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Examining the relationship between organizational performance and corporate social responsibility: an empirical study on the Egyptian mobile network operators.

A dissertation presented to the faculty of commerce
Ain Shams University

For fulfillment of Master degree requirements in business
administration

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2018 - 1439

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Academic degree: **Master degree in business administration.**

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Assoc. Professor of accounting, Faculty of Commerce - Ain Shams University), for their encouragement, and insightful comments.

/ / **2018** Date of dissertation defense

/ / **2018** Approval date

بسم الله الرحمن الرحيم

" وَاللَّهُ أَخْرَجَكُمْ مِنْ بُطُونِ أُمَّهَاتِكُمْ لَا تَعْلَمُونَ شَيْئًا وَجَعَلَ لَكُمُ
السَّمْعَ وَالْأَبْصَارَ وَالْأَفْئِدَةَ لَعَلَّكُمْ تَشْكُرُونَ "

" يَا أَيُّهَا النَّاسُ أَنْتُمُ الْفُقَرَاءُ إِلَى اللَّهِ وَاللَّهُ هُوَ الْغَنِيُّ الْحَمِيدُ "

" قُلْ إِنْ كُنْتُمْ تُحِبُّونَ اللَّهَ فَاتَّبِعُونِي يُحْبِبْكُمُ اللَّهُ وَيَغْفِرْ لَكُمْ ذُنُوبَكُمْ
وَاللَّهُ غَفُورٌ رَحِيمٌ "

" نَرْفَعُ دَرَجَاتٍ مَّنْ نَّشَاءُ وَفَوْقَ كُلِّ ذِي عِلْمٍ عَلِيمٌ "

" وَقُلْ رَبِّ ارْحَمْهُمَا كَمَا رَبَّيَانِي صَغِيرًا "

صدق الله العظيم

Acknowledgement

Praise is to **Allah**, the Lord of the World, and peace and blessing be upon his Mercy to the world, Prophet Muhammad and his good family and companions. Praise is to Allah who created me and I was nothing. Praise is to Allah for His patience after His knowledge and for His forgiveness after His ability.

I would like to express my sincere gratitude to **Prof. Dr. Khaled Kadry Elsayed** (Professor of Business Administration and Dean of Faculty of Commerce - Ain Shams University) for his continuous support, motivation, and immense knowledge. I could not have imagined having a better advisor and mentor for my master study.

I would also like to express my sincere gratitude to **Dr. Bassam Mohamed El Ahmady** (Assoc. Professor of Business Administration, Faculty of Commerce - Ain Shams University) for his patience, motivation, and immense knowledge. His guidance helped me in all the time of research and in writing of this thesis.

I would also like to thank my dissertation committee members, **Dr. Ghader Mohamed Badr Eldin** (Assoc. Professor of Business Administration - Future University), and **Dr. Farid Moharam El Garhy** (Assoc. Professor of accounting, Faculty of Commerce - Ain Shams University), for their encouragement, and insightful comments.

Last, I would like to thank my family for supporting me throughout my life.

Abstract

The purpose of this study is to examine the relationship between organisational performance and corporate social responsibility.

METHOD. 378 valid responses from managers and employees of mobile network operators in Egypt were received via survey. The variables measured by the surveys were Integrating business-related social issues into the organisational strategy, Financial performance, CSR capability responsiveness, CSR strategic posture, social performance, and The achievement of business-society shared value.

Pearson's Correlation was used to analyze the relationships among variables.

RESULTS. There were positive relationships between the variables with a statistical significance at $p < .01$.

- Positive correlations between integrating business-related social issues into the organisational strategy and the achievement of business-society shared value indicated beneficial outcomes for both business and society (shared value creation).
- Positive correlations between a company's financial performance and the achievement of business-society shared value showed the interdependence between the financial performance of the organisation and the achievement of business-society shared value, because without the sufficient financial resources it's difficult for any organisation to consider the society issues or to be engaged in CSR activities.
- Positive correlations between the CSR capability responsiveness of the organisation and the achievement of business-society shared value indicated that companies who proactively behaves and postures their

CSR strategy through interacting and partnering with stakeholders, being aware of social issue opportunities, develops CSR programs, develops innovative products that fulfill social needs, and integrates CSR activities into their business activities, tends to establish good reputation among their customers, employees, community, and competitors, besides increasing the ability to attract and retain loyal customers and quality employees (the achievement of business-society shared value).

- Lastly, positive correlations between a company's social performance and the achievement of business-society shared value suggested that companies that score high in social performance tend to score high in the achievement of business-society shared value.

KEYWORDS: Corporate Social Responsibility, CSR, Shared value, Social Performance, Egyptian mobile network operators.

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Chapter one:

Framework and Previous studies

1.1 Background:

When a firm or an organisation is creating a new business or reconstructing an existing one, it must develop a clear strategy and set the basic goals that will shape its future.

The new, rapid, and changing world we are living in, which includes huge changes in customers' preferences, tastes, and their way in evaluating the products have been a real motive for organizations to change their strategic way of thinking to be “proactive and not reactive”.

The idea about regarding the firm as a secluded entity from the society where it works and operates can no longer exist. Firms are now seen as a part of the community, because both of them have a direct and indirect impact on the activities and performance of each other.

Private sector institutions realized the need to expand their activities to include what is more than productive activities, such as the community and environment, and the need to take into account the three dimensions of development; economic growth, social progress and environmental protection (David, 2013).

The notion that the businesses have an obligation for social betterment was debated over the past 50 years, and took root in the 19th century when the big companies in the aftermath of the industrial revolution began to provide housing and other amenities to their workers.

Since 1960, the notion that organisations should balance the interests of all stakeholders — shareholders, employees, customers, suppliers, the communities in which they operate, and society at large- began to prosper.

Some years later, the chief executive officers of the largest corporations in the USA named as the business roundtable, came out in strong support

of the **corporate social responsibility** (Thompson, Peteraf, Gamble, and Strickland, 2010). They affirmed that business obligations should extend beyond the economic and legal requirements.

Corporate social responsibility (CSR) can be defined as the degree to which the activities of an organization protect and improve the society beyond the extent required to serve the direct legal, economic, or technical interests of the organization. In other words, social responsibility involves performing activities that may help the society, even if they do not directly contribute to the firm's profits (Certo, Peter, and Ottensmeyer 1995).

Accordingly, this study will examine the relationship between organisational performance and the corporate social responsibility, provide a better understanding of how organisations can be socially responsible and the degree to which the organisation should be socially responsible.

1.2 Statement of the Problem:

In today's highly competitive market, many companies have realized that they can no longer rely only on their sales volume, productivity, and financial records to maintain their competitive advantage over their rivals. These firms have recognized that, in the words of one New York executive, "The only sustainable competitive advantage any business has is its reputation" (Certo et al, 1995).

Being unethical is the best shortcut for inefficiency and losses. Many of firms have lost their businesses for being unethical and history has proven that the greater the trust and confidence of people in the ethics of an institution, the greater its economic strength.

Short term decisions based on greed and questionable ethics will preclude the necessary self- respect to gain the trust of others. Many firms nowadays have realised the importance of ethics and they created strategic advantage through ethics training and culture.

In addition, there is a global trend towards environmental problems and resources conservation, accompanied by the emergence of many modern production strategies such as sustainable development and the call for green and clean production for a better society.

In fact, being socially responsible is not a coincidence; it's the result of the integration of the strategic planning of the organisation, its supply chain, and the society as a whole.

Thus, the **research problem** can summarized as follows:

1. There is a misunderstanding regarding the corporate social responsibility concept in Egypt.
2. There is no linkage between the strategic planning of the organisations and their corporate social responsibility activities.
3. The CSR activities are used as an aim and not as a tool for achieving business-society shared value.
4. There is no clear outline of how organisations can successfully be engaged in the CSR activities.
5. The lack of awareness of most governments in developing countries about the role of CSR as a tool in achieving sustainable development.

1.3 Research objectives:

The research aims to overcome the research problems through:-

1. Providing clear insights about the strategic side and the operational side of the organizational performance.
2. Providing clear understanding about the CSR concept.
3. Understanding how CSR is related to the stakeholders' concept.
4. Elaborating how organizations can use corporate social responsibility as a tool to achieve business-society shared value.
5. Providing an outline of how the CSR activities can be integrated into the corporate strategy.

1.4 Previous studies:

Researcher	Objective	Findings
Fombrun, and Shanley, (1990).	This paper provided insights about the factors that affect reputation building for corporations.	The study supported the hypothesis that people build reputation about firms' on the basis of information. Understanding the way publics construct reputations helps the management to understand how to influence the external perception about their businesses.
McWilliams and Siegel, (2001).	The purpose of this paper is to examine the relationship between CSR and financial performance.	The study indicated that CSR will maximize profits while satisfying the demand for CSR from different groups of stakeholders at a certain level. The cost- benefit analysis can be used to identify the ideal level of CSR.