society at large which will ensure long-term business sustainability. Some organizations have assumed and involved the concept of corporate social responsibility as a means of improving their performance. Others however, do not accept that and they see it as having a negative impact on organizational performance.

To them, CSR drains the company's financial resources and therefore they ignore their responsibility towards society or simply refuse to engage in CSR.

But over-reliance on financial performance alone does not capture the full impact of CSR on the firm's total performance. And most firms, too busy seeking short-term financial benefits; tend to ignore the strategic value of CSR to them. The issue at hand is therefore, to make corporate

organizations understand how social responsibility impact on business performance at various levels.

1.2 OBJECTIVES OF THE STUDY

The main purpose of the study is to assess the impact of Corporate Social Responsibility on organizational performance, using Nestle Ghana as a case study.

The specific objectives focus on the following issues:

1. To find out people awareness of Nestle embarking on CSR projects
2. To find out the impact of CSR project undertaking by Nestle Ghana in the community
3. To access the benefits Nestle stands to gain aside profitability from CSR
4. To determine whether profit is increase or decrease by the activity of CSR of Nestle Ghana.

1.3 RESEARCH QUESTIONS

1. Are people aware of Nestle embarking on CSR projects?
2. What are the impact of CSR project undertaken by Nestle Ghana in the community?
3. What are the benefits Nestle stands to gain aside profitability from CSR?
4. Does CSR increase or decrease profit of Nestle Ghana?

1.4 SIGNIFICANCE OF THE STUDY

This research attempts to provide a comprehensive view of CSR to organizational performance. The study presents the advantages and perceptions of CSR. Hence, it is significantly useful for management to justify on CSR implementations that will give them an edge over their competitors in their organizations as a form of practice. In terms of research, the study goes a long way to add to existing literatures which can be used for further research, since it goes into

details by analyzing the link between CSR and organizational performance in Ghana. Considering significance to policy, the study provides guidelines for industries in Ghana on effective CSR activities that will be suitable for gaining competitiveness in the various industries they find themselves.

1.5 SCOPE/DELIMITATION OF THE STUDY

Nestle Ghana was used as the case study. Even though Nestle Ghana Limited has several branches across the country. The study as study was limited to 100 customers of Nestle Ghana, Kumasi.

1.6 LIMITATION OF THE STUDY

This study is limited in scope in that it assesses responses from a sample size of 100 respondents. The heavy financial cost involved in the undertaking of such a research with a larger sample prevented the researcher from reaching a larger sample size. First cost of undertaking the study: printing questionnaire and travelling to distribute and receive them was very high on the researcher. Furthermore, it was not only difficult but also stressful to combine office work, lectures and research. Hence, the size of the sample was small and was limited to customers of Nestle Ghana branches located in Kumasi.

Secondly, the study should have been undertaken throughout the year to allow for more data gathering in order for a more representative assessment of customer needs and satisfaction levels. Since the collection of data took place at just one particular point in time. There is no guarantee that the responses received would be indicative of responses solicited and given at another time. There is also a potential that other factors outside the control of the researcher (setting, time of day, recent conflicts, and fatigue of the participants) could influence the responses (Shell, 2001).

1.7 ORGANIZATION OF THE STUDY

The study comprises five chapters. The chapter one introduces the topic and establishes the problem statement. Also, it considers the research questions and objectives and finally detailed the significance of the study. Chapter two reviews relevant and empirical studies related to the study. Chapter three consists of the methodology of the research study. Chapter four presents, discusses and analysis data whilst chapter five borders on the summary, conclusions and recommendation of the study.

CHAPTER TWO

LITERATURE REVIEW

2.0 INTRODUCTION

CSR as defined by European Commission (2001) is —a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis following increasingly aware that responsible behaviour leads to sustainable business success.

CSR is about managing change at company level in a socially responsible manner which can be viewed in two different dimensions:

- a. Internal – socially responsible practices that mainly deal with employees and connected to issues such as participating in human capital, health and safety and management change, while environmentally responsible practices related mainly to the management of natural resources and its usage in production.
- b. External – CSR divides the company into the local community and involves a wide range of stakeholders such as business partners, suppliers, customers, public authorities and NGOs that representing local communities as well as environment.

A company should focus on areas such as economic, environmental and social when developing sustainability strategy (Szekely & Knirsch 2005). Sustainability strategy development can be based on legitimacy, economic and social theories. These theories explain social disclosures

pattern by organizations (Haniffa & Cooke 2005). Thus, CSR practices can be based on these three strategies.

Legitimacy theory is whereby corporate social disclosures were motivated by the corporate need to legitimize activities (Hogner 1982). This is where corporate management will react to community expectations (Guthrie & Parker, 1989). Thus, companies are expected to carry out activities that are acceptable by the community. Legitimacy also implies that companies will take cautious to ensure their activities and performance acceptable to the community given a growth in community awareness (Wilmshurst & Frost 2000). Corporate social disclosure can be used to appease some of the concerns of the relevant publics and also as a proactive legitimation strategy to obtain continued inflows of capital and to please ethical investors (Haniffa & Cooke 2005).

Economic theory reflects the degree of association of CSR and financial performance by taking consideration of cost-related advantages, market advantages and reputation advantages (Chamhuri & Wan Noramelia 2004). In the business, CSR is concerned with employment, lifelong learning, consultation and participation of workers, equal opportunities and integration of people towards restructuring and industrial change. Basically, the formation of policies is influenced by the authority employment strategies, the initiative on social responsible restructuring, the initiatives to promote quality and diversity in the workplace and health and safety strategy. The social issues include the benefits offered in terms of training related to safety, health and environment, donations, education scheme, medical benefits and others. (Chamhuri & Wan Noramelia 2004). Environmental issues emphasize on preserving and conserving natural resources such as conducting recycling activities, noise reduction action plan to pursue noise improvement initiatives, water and process treatment and compliance with authority regulations and requirements.

Firms could take initiatives by conducting campaigns, seminars, workshops and giving donation to the society. This will enable the company to meet its CSR commitment and indirectly acts as a marketing and promotional strategy. As a result, higher market share can be obtained, which will lead to higher revenues from larger sales.

2.1 FROM PHILANTHROPY TO CORPORATE RESPONSIBILITY

The practices of philanthropy has been evolved from the day business existed in this world until today. The main reason for a company to exist is to create profit. Making profits are nothing wrong but the way used to derive such profits are of concerned. Before 1970, basically, corporate share its profit with the community through philanthropic activity. In other word, CSR is after-profit obligation. If let say, companies are not profitable they do not have to behave responsibly. This impact is even worse during severe economic depression or when an organization is managed by unethical, short-term thinking managers that would lead to societies having no choice and accepting discrimination, child labor, pollution and dangerous working conditions.

Another debate arises in this approach is if companies are just being good and donating a lot of money to social initiatives then they will be wasting shareholders' money. That is not sustainable in the long-run, and shareholders will quickly lose interest. Thus, during 1970 to 1990, organization had shifted from sharing profits with the community as a soft approach of philanthropy to the hard approach by using philanthropy for the purpose of profit-making. CSR is perceived as a public relation tool in improving an organization image and performance.

CSR is also performed for justifying adverse impacts of an organization onto environment and society such as those in the oil and gas industry. While philanthropy does little or nothing to help companies make profits, CSR activities are linked to improving a company's bottom line.

Therefore, during 1990 to 2001 period, embedding socially responsible principles in corporate management has become a corporate obligation. CSR is increasingly being fixed into the corporate mission, strategy and actions of organizations.

For a long term survival, CSR has been adopted as a corporate routine. Strategic CR is whereby an organization achieves sustainability in such a way that its CSR actions have become part and parcel of the way in which a company carries out its business. Its links to the bottom line of a company has been laid out clearly simply because, if it does not contribute to the bottom line, it will eventually be rejected by other stakeholders of the organization.

2.2 CSR AND MULTINATIONAL CORPORATION

Multinational corporations are companies or enterprises that operate in a number of countries and have production or service facilities outside the country of its origin. While still maintaining a domestic identity and a central office in a particular country, the aim is to maximize profits on a worldwide basis. As world is encouraging on international business, therefore, multinational corporations are among the major participants in business activities.

Most multinational companies that were established in Ghana have interesting business philosophies on CSR. They started with business philosophy as a principal and guideline towards CSR's implementation. Though companies came from various nature of businesses, their aimed are similar which is to recognize the need of making business decisions that demonstrate economic, social and environmental responsibilities for the stakeholders which consist of employees, community, business partners, suppliers, customers, government and shareholders. These companies bring benefits to society through wealth generation, employment, skill development and transfer and community initiatives. The words they committed are evident by

the policies, strategies and innovative program with further establishment and improvement on the social, economic and environmental issues. There are various policies, strategies and programs which have been implemented by multinational companies that can be shared and useful as an acknowledgement of CSR's practices in the business and thus, continuously contributing to the sustainable development. Among the best practice of CSR can be reflected by the strategies, which differs by environmental and social scopes.

2.3 CSR AND SMALL AND MEDIUM-SIZED ENTERPRISES

Small and medium-sized enterprises (SME) play an important role in Ghanaian Economy. The term SME is also synonymous to small and medium-sized industries (SMI). SMEs are the engine of economic growth which also representing the key source of endogenous growth. SMEs are also the impetus for the country's broad based economic development. The Ghanaian government has given a priority on development of SMEs. In Ghana, SME is usually in the form of private limited company, partnership and sole-proprietorship. There is no standard definition of SMEs in Ghana. However, the Association of Ghana Industries (AGI) define SME based on the number of employees, amount of capital, total assets and sales turnover. SMEs can be categorized into three broad sectors namely manufacturing, agriculture and services. SMEs in Ghana are defined in terms of annual sales turnover or its number of full-time employees. Since SMEs are a part of business entities populations in Ghana, therefore, their contributions towards society should be taken into considerations. Limited capacity, money and other resources may hinder SMEs from adopting CSR into their business operations. SMEs might have adopted CSR at some level of implementation, but this is however, need to be verified in the study. It could be the terminology or definition of CSR itself that could hinder SMEs from truly understands and

engages in CSR (Jenkins 2005). CSR tools such as codes of conduct and supply chain standards are usually excluding SMEs in developing countries (Fox 2005).

Therefore, there should be new ways in making CSR to be more relevant for SMEs. Jenkins (2004) found that SMEs feel most pressure and influence on CSR matters from customers and employees and barriers to CSR are time and money. Time, resources and delivery pressures are often preventing SMEs in getting involved in what they see as new activities (smekey.org). . A recent study on social responsibility among SMEs in Ghana as commissioned by the ACCA concluded that —SMEs are more concerned with profitability and less concerned with the impact of their operations on the community, customers and employees. (Tay, 2006).

The commonly perceived barriers for SMEs in getting involved with CSR are:

1. Lack of time
2. Lack of motivation
3. Insufficient resources and capabilities
4. Not knowing how to encourage in social responsibility or inability to see suitable Opportunity.
5. Not feeling in touch with local needs
6. Perception that community involvement is not related to business

Studies about SME practices in CSR are still inconclusive and limited.

2.4 CSR AND SIZE OF ORGANIZATION

Haniffa & Cooke (2005) found that size of organization influences the level of corporate disclosure in the annual report. Large organizations undertake more activities and have greater impact on society.

Further, larger organizations are susceptible to scrutiny by various groups in society and thus, face greater pressure to disclose their social activities in order to be legal and socially responsible (Cowen et al. 1987). In their study, Haniffa & Cooke (2005) used total assets as proxy for size of organization. Besides, size of organization can also be defined based on SMIDEC's (2006) definitions which use number of full-time employees besides of annual sales turnover to differentiate between SMEs scale and their nature of business. The discussion revealed the findings behind the results of study.

2.5 CSR PRACTICES

The extent of CSR practices is compared among different organizational listing status. These include government-linked corporations (GLC), multinational corporations (MNC), local Ghanaian corporations (GC) and small and medium-sized enterprises (SME).

2.5.1 Government-linked corporations

Study found that GLC has a significant high policy adopted for workplace. Being increasingly important as a strategy towards sustainable business development, CSR practices by GLC are aimed to improve Ghanaian living and to ensure national development. CSR is held as the principle of giving back to the society by contributing profits generated for nation enhancement. Therefore, it can be seen that the motives for GLC doing CSR is not far apart from its philanthropy reason.

2.5.2 Multinational corporations

MNC started with business philosophy as a principal and guideline towards CSR implementation and would like to demonstrate economic, social and environmental responsibilities that benefiting its stakeholders.

By operating in more than one country, MNC imposes greater impact and faces massive pressures from more stakeholders. Countries whereby its people are highly socially responsible may demand more CSR practices by MNC. Therefore, best CSR practices initiated in countries in which CSR is an obligation and subjected to legal actions for non-conformance might be adapted into the operation of MNC in other countries. This may suggest the reason of high commitment exhibited by MNC as compared to other organizational listing status in Ghana. In environmental policy, MNC leads other organizations for almost the same reason for its highest commitment reported. Facing pressures from environmental groups and government in some other countries, MNC prefers the safe side by ensuring its operations has a minimal impact to the environment. These practices are adopted as part of its environmental and safety practices in other regional counterparts. Overall, it can be concluded that apart from philanthropic means, MNC seems to avoid legal actions for non-conformance in CSR. Having good image is posed as a motive by MNC by appeal pleasingly to various interest groups. Therefore, MNC is found to be an excellent CSR performer.

2.5.3 Local Ghanaian Corporation

Currently, there are not many studies done on measuring the extent of CSR practices among local companies.

2.6 CORPORATE SOCIAL RESPONSIBILITY AND FINANCIAL PERFORMANCE

Several studies have tried to explain the relationship between CSR and financial performance of firm. Among the list, Mittal et al (2008) investigated the relationship between CSR and organizational profitability in terms of economic value added (EVA) and market value added (MVA). The authors found that there exists a positive relationship between CSR and company's

reputation and that there is little evidence that companies with a code of ethics would generate significantly more economic value added (EVA) and market value added (MVA) than those without codes. Also Hossein, et al. (2012) examined the link between CSR and economic performance by examining different impacts of positive and negative CSR activities on financial performance of hotel, restaurant and airline companies, theoretically based on positivity and negativity effects. Findings suggest mixed results across different industries contributing to companies' appropriate strategic decision-making for CSR activities by providing more precise information regarding the impacts of each directional CSR activity on financial performance. Similarly Emilson, (2012) researched into the correlation between CSR and profitability using economic value added (EVA). The study shows a low positive correlation between profitability and CSR. But previous research and the practical examples from the selected companies show a strong positive correlation between CSR and profitability. In the same vein, Skare and Golja (2012) investigated the relationship between CSR and financial performance. The authors confirmed that CSR firms in the average enjoy better financial performance than non-CSR firms.

2.7 MEASURES OF CORPORATE SOCIAL RESPONSIBILITY

Determining how social and financial performances are connected is further complicated by the lack of consensus of measurement methodology as it relates to corporate social performance. In many cases, subjective indicators are used, such as a survey of business students (Heinze, 1976), or business faculty members (Moskowitz, 1972), or even the Fortune rankings (McGuire, Sundgren, and T. Schneeweis 1988; Akathaporn and McInnes, 1993; Preston and O'Bannon, 1997). Significantly, it is unclear exactly what these indicators measure. In other cases,

researchers employ official corporate disclosures—annual reports to shareholders, CSR reports, or the like.

Despite the popularity of these sources, there is no way to determine empirically whether the social performance data revealed by corporations are under-reported or over-reported. Few companies have their CSR reports externally verified.

Thus, information about corporate social performance is open to questions about impression management and subjective bias. Still other studies use survey instruments (Aupperle, 1991) or behavioral and perceptual measures (Wokutch and McKinney, 1991). Waddock and Graves (1997) drew upon the Kinder Lydenberg Domini (KLD) rating system, where each company in the S& P 500 is rated on multiple attributes considered relevant to CSR.

KLD uses a combination of surveys: financial statements, articles on companies in the popular press, academic journals (especially law journals), and government reports in order to assess CSR along eleven dimensions. Based on this 31 information, KLD constructed the Domini 400 Social Index (DSI 400), the functional equivalent of the Standard and Poors 500 Index, for socially responsible firms.

2.7.1 Measures of Financial Performance

Although measuring financial performance is considered a simpler task, it also has its specific complications. Here, too, there is little consensus about which measurement instrument to apply. Many researchers use market measures (Alexander and Buchholz, 1978; Vance, 1975), others put forth accounting measures (Waddock and Graves 1997; Cochran and Wood 1984) and some adopt both of these (McGuire, Sundgren, Schneeweis, 1988). The two measures, which represent different perspectives of how to evaluate a firm's financial performance, have different theoretical implications (Hillman and Keim, 2001) and each is subject to particular biases

(McGuire, Schneeweis, & Hill, 1986). The use of different measures, needless to say, complicates the comparison of the results of different studies. In other words, accounting measures capture only historical aspects of firm performance (McGuire, Schneeweis, & Hill, 1986). They are subject, moreover, to bias from managerial manipulation and differences in accounting procedures (Branch, 1983; Brilloff, 1972). Market measures are forward looking and focus on market performance.

2.8 CORPORATE SOCIAL RESPONSIBILITY AND ENVIRONMENTAL ISSUES

Some studies focused on the impact of CSR on the environment. For instance, Lyon and Maxwell, (2008) examined the relationship between CSR and the environment. The study showed how both market and non-market forces are making environmental CSR profitable, and discussed altruistic CSR. The authors found that non-governmental organizations strongly influence CSR activities, through both public and private politics. The authors posit that CSR can have varied effects; from attracting green consumers or investors, to preempting government regulation, to encouraging regulation that burdens rivals. They however, observed that welfare effects of CSR are subtle, and there is no guarantee that CSR enhances social welfare. Also, Tilt (2010) examined the contribution of accounting and accountants to the debate and practice of CSR. The study concluded that accountants' interest in CSR is much more wide ranging than simply an interest in the financial impacts on society.

2.9 EFFECT OF CORPORATE SOCIAL RESPONSIBILITY ON THE SOCIETY

The area of CSR and society is not left out in the studies on CSR. Of the studies, Swapna, (2011) investigated the role of CSR in community development (CD). The study concluded that being

so much dependent, business has definite responsibility towards community development. In another study Okeudo (2012) examined the effect of social responsibility (SR) on the society. The study concluded that the society stands to benefit from company SR.

2.10 CORPORATE SOCIAL RESPONSIBILITY AND CORPORATE GOVERNANCE

Among studies conducted on CSR and Corporate Governance is Germanova, (2008) investigation of the practice of CSR as Corporate Governance Tool in Bulgaria. He concluded that SR connects to governance at values level, making companies accountable to broad range of stakeholders (employees, suppliers, local community, and society at large) and incorporating social and environmental values in their operations in order to manage their relations with these stakeholders that can have impact on the company development. Also, Choi, Lee and Park investigated the relationship between CSR, Corporate Governance and Earnings Quality and found that CSR ratings are negatively associated with the level of earnings management for overall firms but positive relationship for firms with highly concentrated ownership.

2.11 CORPORATE SOCIAL RESPONSIBILITY AND SHAREHOLDERS VALUE

On the concept of CSR and Shareholders Value much has been done but with no consensus as to whether CSR improves the shareholders' value. Bechetti et al. (2007) investigating the relationship between CSR and shareholders' value found a significant upward trend in absolute value abnormal returns, irrespective of the type of event, and a significant negative effect on abnormal returns after exit announcements from the Domini index. The latter effect persists even after controlling for concurring financial distress shocks and stock market seasonality. The findings established that CSR leads corporations to refocus their strategic goals from the

maximization of shareholders' value to the maximization of the goals of a broader set of stakeholders. Bechetti et al (2007) concluded that market penalizes the exit from social responsibility index and ethical funds. In a related study Baruch, (2013) examined the impact of CSR on shareholders' money. The study in an attempt to find out if CSR amounts to doing good or wasting shareholders money concluded that the business upside (potential gain) from CSR is modest at best. On the other hand the reputational downside from damage to communities or the environment can be huge. The study recommended that if CSR enhances sale and earnings, companies should just do it.

2.12 THE IMPACT OF CORPORATE SOCIAL RESPONSIBILITY

CSR is a required investment to create sustainable development for the business, because it offers the companies (MNCs) an opportunity to bridge the —trust gap among different stakeholders such as, government, customers, employees, suppliers, investors, and others. Some of the impact of CSR includes:

Ajala (2005) says: —CSR programs offer opportunity to build goodwill, affect corporate image and reputation as a result of company's contribution to the welfare of the community, either local or international. She added that CSR enhances growth of investors' confidence in the company's shares. These have induced contending demand and requests on MNCs in the face of financial constraints. Today, the outlook of Ghanaian MNCs is no more measured by, local standards but by international standards. Often, the inability of MNCs to satisfy these demands has resulted in disappointments and eventually to,

- organization bashing;

- Inadequate information to the public on the modalities and essence of CSR as well as the achievements of MNCs in this regard. Many believe that MNCs are not doing enough to improve the welfare of the public in view of the supposedly
- jumbo profits they make;
- Inability of MNCs to co-ordinate efforts and collaborate to execute CSR projects, particularly the capital intensive ones, such as road construction.

2.13 CORPORATE SOCIAL RESPONSIBILITY IN NESTLE GHANA

Long before such activities became popularly known as Corporate Social Responsibility (CSR) and long before it became essential for companies to engage in CSR as part of their brand building agenda, Nestle Ghana have been making regular, substantial contributions to the wellbeing of grassroots communities and Ghanaians.

Nestle's CSR strategy reflects their commitment to being socially, economically, and culturally responsible. With a resolve to provide sustainable solutions to the diverse developmental challenges that Ghanaians encounter on various fronts, the Organization pursues constructive engagements and mutual partnerships with the recipient stakeholders, through a user-defined needs identification system.

Nestle 's CSR is emphasized on sustained aspiration to lead the industry by example not just in the provision of the best products, services and developmental assistance for promoting the individual and common good, but also in maintaining the highest standards of corporate governance, accountability and responsiveness to their internal and external stakeholders.

Nestle organization's CSR initiatives, have provided targeted support for education and youth development, grassroots sports development, healthcare, arts and culture, entrepreneurial and economic development, as well as sustainability of the environment.

Nestlé's sustainable agriculture strategy is designed to ensure a steady supply of safe, high-quality agricultural commodities and allow rural communities to increase their income as a result. One of Nestlé's priorities in this area is to reduce the high levels of mycotoxins in cereals, dried fruits and nuts from Central and West Africa, as this natural, fungus-based contamination can cause immune suppression, impaired development in children and liver damage in both humans and animals. Up to 30% of cereal crops are lost to contamination, caused largely by the humid environment and poor drying and storage practices.

Locally produced cereal grains and legumes (beans, peas, etc) are important to our business, and particularly for our breakfast cereal brands like Golden Morn, Cerelac and Cerevita. .

2.14 CONCLUSION AND IMPLICATIONS

There is an extensive debate concerning the legitimacy and value of being a socially responsible business. There are different views of the role of a firm in society and disagreement as to whether wealth maximization should be the sole goal of a corporation. Most people identify certain benefits for a business being socially responsible, but most of these benefits are still hard to quantify and measure. Arguments exist that support the view that firms which have solid financial performance have more resources available to invest in social performance domains, such as employee relations, environmental concerns, or community relations. Financially strong companies can afford to invest in ways that have a 32 more long-term strategic impact, such as providing services for the community and their employees. Those allocations may be

strategically linked to a better public image and improved relationships with the community in addition to an improved ability to attract more skilled employees. On the other hand, companies with financial problems usually allocate their resources in projects with a shorter horizon. This theory is known as slack resources theory (Waddock and Graves, 1997). Other arguments propose that financial performance also depends on good or socially responsible performance. According to Waddock and Graves (1997), meeting stakeholder expectations before they become problematic indicates a proactive attention to issues that otherwise might cause problems or litigation in the future. Furthermore, socially responsible companies have an enhanced brand image and a positive reputation among consumers; they also have the ability to attract more accomplished employees and business partners. Socially responsible companies also have less risk of negative rare events. Companies that adopt the CSR principles are more transparent and have less risk of bribery.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 INTRODUCTION

According to Oni (2003), research methodology is used to describe all the methods involved in the collection of all information required for a study. This chapter contains research design, population and sampling size, research instrument, data analysis technique, limitations of the research methodology of the study.

3.1 RESEARCH DESIGN

The study employs a cross sectional survey design. The design has the potential to provide the researcher with a lot of information obtained from quite a large number of individuals within the area of study (Frankel & Wallen, 2000). A cross sectional study takes a snapshot description of the sampled population at a point in time. According to Neuman (2007), it involves collection of information from any given sampled population only once. It will therefore be impractical to sample the views of all managers in the Ghanaian industry hence; the design is chosen to collect the views of a representative pool within the population. In the case of this research, a cross sectional study of customers of Nestle Ghana, Kumasi were done.

3.2 POPULATION AND SAMPLE SIZE

The population for the study was customers of Nestle Ghana out of which 100 were sampled and administered questionnaire.

3.4 SAMPLING PROCEDURES

A sample size of 100 respondents was chosen, made up of customers of Nestle Ghana, to obtain the sample size, the researcher used the ‘convenient sampling’ method to pick the required number of 100 customers. To ensure convenient sampling, the questionnaire were distributed among retail shops of Nestle Ghana within Kumasi .

3. 5 DATA ANALYSIS PROCEDURE

Data collected from the questionnaire were coded and inputted into SPSS. It was then analyzed, summarized, and interpreted accordingly with the aid of descriptive statistical techniques such as frequency counts and percentages. Bar and pie charts were used for the data presentation.

3.6 DATA COLLECTION INSTRUMENT

To ensure that the study instrument is valid and reliable, as the quality of a research largely depends on the quality of the instruments used and procedures of collecting the data since the two essentials of a good research are validity and reliability, the researcher ensured that the questions designed are based on the following guidelines:

- The questions were formed in such a way as to make it easy for respondents to understand them
- The questions asked were as few in number as necessary to produce the information required.
- The questions required answers that were very straight forward and precise in nature.
- The questions are directly related to the information required.
- The questions were such that could be answered honestly and without bias.

Since validity is the extent to which the instrument used measures what it was intended to measure, the accuracy of a research instrument being reliable is whether the data collection process is consistent and stable.

CHAPTER FOUR

DATA PRESENTATION ANALYSIS AND DISCUSSION OF FINDINGS

4.1 INTRODUCTION

This chapter deals with presentation, analysis and interpretation of the data obtained in the course of the research, questionnaires which were administered to show the impact of cooperate social responsibility on organizations performance in Nestle Ghana.

4.2 BACKGROUND INFORMATION

The main focus on this section was to find out the background information of the questionnaires in terms of their gender, how long they have been working with the company. The data were collected from stakeholders of both representation of the male and female gender. They were the best set of individuals chosen, because they were the ones involved in the creating and formulating of CSR projects that will be run by the company.

4.3 DATA PRESENTATION AND ANALYSIS

Gender of Respondents

Table 4.1: Gender Distribution of respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Male	49	49.0	49.0	49.0
Valid Female	51	51.0	51.0	100.0
Total	100	100.0	100.0	

The above reports that forty-nine (49) of the respondents were Males with the remaining fifty-one (51) being Females. This clearly shows that, we came into contact with more females than males.

Table 4.2: Age of Respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
16-25	12	12.0	12.0	12.0
26-35	46	46.0	46.0	58.0
Valid 36-45	27	27.0	27.0	85.0
45 and above	15	15.0	15.0	100.0
Total	100	100.0	100.0	

The above Table and the chart show the age distribution of respondents. It reports that twelve (12) of the respondents were in the (16 – 25) age groups, forty-six (46) were in the (26 – 35) age group, twenty-seven(27) were in the (36 – 45) age groups and fifteen people were in the (45 and

above) age groups. It can therefore be concluded that majority of the customers were relatively matured.

Table 4.3: Nestle embarking on Project/Programme in the community

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	46	46.0	46.0	46.0
No	35	35.0	35.0	81.0
Undecided	19	19.0	19.0	100.0
Total	100	100.0	100.0	

The table 4.3 above reveals that a high proportion 46% of the respondents felt the impact of CSR is Yes, 35% of the respondents felt it is No and 19% felt is undecided. This indicates that people in the community benefited from project and programme.

Table 4.4: Volume of transaction with Nestle Ghana

	Frequency	Percent	Cumulative Percent
Valid High	53	53.0	84.0
Medium	31	31.0	31.0
Low	16	16.0	100.0
Total	100	100.0	

The table 4.5 reveals that more respondents 53% have high transaction with Nestle Ghana. This means that majority of the business patterns have confidence in Nestle Ghana compare to 31% and 16% for medium and low transaction respectively. The higher the volumes of transaction partners have with Nestle Ghana the better for Nestle Ghana, in terms of profitability.

Table 4.5 Impact of the Projects/ Programme in the community

	Frequency	Percent	Valid Percent	Cumulative Percent
Positive impact	50	50.0	50.0	50.0
Negative Impact	4	4.0	4.0	54.0
Neutral	46	46.0	46.0	100.0
Total	100	100.0	100.0	

The table 4.6 above reveals that 50% of the respondents felt the impact of CSR in positive, 46% of the respondents felt it is neutral and 4% of the respondents felt it is negative.

Table 4.6: Benefits Nestle stands to gain aside profitability from the CSR

	Frequency	Percent	Valid Percent	Cumulative Percent
Large customer Base	41	41.0	41.0	41.0
Good corporate image	23	23.0	23.0	64.0
Customer Confidence	26	26.0	26.0	90.0
Other Benefits	10	10.0	10.0	100.0
Total	100	100.0	100.0	

The table 4.6 shows that 41 of the respondent believes Nestle Ghana also benefit Large Customer Base, 26 believes it will have Customer Confidence, 23 believes Good Corporate Image and only 10 believes other benefit could be gained from the execution of CSR projects apart from Profitability.

Table 4.7: Profit is increased by the activity of corporate social responsibility of Nestle Ghana

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Agree	27	27.0	27.0	27.0
Agree	50	50.0	50.0	77.0
Undecided	13	13.0	13.0	90.0
Valid Disagree	7	7.0	7.0	97.0
Strongly Disagree	3	3.0	3.0	100.0
Total	100	100.0	100.0	

The table 4.6 shows that 27% of the respondents strongly agree, 50% of the respondents agree, 13% of the respondent undecided, 7% of the respondents disagree while 3% of the respondents strongly disagree that profit is increase by the activity of corporate social responsibility of the company. This means that majority of the respondents believe that profit of Nestle Ghana is increased by the activity of CSR of Nestle Ghana. This implies that the higher the CSR that higher the profit of Nestle Ghana.

Table 4.8: Profit is decreased by the activity of corporate social responsibility of Nestle Ghana

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Agree	11	11.0	11.0	11.0
Agree	21	21.0	21.0	32.0
Undecided	20	20.0	20.0	52.0
Disagree	37	37.0	37.0	89.0
Strongly Disagree	11	11.0	11.0	100.0
Total	100	100.0	100.0	

4.4 EFFECTS OF COOPERATE SOCIAL RESPONSIBILITY ON THE PERFORMANCE IN NESTLE GHANA

This section focuses on the effects of CSR on organization performance in Nestle. The questionnaires were categorically asked to name CSR activities that the company was involved in performing. The questionnaires indicated that the company has broadly shared their CSR activities into two major areas that are the social responsibility model and the performance aspect. Social responsibility activities include sponsoring of projects and organizing programme for the community, empowerment, reducing poverty by providing and supporting needy families in the community. The study seeks to find out what impact does this CSR have on the company, the questionnaires indicated that they had really helped to improve the companies, reputation, make the people associate more with the company’s good image.

The study intended to find out what were the CSR as a business strategy to improve market growth of the company. The questionnaire indicated that CSR had improved company’s image, established a good reputation for the company, facilitated its activities but in terms of the marketing, social responsibility was only able to increase the company’s market. They further

indicated that social responsibility aspect was not being used as a business strategy. The CSR is not a sustainable business strategy that the company opts to use and it is only a tool that empowers the community. It further indicated that that the increased by the activity of corporate social responsibility of Nestle Ghana has a positive correlation, in that the more shared activities the company was undertaking it was directly increasing the market performance. The questionnaire indicated that the impacts brought about by the growth with the impacts. The respondents eluded that for the company to prosper and do well the society must also be prospering with them and hence growing with the company.

They added that for the sustainability of the company in that it will benefit and also the society will benefit, they were not only focusing on the CSR but they were also concentrating on the other aspect of CSR aspect. The company strives to strike a balance on improving and working on its economics business while critically supporting the society it works around. It does not only work on the basis of creating support to the society but also improving itself as a business.

This indicated that company was in the process of reviewing its CSR activities and some activities will be halted while some new activities will be added to the CSR programme. All the interviewees categorically indicated that SR was not a long-term business strategy, that, the company was using or thinking about using.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 INTRODUCTION

Based on the data collected and analysis, the following conclusions and recommendations were made. The responses were made according to the study objective on the study effect of cooperate social responsibility on organizations performance in Nestle Ghana.

5.2 SUMMARY OF FINDINGS

The study aimed at finding whether CSR has any impact on the performance of Nestle Ghana. The findings indicated that the use of corporate social responsibility; it indicated that the company had divided into two that is CSR and performance. The social responsibility aspect included activities such as sponsoring of projects and organizing programme for the community poverty eradication by providing support to needy families in the community. CSR has managed to improve the company's image, the company's reputation and most of all it has been able to make the employees and stakeholder, to be able to associate more with the company.

5.4 CONCLUSION

The idea of CSR has become more and more common in business practices and customers today almost expect companies to be socially responsible. Even though CSR is very important for companies, it has historically not been a very lucrative approach for them to involve in these activities.

CSR does not give immediate results. The same CSR initiative will also not work for all types of organizations. Designing CSR initiative requires careful planning and implementation mechanism. Corporate organizations should integrate the innovative CSR strategies into different marketing communication strategies to build and sustain a competitive advantage. In today's competitive market, CSR offer an opportunity for companies to explore other areas of improving profitability. Customers have become very sophisticated and very much aware of their environment against the perception that corporate organisations make a lot of profits, it becomes imperative for these companies to put back into the society through corporate social responsibility programmes.

Unfortunately, all these benefits cannot be quantified in monetary terms but translates into improving the profits of the organisation over time. Indeed CSR is capital intensive and needs an extensive programme backed by executive support to roll out various CSR programmes. CSR activities are usually donations to deprived communities and groups.

As to whether CSR can be a business strategy for companies to achieve corporate targets and objectives such as competitiveness in market or market share is another study that can be researched further.

5.3 RECOMMENDATION

In view of the findings that evolved from the study, the following recommendations have been made for policy considerations in improving on the operational performance of Nestle Ghana Limited as long as corporate social responsibility is concerned. CSR deserves greater attention and more commitment from corporate organizations in that it guarantees other benefits other than just profits. This offers an opportunity to the corporate world to think out of the box and explore other potentially viable areas to improve the company profits portfolio. Corporate

organizations stand to gain over a period of time some leverages other than just products and services they render to the society.

CSR projects should be well structured and implemented to have maximum impact. This would enhance the well-being of the beneficiaries. From the survey it revealed that some customers or inhabitants of a community are not aware of any CSR programme ongoing. Mostly they are unable to connect with the results of the programme.

Corporate organizations should intensify efforts to educate the public on their primary responsibilities, various commitments to other stakeholders and operational/ financials. The customers or the people in the community are involved, monitoring becomes feasible and measures.

For academic and industry discussions we recommend that further study should be conducted to establish the real value in monetary terms how much CSR's contribute to the organizations profitability. Also further research should be conducted to quantify how much or to what degree these CSR programmes have impacted on the society and its corresponding value generation for the company.

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9. Are there other benefits Nestle stands to gain aside profitability from the execution of Corporate Social Responsibility?

Large Customer Base ()

Customer Confidence ()

Good corporate Image ()

Other Benefits ()

SECTION C:

INSTRUCTION: Please tick (√) the correct answers from the options provided below.

		Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree
10	Profit is increased by the activity of corporate social responsibility of Nestlé Ghana					
11	Profit is decreased by the activity of corporate social responsibility of Nestlé Ghana					
12	Corporate Social Responsibility has a significant impact on the profitability of Nestle Ghana					
13	Can Nestlé use CSR as a business strategy to improve profit or market growth?					
14	Corporate Social Responsibility has a significant impact on the profitability of Nestlé Ghana.					
15	Corporate Social Responsibility guarantees the customers' confidence level and loyalty to Nestlé Ghana					