

**ST. MARY'S UNIVERSITY  
SCHOOL OF GRADUATE STUDIES  
MARKETING MANAGEMENT PROGRAM**



**AN ASSESSMENT OF CORPORATE SOCIAL  
RESPONSIBILITY PRACTICE OF SANOFI AVENTIS IN  
ETHIOPIA**

**PRESENTED IN PARTIAL FULFILLMENT OF THE  
REQUIREMENTS FOR THE  
DEGREE OF MASTERS IN MARKETING MANAGEMENT**

**BY  
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ETHIOPIA**

**A THESIS SUBMITTED TO  
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## **DECLARATION**

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of Dr. Elias Nour. All sources of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

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Name

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Signature

**St. Mary's University, Addis Ababa, January 2018**

**ENDORSEMENT**

The thesis has been submitted to St. Mary's University, School of Graduate Studies for examination with my approval as a University advisor.

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**Advisor**

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**Signature**

**St. Mary's University, Addis Ababa January, 2018**

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## **Acronyms**

BLIHR: - Business Leaders Initiative on Human Rights

CSR: - Corporate Social Responsibility

ILO: - International Labor Organization

NGOs: -Nongovernmental Organizations

UN: - United Nation

WBCSD: - World Business Council for Sustainable Development

## ABSTRACT

*Corporate Social Responsibility (CSR) has gradually become a leading issue in business. Heightened corporate attention to CSR has not been entirely voluntary. Many companies awake to it only after being surprised by public response to issues they had not previously thought were part of their responsibilities. But despite their intent, the practice and what drives them to engage is not lucid. Thus, the prime essence of this study was to assess the practice of CSR in Multinational Pharmaceutical Companies in Ethiopia (Merck, Sanofi Aventis, Novartis And Astra Zeneca). The study used both qualitative and quantitative research approaches and it is mainly dependent on primary source of data in which structured questionnaire and interview was developed to get data from respondents composed of customers, community, employees, managers and government officials. To meet the research objective the researcher used non-probability sampling approach particularly judgmental sampling technique to select the samples from each stakeholder's category. Respondents from the total population were selected conveniently. The findings depicts that the employees awareness towards concept of CSR is at its lowest level, but it is good to have basic knowledge about it. It is possible to conclude from the survey different items listed in the study believed practical to views CSR in business organizations. The stakeholders' perceptions on components of CSR include economic, ethical, legal, and philanthropic responsibilities agreed that items listed are important aspects to business organizations socially responsible activities. The prioritization of CSR to the company includes philanthropic, next ethical, then economic and finally legal responsibilities. The companies need to allocate enough amount of budget and focus on training and developing mechanisms that help to communicate with the stakeholders.*

**Key Words:** *Corporate social Responsibility, Stakeholders, Components of CSR, economic responsibility, ethical responsibility, legal responsibility, philanthropic responsibility*

# CHAPTER ONE

## INTRODUCTION

### 1.1. Background of the Study

The concept of Corporate Social Responsibility (CSR) has a long and varied history. It is possible to trace evidences of the business community's concern for society for centuries (Carroll, 1999). During this long period, there have been different names as well as different definitions used. A survey of CSR education in Europe, which found 50 different labels for CSR modules, 40 different labels for CSR programs and numerous CSR synonyms, the most popular of which business ethics, corporate citizenship, sustainability or sustainable development, corporate environmental management, business & society, business & governance, business & globalization, and stakeholder management (Visser, 2006*b*), can be taken as an evidence for that.

From the different definitions given for the term, the one given by the World Business Council for Sustainable Development (WBCSD), will be used for this study. It defined Corporate Social Responsibility (CSR) as the commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve quality of life, in ways that are both good for business and good for development (WBI, 2003).

The development of corporate social responsibility literature in the developed and developing countries has a big difference. For example, Bilal (2001) indicated that most of CSR studies conducted so far have been in the context of developed countries such as Western Europe, U.S., Australia, and that we still know very little about practices in ex-colonial, smaller, and emerging countries. As an evidence for this, a review of the CSR literature on Africa between 1995 and 2005 by Visser (2006*a*) (as cited in Visser, n.d.) found that only 12 of Africa's 53 countries have had research published in core CSR journals, with 57% of all articles focused on South Africa and 16% on Nigeria.

According to Visser (2006*b*), though there is corporate firms' complicity in political corruption, environmental destruction, labor exploitation and social disruption, there is also voluminous evidence of the benefits of business bringing capital investment, job creation,

skills transfer, infrastructure development, knowledge sharing and social responsibility programs to countries throughout Africa. Despite these differences, there is a general agreement that the private sector remains one of the best placed institutions to make a significant positive contribution towards improving social, economic and environmental conditions in Africa.

Corporate Social Responsibility (CSR) now a days is considered as one of the major parts of any business activities. Even though globalization has the tendency to turn countries into one world its negative impact on the environment and the society led to the evolvement of CSR on the global agenda (Alberto, 2014).

CSR activities aren't directly intended for the economic and technical advantage of firms. Businessmen are responsible for the economic development affecting the public welfare, such as full employment, inflation and maintenance of competition. As well as to develop human values such as morale, cooperation, motivation and self-realization in work. Firms have those obligations because they manage their business within the society (Davis and Keith, 1960).

CSR in the pharmaceutical industry is more important when compared to other business industries. This is because medicine is as essential as the basic needs of life which are food, shelter and water for society.

Pharmaceutical companies are improving their efforts to protect the environment as well as the well-being of the society mainly by focusing on research and development programs. Pharmaceutical companies also work on education, women and child health, adolescents, community health etc (Mathur and Vyas, 2012).

On developing countries, the world financial crisis had a huge economic impact. CSR activities in developing countries can be an efficient tool for pharmaceutical companies to regain the lost trust and hope of the society (Crouch & Maclean, 2011).

Pharmaceutical companies are frequently attacked for using unethical marketing tactics to promote their products .But there are some socially responsible companies in the healthcare industry, escaping this kind of negative attention.

A thesis titled “Multinational pharmaceutical companies and their approach to integrating corporate social responsibility into their business strategy” responds to the question whether and why firms in the pharmaceutical industry are including CSR in their business strategies. Most importantly, this paper identified whether their approach is beneficial to both the society and the firm. The background of this question comes from the prejudice that CSR might only be a promotional tool to attract shareholders. The research question centers on Carroll’s (1991) four-part model, including four different layers of responsibilities, which together make up the concept of CSR.

## **1.2. Statement of the Problem**

According to Moir (2001), whether businesses should undertake CSR and the forms that responsibility should take depend upon the economic perspective of the firm that is adopted. Those who adopt the neo classical view of the firm would believe that the only social responsibilities to be adopted by business are the provision of employment and payment of taxes. This view is most famously taken to the extremes of maximizing shareholder values.

An alternative view of the firm following the behavioral/stakeholder theorists might view corporate social activity from a standpoint that examines the political aspects and noneconomic influences on managerial behavior (Moir, 2001). This might also be extended to examine personal motivations, such as the Chairman’s personal preferences or alternatively some of the critical perspectives associated with the exercise of power. This approach has two identifiable strands of development. The first is associated with some form of moral or ethical imperative that because business has resources, it is part of the role of business to assist in solving social problems. However this may be the views of the executives rather than the owners of the business. Apart from these differences in perspective, the research work by Bird and Hall (2007) found that there is little evidence to suggest that managers taking a wider stakeholder perspective will jeopardize the interest of its stockholders.

Despite the continuing debates over what role the businesses should perform in society, the view that businesses take a broader responsibility than economic alone has received wider support in a number of forms (Huq, Moyeen, & Nayak, 2010). As a matter of fact, a number of business firms are inclined to adopt the principles of CSR (Cetindamar & Husoy, 2007;



Huq, Moyeen, & Nayak, 2010; Jamali & Mirshak, 2007). But it is with a different perception and reasons. Allen and Husted (2006), for example, stated that institutional pressures, rather than strategic analysis of social issues and stakeholders, are guiding decision-making with respect to CSR. The research by Kaler (2000) indicated that rising public expectations of morality in business lead to ever increasing moral commitments by business that then cause those expectations to rise still further.

A company's performance and business in general could not be measured solely by gaining economic profit to the organizations. Rather its shareholders and managers should be responsible for all others who directly or indirectly affect or are affected by a firm's business activities (Vitezic, 2011).

The motivation for CSR is likely to be strictly adjusted and the private sector cannot be expected to be effectively engaged in a sustainable CSR drive. Paradoxically, it is precisely in a developing country context that the need for CSR type initiatives is most delicate (Jamali & Mirshak, 2007).

In due fact presently all over the world consumers, employees and social communities have become more and more attentive of the CSR efforts of companies and base their relationship with them based on this. A stark and complex shift has occurred in how organizations must understand themselves in relation to a wide variety of both local and global stakeholders. Accountability is one of the processes whereby a company seeks to ensure integrity.

The leading most authoritative outcomes from the fact that investment in mineral-rich countries of sub-Saharan Africa has not contributed to the community and financial development and the conservation of the environment of the nations worried over the last decades. It is not for business to supernumerary itself for government initiatives and follows development objectives. If corporations are to donate to these objectives, it is through exchanging reasonable and transparent contracts, paying adequate incomes according to directives set out in country wide controlling frameworks, and obeying the laws of the country (Giannarakis, 2009).

This paper assessed the stakeholders' perception of CSR carried out by Sanofi Aventis and measure the level of feeling and attitude of consumers, employees and part of the societies towards the company's CSR activity. The researcher also believe that this research help other domestic company's leaders to comprehend the concept and effect of CSR and to include on their day by day business decision.

### **1.3. Research Questions**

The study tries to answer the following specific questions:

- 1- To what extent the management and employees are clear with CSR issues?
- 2- What are the specific sets of policies related with the company's social responsibility?
- 3- How far are the selected company's committed to practically implement CSR?
- 4- What possible benefit could CSR practice have on the performance of the case company?

### **1.4. Objectives of the Study**

#### **1.4.1. General Objective**

The general objective of this study was to explore the practice of corporate social responsibility in Sanofi Aventis pharmaceutical company in Ethiopia.

#### **1.4.2. Specific Objectives**

The following Specific objective was identified;

- To examine the level of awareness of the selected business organization's management towards Corporate Social Responsibility;
- To identify whether the selected company has specific set of policies and principles;
- To analyze the extent how far the selected business organization's management are committed to implement Corporate Social Responsibility programs; and
- To analyze the impacts of exercising Corporate Social Responsibility on the performance of the selected company.

### **1.5. Significance of the Study**

Now a day's societies expect more from the pharmaceutical industries. Because they believe the companies aren't living to their social expectations. In general governments and governmental organizations deal with Global poverty and poor health conditions. Unlike Private enterprises which neither have the societal mandate nor the organizational capabilities to care for the people or provide health to the society. Nevertheless, private enterprises like pharmaceuticals do have responsibilities to the society (Leis Inger, 2005).

Relatively little research has addressed CSR efforts of multinational pharmaceutical companies in developing countries, which remain largely unexplored.

This thesis presents empirical findings drawn from the managers of marketing executives of Sanofi Aventis pharmaceutical company as well as the sales representatives who are stationed in Addis Ababa. And the primary question to answer is whether the integration of socially responsible practices within a business' strategy is beneficial to the firm as well as to the health care system. And Sanofi Aventis pharmaceutical company examined on their business strategies and approaches to strategic CSR in order to find the best practices.

## **1.6. Scope of the Study**

This research was going to explore the practice of corporate social responsibility in the case of the company. In doing so, the study was restricted testing of the approach of top business managers. In addition, it was limited to the practice of CSR in case of Sanofi Aventis pharmaceutical company. Besides, though a business may have so many stakeholders, this study considered only three of them (employees, environment, community service) while testing CSR practices. The three stakeholders were taking into consideration because of time and cost specificity.

## **1.7. Organization of the Study**

The study is divided into five chapters in order to provide clarity and coherence on the discussion of the study. The first part of the dissertation will be discussing the background, problem statement, questions and objectives and the significance and limitations.

The second chapter discusses the relevance of the study in the existing literature. After the presentation of the existing related literature, the researcher shall provide a synthesis of the whole chapter in relation to the study.

The third part of the study discussed the methods and procedures used in the study. The chapter comprised the presentation of the utilized techniques for data collection and research methodology. Similarly, it was also contain a discussion on the used techniques in data analysis as well as the tools used to acquire the said data.

The fourth chapter discussed the results of the study. The data was presented statistically treated in order to uncover the relationship of the variable involved in the study. With the said data, the chapter seeks to address the statement of the problem noted in the first chapter.

The last chapter comprised three sections: the summary of the major findings, conclusions of the study, and the recommendations. With the three portions, the chapter addressed the problem stated in the initial chapters of the study. Reference and annex also provided in the final part of the paper.

## CHAPTER TWO

### REVIEW OF THE RELATED LITRATURE

This chapter presents the related theoretical and empirical review about the attitude towards and practice of corporate social responsibility. In the theoretical review part, different theoretical aspects about attitude towards CSR and practice of CSR are presented; and in the empirical review part, the summary of similar and related studies is presented.

#### 2.1. Theoretical Review

“Early theoretical work specifically addressing corporate social responsibilities is represented by Sethi (1975) who developed a three tier model for classifying corporate behavior which he labelled "corporate social performance". The three levels of corporate social performance are based on:

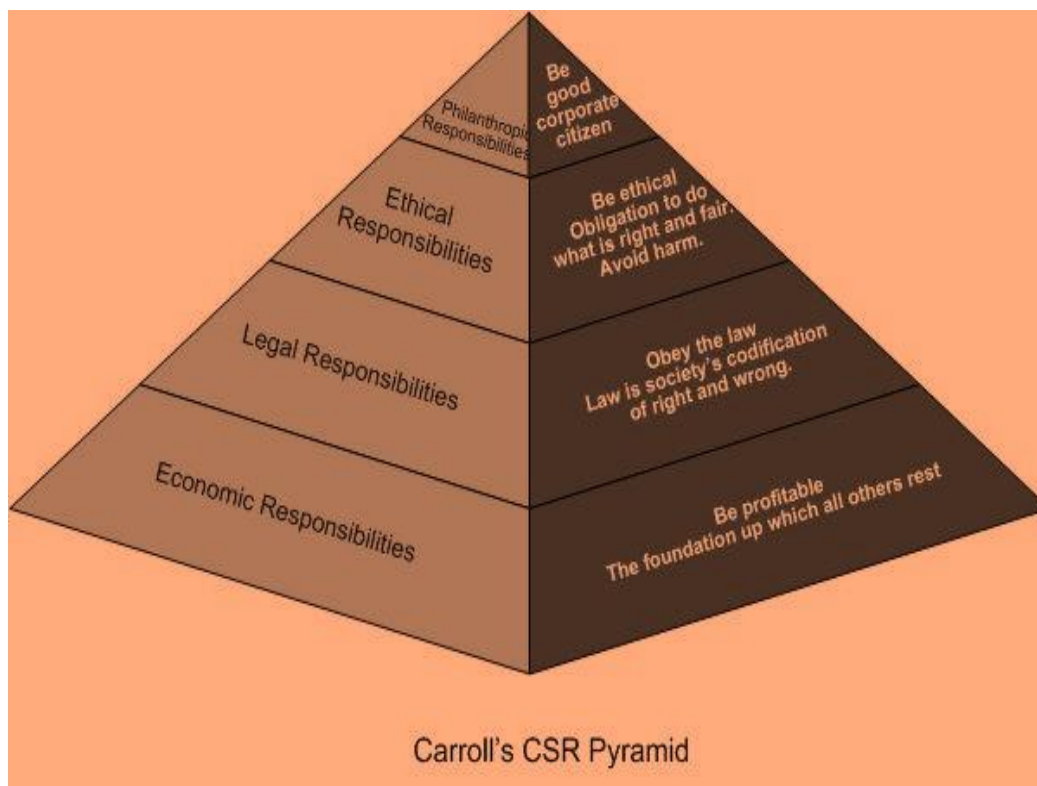
- a) social obligation ( response to legal and market constraints);
- b) social responsibility (addressing societal norms, values and expectations of performance);
- c) social responsiveness (anticipatory and preventive adaptation to social needs).

**Sethi's second tier requires that a company moves beyond compliance and recognizes and addresses societal expectations.** The third tier requires that a company develops the competence to engage effectively with stakeholders and take proactive measures on their issues and concerns. Sethi also emphasized the cultural and temporal dependencies of corporate responsibilities and the importance of stable management systems and standard classifications to facilitate measurement of progress and comparative analysis (Macgill cited in Barrow, 2006: 6).

Building on Sethi’s model Carroll (1979) proposed a model that contains the following four categories of corporate responsibility in decreasing order of importance:

- a) Economic -be profitable;
- b) Legal - obey the law;
- c) Ethical- do what is right and fair and avoid harm;
- d) Discretionary / philanthropic- be a good corporate citizen.

The four classes of responsibility are seen to reflect the evolution of *business and society interaction* in the United States. According to Carroll “the history of business suggests an early emphasis on the economic and then legal aspects and a later concern for the ethical and discretionary aspects”. Economic obligations are therefore seen to be tempered by ethical responsibilities or by social expectations and norms. Discretionary responsibilities go beyond ethics and include philanthropic measures and generally good citizenship (Jolly 1978 cited in Barrow 2006:6). In 1991, Carroll presented his CSR model as a pyramid and suggested that, although the components are not mutually exclusive, it “helps the manager to see that the different types of obligations are in constant tension with one another”.



Aupperle, Hatfield & Carroll (1985; 1983) performed the first empirical test of the four tier CSR

model by surveying 241 Forbes 500 listed CEOs using 171 statements about CSR. The statistical analysis confirmed that there are four empirically interrelated but conceptually independent components of CSR and provided tentative support to the relative weightings assigned by Carroll to each of the four components.

Pinkston & Carroll (1994) performed a similar survey among top managers in 591 U.S. subsidiaries of multinational chemical companies with headquarters in England, France, Germany, Japan, Sweden, Switzerland and the U.S. Aggregate findings once again confirmed

Carroll's four tier weighted model but interestingly showed Germany and Sweden to be exceptions, where legal responsibilities were ranked the highest priority followed by economic, ethical, and philanthropic aspects respectively.

Comparison with the Aupperle, Hatfield & Carroll's (1985) findings also showed that in the intervening ten years the gap in the relative importance between economic and legal responsibilities had decreased, while the importance of ethical responsibilities appeared to be increasing and that of philanthropic responsibilities to be decreasing (Pinkston & Carroll, 1996).

### **2.1.1. Term Definition**

#### **2.1.1.1 Historical Development of Corporate Social Responsibility (CSR)**

The idea of Corporate Social Responsibility (CSR), as we now understand the term began to take recognizable shape in the third decade of the twentieth century. By the mid-1920s, business representatives and executives were beginning to speak of the need for corporate directors to act as trustees for the interests, not just of stock holders, but other social claimants as well. Others had spoken of this possibility as early as 1913. Corporate philanthropy, the history of which stretched back to the 19th century, was accompanied by a growing belief that business and society were linked together in organic ways. These several timorous beginnings of social responsibility thinking suffered ups and downs during the depression decade of the 1930s and then were largely subordinated to the more urgent demands of World War II. By the 1950s, these long-smoldering ideas about businesses obligation to society burst forth with a renewed vigor that has carried them forward uninterruptedly to the present (Fredrick, 1978). According to Carroll (1999), the concept of corporate social responsibility (CSR) has a long and varied history. It is possible to trace evidences of the business community's concern for society for centuries. Formal writing on social responsibility, however, is largely a product of the 20<sup>th</sup> century, especially the 1950's, 1960's and 1970's. Furthermore, although it is possible to see footprints of CSR thought throughout the world (mostly in developed countries), formal writings have been most evident in the United States, where a sizable body of literature has accumulated. In the 1980s, there were fewer new definitions, more empirical research, and alternative themes began to mature. These alternative themes included corporate social performance (CSP), stakeholder theory, and business ethics theory. In the 1990s, CSR

continues to serve as a core construct but yields to or is transformed into alternative thematic frameworks.

Carroll (1991), suggested that social responsibility refers to businesses' decisions and actions taken for reasons at least partially beyond the firm's direct economic or technical interest. At about the same time, Eells and Walton (1961), as cited in Carroll (1991), argued that CSR refers to the "problems that arise when corporate enterprise casts its shadow on the social scene, and the ethical principles that ought to govern the relationship between the corporation and society. Boone and Kurtz (2005), as cited in Hudak (2008), defined social responsibility as "marketing philosophies, policies, procedures, and actions that have the enhancement of society's welfare as a primary objective".

In recent years, a broader and an all-inclusive definitions have been given for the term. According to the world business council for sustainable development (WBCSD), Corporate Social Responsibility (CSR) is the commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve quality of life, in ways that are both good for business and good for development (WBI, 2003).

## **2.2. Methodological Review**

### **2.2.1. The Societal Dimension of Strategic Management**

In 1979, around the time Carroll published his CSR model, the *societal dimension of strategic management* was explored by Igor Ansoff in "The Changing Shape of the Strategic Problem". He proposed that an "enterprise strategy", describing the interaction of a firm with its environment, should be added to the corporate, business and functional levels of strategic management. According to Ansoff, an enterprise strategy was needed in order to enhance a company's *societal legitimacy* and to address new variables in strategic management such as "new consumer attitudes, new dimensions of social control and above all, a *questioning of the firm's role in society*". These ideas are today at the heart of stakeholder approaches to strategic management (Macgill cited in Barrow, 2006).

The stakeholder theory, emphasising a broad set of social responsibilities for business was established by R Freeman in 1984 through the ground breaking work published in his book "Strategic management: A stakeholder approach" which effectively established the field of



*Business & Society*. Freeman defined stakeholders as “any group or individual who is affected by or can affect the achievement of an organisation’s objectives” (Jolly 1978 cited in Barrow 2006:6).

### **2.2.2. Principles of Corporate Social Responsibility**

Crowther and Aras in their book of “Corporate Social Responsibility” have put three basic principles which together compile all CSR activities. These are:-

- Sustainability
- Accountability
- Transparency

It further entails that the concept of sustainability is merely focuses on as to how the present actions will reflect and affect the future usability of same action. If resources are utilized presently, then they are no longer available in the future, and this is of particular concern if resources are finite in quantity. Therefore at some point in the future there should be an alternative that fulfill the function currently provided by these resources. For instance paper industry has a policy to replant and replace the harvested plants and this has an effect both in terms resources availability and cost on future need. Sustainability therefore implies that society must use no more of a resource than can be regenerated.

In light of an organization being part of wider social and economic system implies that these effects must be taken into consideration, not just for cost and value created in the present but also for the future of the business itself. Unsustainable operations must be replaced with closer suitable sustainable one or should be properly backed by planning for a future lacking in resource currently required. In practice companies are tend to aim at less unsustainability trend by generating different alternative options. An example would be energy efficiency program.

Accountability is concerned with an organization recognizing that its actions affect the external environment, and therefore assuming responsibility for the effect of its action. These are therefore related to measuring and quantifying the effect and do the due diligent to internal and external concerned stakeholders. Thus, the concept is about assuming responsibility and letting the parties know the fact on the ground.

Accountability therefore necessitates the development of appropriate measures of the environmental performance and the reporting of the actions of the firm. By way of notifying the facts on the actions, it prompts the decision makers to take appropriate measure as needed.

Principle related to transparency is about ascertaining impact of organization actions against the organization reports and pertinent facts. Therefore all the actions and effects including external impacts are apparent to all stakeholders who are using the information. Transparency can be seen to follow from the other two principles and equally can be seen to be part of the process of recognition of responsibility on the part of the organization for the external effects of its actions and equally part of the process of transferring power to external stakeholders.

In broader expiration of context, Corporate Social Responsibility (CSR) embraces a range of principles or ideas, ranging from corporate governance, business ethics, and sustainable development through to human rights and environmental concerns. They are explained more fully.

**Business ethics:** Ethical businesses assess the moral implications of their actions, from product development to manufacturing to distribution, in order to stay competitive. Many issues fall under the rubric of business ethics: human rights, environmental protection, worker health and safety, labor standards, marketing, accountability, and reporting. Business ethics is concerned with a compliance with internal regulations and government mandates. An ethical business will also look beyond its own ethical practices to the practices of its business partners and suppliers. Business ethics is also taught as an academic discipline to business students at undergraduate and postgraduate level. Ethics are used as a guide in legal or religious compliance and in accomplishing profit maximization. It is merely one form of decision making.

**Sustainable development:** Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs. It contains within it two key concepts: the concept of needs, in particular the important needs of the world's poor, to which overriding priority should be given; and the idea of limitations imposed by the state of technology and social organization on the environment's ability to meet present and future needs. For some people social responsibility is a subset of sustainable development, for others it underlines and distinguishes the social dimensions of the impacts of business and other organizations, given that sustainable development has come to imply a focus on the environment.

**Corporate governance:** The system of rules, practices and processes by which a company is directed and controlled. Corporate governance is the basis of accountability in companies, institutions and enterprises, balancing corporate economic and social goals on the one hand with community and individual aspirations on the other (Bolanle, et al., 2012).

The environment: The environmental concerns of businesses can be divided into the local and the global. All businesses must comply with legislation that prevents gross pollution of water, air, and soil. Manufacturing businesses can buy permits or trade tariffs in order to be able to pollute up to a certain limit. They must also make provision for cleaning up. Businesses must also face up to global environmental concerns; they know that their activities can have wide ranging repercussions on the environment, especially on global warming through the emission of greenhouse gases.

Working in the community: Businesses have always had some sort of relationship with the communities that live around them, usually because not only they recruit staff locally but also the environmental aspect. Businesses spend time and money assisting local communities in a variety of ways e.g. Supporting education programs and health awareness initiatives.

Human Resource Management: This includes recruitment and training, equal opportunities, profit sharing and share ownership schemes.

Supply chain management: Businesses engaging in corporate social responsibility review their suppliers' practices encouraging suppliers to meet the challenges of a socially responsible business if they want to continue trading with them.

**Socially responsible investment (SRI):** Where SRI was in the past developed for religious groups, it is available in many different formats to address issues of concern to people of any faith, or none. The proliferation of socially responsible or ethical funds has led to the creation of indices of socially responsible companies (Bolanle et al 2012).

### **2.2.3. Corporate Social Responsibility Pyramid**

Theories regarding what the corporate social responsibility concept has to incorporate in it have been developed. From these theories the one developed by Carroll (1991), which he labeled as “the pyramid of corporate social responsibility”, shown in Figure 1 has got greater acceptance by many academicians and researchers. This pyramid has four levels: Economic Responsibility, Legal Responsibility, Ethical Responsibility, and Philanthropic Responsibility and he also explained these concepts as follows:

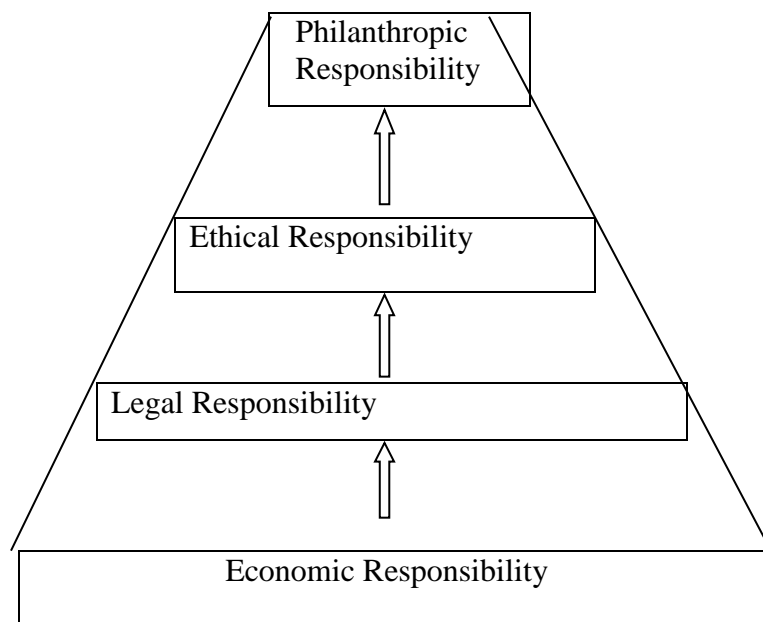
#### **2.2.3.1. Economic Responsibilities**

Historically business organizations were created as economic entities designed to provide goods and services to societal members. The profit motive was established as the primary incentive for entrepreneurship. Before it was anything else, business organization was the

basic economic unit in our society. As such, its principal role was to produce goods and services that consumers needed and wanted and to make an acceptable profit in the process. At some point the idea of the profit motive got transformed into a notion of maximum profits, and this has been an enduring value ever since. All other business responsibilities are predicated upon the economic responsibility of the firm, because without it the others become moot considerations. This responsibility incorporate statements like:

- It is important to perform in a manner consistent with maximizing earnings per share,
- It is important to be committed to being as profitable as possible
- It is important to maintain a strong competitive position
- It is important to maintain a high level of operating efficiency
- It is important that a successful firm be defined as one that is consistently profitable.

**Figure2.1.Hierarchy of Corporate Social Responsibilities**



Source: A. B. Carroll, "The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders," *Business Horizons* (July-August 1991): 39-48.

### **2.2.3.2. Legal Responsibilities**

Society has not only sanctioned business to operate according to the profit motive; at the same time business is expected to comply with the laws and regulations promulgated by federal, state, and local governments as the ground rules under which business must operate. As a partial fulfillment of the "social contract" between business and society, firms are expected to pursue their economic missions within the framework of the law. Legal responsibilities reflect a view Philanthropic Responsibility of "codified ethics" in the sense that they embody basic notions of fair operations as established by our lawmakers. They are depicted as the next layer on the pyramid to portray their historical development, but they are appropriately seen as coexisting with economic responsibilities as fundamental precepts of the free enterprise system.

Carroll (1991) explains that it is essential for a corporation to perform in a consistent way with expectations of government and law and also comply with different states, federal, and local principles. He further list that it is essential to be an honest corporation and successful organization that is being defined as one and that also achieves its legal responsibilities. It is essential for a corporation to provide goods and services that at least reaches up to the minimal law regulations.

### **2.2.3.3. Ethical Responsibilities**

Although economic and legal responsibilities embody ethical norms about fairness and justice, ethical responsibilities embrace those activities and practices that are expected or prohibited by societal members even though they are not codified into law. Ethical responsibilities embody those standards, norms, or expectations that reflect a concern for what consumers, employees, shareholders, and the community regard as fair, just, or in keeping with the respect or protection of stakeholders' moral rights. In one sense, changing ethics or values precede the establishment of law because they become the driving force behind the very creation of laws or regulations. For example, the environmental, civil rights, and consumer movements reflected basic alterations in societal values and thus may be seen as ethical bellwethers foreshadowing and resulting in the later legislation. In another sense, ethical responsibilities may be seen as embracing newly emerging values and norms society expects business to meet, even though such values and norms may reflect a higher standard of

Performance than that currently required by law. Ethical responsibilities in this sense are often ill defined or continually under public debate as to their legitimacy, and thus are frequently difficult for business to deal with. Superimposed on these ethical expectations emanating from societal groups are the implied levels of ethical performance suggested by a consideration of the great ethical principles of moral philosophy. This would include such principles as justice, rights, and utilitarianism. The business ethics movement of the past decade has firmly established an ethical responsibility as a legitimate CSR component.

Though it is depicted as the next layer of the CSR pyramid, it must be constantly recognized that it is in dynamic interplay with the legal responsibility category. That is, it is constantly pushing the legal responsibility category to broaden or expand while at the same time placing ever higher expectations on businesspersons to operate at levels above that required by law. It includes statements like:

- It is important to perform in a manner consistent with expectations of societal mores (customs) and ethical norms
- It is important to recognize and respect new or evolving ethical moral norms adopted by society
- It is important to prevent ethical norms from being compromised in order to achieve corporate goals
- It is important that good corporate citizenship be defined as doing what is expected morally or ethically
- It is important to recognize that corporate integrity and ethical behavior go beyond mere compliance with laws and regulations.

#### **2.2.3.4. Philanthropic Responsibilities**

Philanthropy encompasses those corporate actions that are in response to society's expectation that businesses be good corporate citizens. This includes actively engaging in acts or programs to promote human welfare or goodwill. The distinguishing feature between philanthropy and ethical responsibilities is that the former are not expected in an ethical or moral sense. Communities desire firms to contribute their money, facilities, and employee time to humanitarian programs or purposes, but they do not regard the firms as unethical if they do not provide the desired level. Therefore, philanthropy is more discretionary or voluntary on the part of businesses even though there is always the societal expectation that

businesses provide it. One notable reason for making the distinction between philanthropic and ethical responsibilities is that some firms feel they are being socially responsible if they are just good citizens in the community. This distinction brings home the vital point that CSR includes philanthropic contributions but is not limited to them. In fact, it would be argued here that philanthropy is highly desired and prized but actually less important than the other three categories of social responsibility. In a sense, philanthropy is icing on the cake-or on the pyramid, using our metaphor. It includes statements like:

- It is important to perform in a manner consistent with the philanthropic and charitable expectations of society
- It is important to assist the fine and performing arts
- It is important that managers and employees participate in voluntary and charitable activities within their local communities
- It is important to provide assistance to private and public educational institutions
- It is important to assist voluntarily those projects that enhance a community's "quality of life."

However, most of the empirical studies on Carroll's CSR Pyramid have been in an American context. Nevertheless, several of the empirical studies suggest that culture may have an important influence on perceived CSR priorities (Fukukawa, Meina, & Shafer, 2007; Hui & Jieyi, 2009). As a result, Visser (2006*b*) tried to revise Carroll's hierarchy of CSR in a way that he believes is better to be applied in developing countries in general and African countries in particular. According to Visser (2006*b*) the hierarchy is like the one shown in Figure 2.2 below.

In summary, the history of corporate social responsibility goes back for centuries. Throughout this time a number of definitions have been given to the term. The different definitions have differences in scope and dimensions. For the purpose of this study, the definition given by the world business council for sustainable development (WBCSD) which defined it as "Corporate Social Responsibility (CSR) is the commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve quality of life, in ways that are both good for business and good for development" is used. In addition to this definition, the four dimension of CSR pyramid is applied in the study.

**Figure 2.2.: Africa's Corporate Social Responsibility Pyramid**



Source: Visser (2006b)

#### **2.2.4. Summary of Legal Requirements of Business towards the Environment**

Trade Registration and Business Licensing Proclamation (Proclamation No. 67/1997) of Ethiopia requires that any commercial activity should be undertaken in compliance with environmental protection regulations. It regards the observance of environmental protection laws both as a pre-condition for issuance, and the ground for suspension and revocation of a business license. Article 22(2) of the proclamation requires presentation of a certificate from environmental agencies to the effect that the intended business activity does not violate environmental protection laws as pre-condition for the granting of business license. The proclamation also states that, if a licensed business is ascertained to have violated environmental protection laws, its license may be suspended until the violation is rectified. If the issue is not rectified within the specified time or if the business repeatedly commits the breach, the license may be revoked (Mellese & Mesfin, 2008).

The overall policy of Ethiopian environmental policy is to promote sustainable development through the sound management and use of resources so as to meet the needs of the present generation without compromising the ability of future generations to meet their own needs.



Environmental Pollution Control proclamation (proclamation # 300/2002) is the most relevant instrument for compliance and enforcement of air pollution control policy objectives. The law requires protecting the environment in general and safeguarding human health and wellbeing as well as maintaining the biota and aesthetic values of nature in particular. The proclamation has included principles like; refrain from polluting, administrative or legal measures imposed on violators (polluter pays principle), duty to install sound technology, polluter cleans up or pays the cost, closure or relocation of industrial sites to avert risks (Meskir, 2008).

### **2.2.5. CSR the Pharmaceutical Industry**

Making an informed judgment about the social responsibility of the pharmaceutical industry is a rather difficult endeavor. One of the many sources of difficulty is a wide pluralism of values, resulting in a multitude of definitions of corporate social responsibility. In principle the term describes the idea of a “social contract” consisting of a collection of “paragraphs” about labor standards and environmental responsibilities, and increasingly about human rights. While—at least in my perception—there are not too many complaints about the pharmaceutical industry’s performance with regard to labor standards and environmental care, the “access to medicine” performance seems to be a different ball game. The immense poverty-related health problems of the worlds destitute have become a challenging frame of reference for a new corporate social responsibility debate for the research-based pharmaceutical industry. People expect more from a “responsible corporate citizen” today than they did twenty or thirty years ago. The increased depth and breadth of expectations is the consequence of changed social and economic realities predominantly in industrial and some emerging countries. With increases in prosperity in industrial countries, the importance of immaterial values has risen—and social responsibility belongs in that basket. Parallel to this, a widespread sense of disquiet has developed over the fact that in quite a few places on this planet many people are eking out an existence in dire poverty, far removed from any increase in freedom or growing opportunity for choice. While it may remain a theoretical challenge to define who is “poor,” there is little doubt that the 1.3 billion people who live in households below the threshold of a total household consumption of \$1 a day per person have very practical problems with more than just income poverty.<sup>2</sup> Ill health, illiteracy, gender inequality, and environmental degradation keep them in a vicious circle of poverty and sickness that is historically well known from our own past: “Men and women were sick

because they were poor, they became poorer because they were sick, and sicker because they were poorer” (Leisinger, 2008).

## **2.3. Empirical Review**

### **2.3.1. Practice of Corporate Social Responsibility and the Possible Effects on Society and Organizations**

Many definitions forwarded at different times, and theories developed. All that will be meaningless unless and otherwise company managers has got it and get it in to ground. Corporate management is torn between either focusing solely on the interests of stockholders (the neo-classical view) or taking into account the interests of a wide spectrum of stakeholders (the stakeholder theory view). The neo-classical economists' view of the role of professional management within an company is that their decisions should be solely predicated on the objective of maximizing the corporation's long-term market value and so the wealth of the company's owners. In contrast, stakeholder theory suggests that managements' concern should extend to a much wider spectrum of stakeholders (e.g., employees, customers, suppliers and the general community) whose interests should all be taken into account in the decision processes of management (Bird & Hall, 2007).

There is clearly the potential for conflict between these two views in those instances where maximizing the wealth of owners is not the natural outcome of a process where the decisions by management are influenced by the interests of a broad spectrum of stakeholders (Bird & Hall, 2007). Of course, there is no need of conflict because in the same study the researchers examined the extent to which a conflict actually exists by examining the relationship between a company's positive (strengths) and negative (concerns) corporate social responsibility (CSR) activities and equity performance. In general, they found little evidence to suggest that managers taking a wider stakeholder perspective will jeopardize the interest of its stockholders.

A study by Rahman (n.d.) also indicated that CSR can help consumers learn about the profitability of firms and hence infer brand value. Thus, under appropriate conditions, CSR can be an effective tool to complement traditional branding activities such as advertising.

Sweeny (2009), in his side, implied that the financial implications of CSR are experienced in the long term. Thus, CSR can be viewed as a long term investment. He added mixed results were found for the argument that firms must first be profitable before undertaking CSR. Regarding this fact, Graves and Waddock (1997) (as cited in Tsoutsoura ,2004) argued 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 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.

Cheng, Ioannou, and Serafeim (2011) also showed that firms with better CSR performance face a capital supply curve that is less steep; which implies an enhanced ability to obtain capital either through lower interest rates and/or for a given interest rate, a larger amount of funds. CSR practice could also have a benefit of increasing employees work commitment. According to Settoon et al. (1996) and Eisenberger et al. (2001), as cited in Cunha, Faria, Leal, and Rego (n.d.), when employees feel that the organization is responsible toward them (e.g., improving work-family balance, offering higher salaries ), they tend to reciprocate with positive attitudes toward the organization, including affective bonds and feelings of loyalty. As a result employees seeking great empowerment, more job-security, better work-life balance and a sense of meaning in their work is from the reasons which drives companies towards CSR practice (Qasim & Ramaswamy, 2011).

The study in developing economies also showed a positive link between CSR and financial performance. A study by Fagbemi and Uadiale (2011), conducted in Nigeria, examined the impact of CSR activities on financial performance measured with Return on Equity (ROE) and Return on Assets (ROA). The results showed that CSR has a positive and significant relationship with the financial performance measures.

Opposite to all these, Fauset (2006) argued that CSR was, is and always will be about avoiding regulation, covering up the damage corporations cause to society and the environment and maintaining public co-operation with the corporate dominated system.

Efforts to control corporations' destructive impacts must have a critique of corporate power at their heart and a will to dismantle corporate power as their goal; otherwise they reinforce rather than challenge power structures, and undermine popular struggles for autonomy, democracy, human rights and environmental sustainability. She further argued that since companies cannot act in any wider interest than the interest of their shareholders to make profit, CSR is of limited use in creating social change. Since CSR is also a vehicle for companies to thwart attempts to control corporate power and to gain access to markets, CSR is a problem not a solution.

Generally, many researchers and practitioners support and convince the idea that CSR practices add value to both the corporate and the society. It seems that it is because managers in the contemporary world realized this fact and are adopting corporate social responsibility policies in their respective organizations. As it is stated in the works of different researchers, CSR practice has a benefit for the organizations in terms of increased access to credit capital, increased profitability, and also enhanced ability to attract skilled man power. It is also stated in the work of The World Business Organization (2002); no other human activity matches private enterprise in its ability to assemble people, capital and innovation under controlled risk-taking, in order to create meaningful jobs and produce goods and services profitably, profit being essential to long-term business survival and job creation. This finding could be an indication that the CSR activities of companies can benefit the society, in addition to the practicing companies. However, there is also a research that argues that the negative influence of CSR outshines the positive contributions that it could have on the community, though most the empirical findings support CSR has much positive impact. This study has also examined the impact of CSR practice by companies on the society.

### **2.3.2. Gaps in Practice, Attitude, and Literature in Different Countries**

Even though there is an increased expectation from government and the society and many firms around the world are acting in favor of CSR, the extent of practice by the companies, managerial attitudes as well as researches conducted in the area do have differences at the different angles of the world. For example, Bilal (2001) indicated that most of CSR studies conducted so far have been in the context of developed countries such as Western Europe, U.S., Australia, and that we still know very little about practices in ex-colonial, smaller, and emerging countries. As an evidence for this, a review of the CSR literature on Africa between

1995 and 2005 by Visser (2006a), as cited in Visser (n.d.), found that only 12 of Africa's 53 countries have had any research published in core CSR journals, with 57% of all articles focused on South Africa and 16% on Nigeria.

But the fact that most of the studies are concentrated in the developed countries does not evidence that there is similarity in their attitude and practice. Even within them there are differences. A research by Hongtao and Yi (n.d.) asserted that CSR as a concept and as activities are both generally accepted by management. A global survey conducted by The Economic Intelligence Unit found out that 85% of senior executives and institutional investors believe that CSR is an important consideration in decision making, indicating that CSR has been accepted even without a clearly defined business case (Qasim & Ramaswamy, 2011), indicating that business managers could have a positive attitude towards CSR even when the companies have a defined business case. However, a study by Zidarova (2011) explained that in order to be responsible and profitable in the same time, businesses must implement CSR policies, which answer the demands of their stakeholders, and communicate these policies through public relation. Orpen (1987), in his study assessing managerial attitudes towards corporate social responsibility, a comparison between American and South African corporate managers indicated that the United States managers held significantly more favorable attitudes towards corporate social responsibility. In addition, they agreed with more pro-responsibility arguments, whereas the South African managers agreed with more anti-responsibility arguments. The United States managers felt that their society expected more corporate involvement in social responsibility activities than the South African managers felt was expected from their society.

A research by Hui and Jieyi (2009), which made a comparative study with in Swedish and Chinese companies, reported that Swedish companies are doing far more than other countries, and the implementation of CSR is on the way that regulating by laws. Comparing with Sweden, Chinese companies have a long way to go. Not only is that, even in a single country there exists differences among different companies. For that in China the leading companies, like SGCC, are undertaking CSR and strive to be exemplary corporate citizens, than the smaller ones in the country. Besides, how managers of companies perceive the concept shows gap from the theories especially in the developing countries, manager's main concern is directed towards philanthropic activities. As an evidence for this, the study by Jamali and

Mirshak (2007), conducted in sample of Lebanese companies, found that companies are adhered to a discretionary conception of CSR implying an inclination among all companies operating in Lebanon to conceive CSR as comprising the philanthropic contributions that business firms make over and above their mainstream activities. While this may be interpreted as a natural evolution through Carroll's (1991) hierarchical CSR pyramid (which includes Economic Responsibility, Legal Responsibility, and Ethical Responsibility, in addition to the Discretionary or Philanthropic Responsibility) a more plausible explanation pertains to a lack of appreciation of the other domains of CSR and their critical importance particularly in a developing country context. In the other hand, the findings by Komaran and Tan (2006) support the applicability of Carroll's Pyramid of CSR constructs.

In summary, there are differences in practice of and attitude as well as literature in different countries of the world. Much of the literature is concentrated in the western world and it is very much low in African countries. Besides the practice of CSR is inclined more of to the philanthropic responsibilities, though there are evidences which supports the applicability of CSR four dimensions. This study has also examined the applicability of these four dimensions of CSR. Managerial attitude has also shown difference, some have positive attitudes and others support negative arguments.

### **2.3.3. Motives behind Corporate Social Responsibility Practice**

The reason behind getting involved in the corporate social responsibility practice is different from one firm to another. The mutual dependence between society and corporate can create value for both corporate and society. Some factors such as increasing of environmental awareness, increasing scarcity of tangible and intangible resources, and transparency of operations and functions have impact on it time to time. As well as corporate social responsibility uses from four main responsibility such as economic, legal, ethical, and philanthropy create various opportunities for top management so that reducing cost and enhancing organizations' competitive power. In addition, organizations shift towards excellence corporate citizenship thereby increase customer, employee and stakeholder loyalty (Gholami, 2011).

A study by Keating, Quazi, and Rahman (2010) asserted that firms use their CSR records to create the image of socially responsible firms and thereby influence consumer buying

decisions in favor of the goods and services marketed by them. Arguably, it is in the dynamic interaction of governments, public/consumer, and campaigning groups with businesses that what might be called a "virtuous spiral" is emerging. What is arguably happening is that, with the encouragement of campaigning groups (and it might not be too immodest to add, business ethicists), there are rising expectations on the part of the public regarding the ethical performance of business. Faced with a public disapproval that campaigning groups might exploit and governments be forced to act on, business responds with efforts to appear more socially responsible (Kaler, 2000).

In conclusion, motives behind CSR practice are different for different companies. It includes but not limited to the need influence consumer buying decisions, the pressure from campaigning groups, and enhancing competitive power by creating image of a socially responsible firm. This study has also addressed the reasons behind CSR practice by the case companies.

#### **2.3.4. Impact of CSR in the pharmaceutical corporations**

The fact is, we are not simply uninvolved onlookers—either as corporate citizens or as individual actors. Every one of us is constantly facing the question of who can contribute what to overcome states of affairs that we perceive as problematic. Our answers differ according to our personal values, our social affiliations, and our view of the world. And since there are important differences among these values, affiliations, and views, different constituencies often differ in their answers to the core question—*to whom, for what, and to what extent is a pharmaceutical corporation responsible?* The least common denominator of “social contract” thinking is that business enterprises have a responsibility not just to their shareholders but also to other stakeholders—individuals, groups, and society as a whole, including future generations. Given global poverty problems and increasing social and economic disparities, “society as a whole” is likely to be defined by most development-related stakeholders more comprehensively than just the “local” or the “national” society in which a corporation has its headquarters. One of the greatest intellectual challenges when coming up with a fair definition of “corporate social responsibility” is to define and justify the obligations underlying the term. Companies alone cannot define this for themselves with any claim to universal validity; legitimization arises through a consensus that is influenced by the shared values of a given society (Leisinger, 2008). Hence, an enlightened way for a corporation to define its social responsibility is to do so *after* engaging in an intensive dialogue with relevant stakeholder

groups and individuals who affect or are affected by the company's activities. As different actors want many different things, it is obvious that not all stakeholder demands per se constitute a reasonable corporate duty.

Yet only when a corporation knows the whole spectrum of stakeholder demands and is sensitive to the specific conditions under which they arise can it make informed choices, know the dilemmas that can arise, and explain what it considers to be a reasonable demand and why. In the context of the HIV/AIDS crisis, large pharmaceutical corporations have come under special pressure to give up intellectual property rights, to reduce prices to be compatible with the low purchasing power of patients living in absolute poverty, and to reallocate research capacities to neglected tropical diseases. All these demands are discussed today under the "social responsibility" heading. Failure to give in to such pressures resulted in negative public perceptions about the pharmaceutical industry's willingness to meet its responsibilities toward society.

#### **2.4. Conceptual Framework of the Study**

After reviewing numerous empirical findings the following conceptual framework is developed for this research. The conceptual framework of the research is developed by blending different factors from different writers. As it has been said above the primary stakeholders, in whom it is now described in the outer hemisphere of the below drawing, are shareholders, Employees, Community and consumers. Shareholders in the context of this study refer to Leadership Team (LT). As part of its policy the company leadership team has to be bought a share and should be shareholder to lead and run the business in any market. The other stakeholder's i.e employee, community and consumers have no contextual change from their original meaning so does on this study.

The responsibility of business through its owners or managers primarily is to produce and sell products and services that society wants and to sell them at fair pieces. Prices that society thinks represent the true value of the goods and services delivered and that provide business with profits adequate to ensure its survival and growth and to reward owners. While thinking economic responsibility, business employs many management concepts that are directed towards financial effectiveness - attention to revenue, costs, investment, strategic decisions making, and focused on long term financial performance etc.of the organization. Therefore first and foremost owners should satisfy their own financial interest as it is their primary rea-



*Figure 2.4: Conceptual Framework of the Study, source own Model*



son for investment.

In the second place, business has legal due diligence that should follow laws and regulations under which it operates. Business is expected to comply with the laws and regulations promulgated by federal, state and local governments at the ground rules under which business must operate. Businesses are expected to pursue their economic missions with the framework of the law. The laws include timely settlement of relevant taxes, applying environmental laws, meeting up product legal standards and fulfilling of contractual obligations.

The conceptual frame work on Fig above portrays the four components of CSR, beginning with the basic building block of the economic performance at the first. At the same time, business is expected to obey law, because law is society's codification of acceptable and unacceptable practices. In addition, there is business's responsibility to be ethical. At its most basic level, this is the obligation to do what is right, just and fair ad to avoid or minimize harm to stakeholders (employee, consumers, the community and others). Finally, business is expected to be good corporate citizen to fulfill its philanthropic responsibility.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

This part describes the methodologies that were used in this study: the choice of particular research designs, data type and source of data, research approach, data gathering technique and instruments, sampling and sampling techniques and data analysis techniques along with an appropriate justification associated with each approach.

#### **3.1 Research Design**

In order to attain the objectives of the study descriptive research design was used. Descriptive research is characterized by the prior formulation of specific research questions and hypotheses. Thus, the information needed is clearly defined. As a result, descriptive research is pre-planned and structured. It is typically based on large representative samples. A descriptive research design specifies the methods for selecting the sources of information and for collecting data from those sources. This study also employed both quantitative and qualitative research method.

#### **3.2. Sampling and Sampling Techniques**

##### **3.2.1 Target Population**

According to Hair (2010), sampling design begins by specifying the target population. This is the collection of elements or objects that possess the information sought by the researcher and about which inferences are to be made. The target population must be defined precisely. Imprecise definition of the target population will result in research that is ineffective at best and misleading at worst. Defining the target population involves translating the problem definition into a precise statement of who should and should not be included in the sample. The target population should be defined in terms of elements, sampling units, extent and time. An element is the object about which or from which the information is desired. In survey research, the element is usually the respondent. A sampling unit is an element, or a unit containing the element, that is available for selection at some stage of the sampling process. Target population is said to be a specified group of people or object for which questions can be asked or observed made to develop required data structures and information.

The target population of the study was employees Sanofi Aventis pharmaceutical company, government officials and customers of the companies.

### **3.2.2. Sampling Technique and Sample Size**

In order to determine the sample size of the study the student researcher used non-probability sampling approach for the population under study, particularly judgmental sampling technique. Based on this the researcher used 25 employees and 60 community members as the sample respondents in order to have reliable data for the study.

### **3.3. Type of Data Collected**

The study was used both primary and secondary data. The primary data was collected by conducting interview with the manager and distributing questionnaires to employees of the organization respectively. Also the secondary data was obtained from the organization strategic and annual plan and annual reports, relevant books, internet and documents.

### **3.4. Method of Data Collection**

The study was used both primary and secondary data. The primary data collected by using questionnaire and interview. Questionnaires were distributed to employees of Sanofi Aventis pharmaceutical company and the interview conducted with the manager. The secondary data sources were annual report, brochures, internet, relevant books and documents.

### **3.5. Methods of Data Analysis**

The data that was collected from respondents analyze by using both qualitative and quantitative technique. The data that was obtained from structured interview and open ended questionnaire was analyzed qualitatively and presented by narration and paragraphs. The data that was obtained from close ended questionnaires analyzed quantitatively and presented by tabulation and percentage.

### **3.6. Ethical Considerations**

When deception has occurred, debriefing was particularly emphasized, but it was a part of all research to monitor the experience of the participants' stakeholders for any unanticipated negative effects. This involved providing participants with written information describing the study and/or the contact details of service quality that participants can contact if they wanted to discuss the issues further. Participants should also know how to contact you after the study.

All the respondents had the right to privacy. The respondent privacy defined in terms of two dimensions of control. The first dimension includes control of unwanted telephone, mail, e-mail, or personal intrusion in the respondent's environment, and the second concerns control of information about the respondent.

Ethical and confidentiality concerns were observed. The researcher refuses to give the names of respondents to anyone outside the research project. Individual respondents were not identified in reporting survey findings; completely anonymous summaries, for example, in terms of tables and charts should be given. Respondents were asked for their consent to participate in a survey, and their privacy and rights were observed.

## **CHAPTER FOUR**

### **DATA PRESENTATION, ANALYSIS AND INTERPRETATION**

This chapter deals with the analysis and discussion of data collected from managers of the Sanofi Aventis pharmaceutical and different stakeholders. The chapter discusses in detail the attitude toward corporate social responsibilities by higher managers of the case company and also the extent of CSR practice, the understanding of CSR by the company, motives to practice CSR, and the possible benefits the company can realize by involving in CSR practice. To achieve its objective the study used questionnaire and semi-structured interview to collect the necessary primary data. A total of 25 sample employees and 60 societies were selected through judgmental sampling and only 3 questionnaires of the societies didn't returned. The data was analyzed by making use of simple descriptive statistical tools.

#### **4.1. The Employee Attitude towards Corporate Social Responsibility**

This part discusses the attitude of the business employees towards corporate social responsibility (CSR). The attitude has been measured by distributing questioner to individuals employees and four department, which has included eight positive statements towards CSR having five choices from strongly disagree to strongly agree. Table 4.1 presents the response of the employees on the eight positive statements towards Corporate Social Responsibility (CSR).

As can be seen from the table, from the eight statements, five of them showed an average score of greater than four out of five. This shows that most of the employees have strongly agreed with the practice and importance of CSR. The employees agree with two of the statements and were almost neutral with one of the statement. The statement which the managers were neutral with was "Government should not ask businesses to engage in CSR". From the five respondents, one said disagree, two agree and two neutral. This choice of mangers could have an implication on the employees' need of recognition by the government for their CSR contribution.

**Table 4.1: Employees' Attitude about CSR**

S. No	Statement	Respondents' response					total	Average
		5	4	3	2	1		
1	CSR adds value to the organization (values may include increasing goodwill, winning customers etc...).	4	5	5	5	5	24	4.8 (96%)*
2	Your businesses need to engage in more CSR activities, that is environment protection, waste disposal and community service.	4	5	5	5	3	22	4.4 (88%)
3	CSR enhances competitive advantage (for example increased profitability through increased number of customers and major suppliers).	4	5	4	5	5	23	4.6 (92%)
4	CSR is a necessary obligation	3	5	5	4	3	20	4(80%)
5	Government should ask businesses to engage in CSR	3	4	2	4	3	16	3.2 (64%)
6	Business success and responsibility go together	3	5	4	5	4	21	4.2 (84%)
7	Businesses should support other social institutions (like the RED CROSS and anti HIV/AIDS clubs) in solving societies problems	4	5	4	5	5	23	4.6 (92%)
8	Long run success of business depends on its ability to understand that it is part of a larger society and should act accordingly.	3	5	3	5	4	20	4 (80%)

Source, Own Survey; 2017

Note: \*-The average score is computed by dividing the total score to the maximum score which is twenty five (5\*5). Five represents the number of respondents and the other five represents the maximum score which a respondent can give to a question.

The employee's attitude towards corporate social responsibility has its impact on the extent of CSR practice by their organizations. If employees do have an attitude which favors CSR practices, they will take in to consideration such things when they make operational decisions. A global survey conducted by The Economic Intelligence Unit found that 85% of senior executives and institutional investors believe that CSR is an important consideration in decision making, indicating that CSR has been accepted even without a clearly defined business case. However differences in position attitudes have been observed by previous researchers.

In the same vein, employees attitude towards corporate social responsibility in the multinational pharmaceutical companies shows consistency with most of the findings in the previous studies conducted indifferent countries for example with the United States managers. This positive attitude of the managers also makes them part of 85% of the world managers. On the other hand, the material collected from the community and makes the case company accepted by them. Because of this reasons CSR is one that is parts of its planning process rather than the possible similarity in knowhow of managers regarding CSR.

## **4.2. Corporate Social Responsibility Practice**

This part of the study is dedicated to assess the extent of practice of CSR, company understanding of the issue, reasons to practice CSR, and possible benefits to the companies. According to the theoretical construct, firms' Corporate Social Responsibility practices can be seen in four dimensions; economic responsibility, legal responsibility, ethical responsibility, and philanthropic responsibility. As to further explanation, there are activities expected of business firms' under each of the four dimensions of corporate social responsibilities. This study was designed to assess Corporate Social Responsibility practices by the company. In doing so, the assessment was made by taking these four dimensions in to consideration as a bench mark. The following discussions are classified according to the research objectives listed out in chapter one of the study.

### **4.2.1. Corporate Social Responsibility Practice of Sanofi Aventis**

This part of the study is designed to discuss the extent of CSR practice by Sanofi Aventis pharmaceutical company. The practice of corporate social responsibility by the company was seen in case of the stakeholders, which includes employees, environment and community service. The company did have different responsibilities towards the different stakeholders;

economic, legal, ethical, and philanthropic. These different responsibilities do have their own theoretical details (refer to chapter two).

The first from the stake holders is employees. Towards their employees, companies do have legal, ethical and also discretionary (philanthropic) responsibilities. The first thing regarding employees is wage and salary. Employees at any organization expect salary which fairly compensates their contribution to the organization. When the managers of the case company explains about it, the company is of the good paying company in the city, especially before privatizing the company, the difference was so visible.

**Table-4.2: Employees response summary**

No	Item	Yes	No
1	Have you ever heard of the term corporate social responsibility?	56.95 %	41.05 %
2	Do you have information about corporate social responsibility practices by The Sanofi Aventis pharmaceutical before you became an employee of this organization?	45.26 %	54.74 %
3	Do you prefer to be an employee here since The Sanofi Aventis pharmaceutical works on corporate social responsibility practices?	29.5 %	70.5 %
4	Do you think that the work environment and other benefit packages help you to design the way how your organization could be able to fulfill its CSR?	64.21 %	35.79 %
5	If you say “no” for the above question, does it make you think of leaving the organization?	36.84 % 100 %	0
6	If your answer for question number four is yes, do you think that changes in these factors make you change your mind?	34.74 % 94.29 %	2.11 % 5.71 %

Source, Own Survey; 2017

*Note: \*- the second percentage represents the percent as a fraction of the preceding question respondents who said no.*

*\*\* - the percentage represents the percent as a fraction of the fourth question respondents who said no.*

However, according to the information gathered from employees 64.21% (Table 4.2) of respondents of the Sanofi Aventis pharmaceutical is happy with their monthly salary and other



benefits and the rest 35.79% of respondents of the Sanofi Aventis pharmaceutical' employees are unhappy with their monthly salary and other benefits. All the respondents who are unhappy with their monthly salary and other benefits said that they think of leaving the company because of it.

Besides, companies like multinational pharmaceutical companies, which do have operational activities which are risky for the health of workers, especially the technical ones as they work in machineries needs to have occupation health and safety policy. In the interview, managers of the respective company replied that they do have safety policy and there is a safety division in the company. According to the human resource manager of the Sanofi Aventis pharmaceutical, all employees do have health insurance. In the company they provide safety shoe, cloths and other safety instruments for the technical workers who work with machineries. The company is also expected to provide a good physical work environment and also reduce job insecurity. As per the researcher's observation the physical work environment can be called unsatisfactory in company and needs some betterment. Through a serious of observation the researcher came to conclude that anyone in company can observe dusts here and there and considering the climate in the area, which is so windy; these dusts can put the health of the employees in danger, though they are insured for that. But the human resource manager of the company argues that, considering the work nature, the company believes the physical work environment is not that bad. Concerning reducing job insecurity, the managers said there is no threat about job insecurity.

As per the response of the administrative & human resource manager, all the permanent workers are secured. Temporary (contractual) workers, he said, are most of the time hired when there is much loading and unloading jobs and these workers are hired on a daily basis so that there is no need to talk about job security concerning such kind of employees. Temporary workers can be hired to work for long and there are times where workers which initially are hired as a temporary worker are transferred in to a permanent one. But, the administrative and human resource manager of the Sanofi Aventis pharmaceutical, it needs to be recognized that the company is for Profit Company and it has no reason to keep employees when they do have nothing to do in the organization. In such a cases, the company will release such workers but with a compensating payment.

According to a previous research finding, when employees feel that the organization is responsible toward them (e.g., improving work-family balance, offering higher salaries), they tend to reciprocate with positive attitudes toward the organization, including affective bonds and feelings of loyalty. Hence, the case company can strengthen their employees' commitment to the organization through creating an environment which can satisfy such requirements of employees.

The company was successful in meeting their responsibility of giving a secured job and providing safety policy. However, there is a gap between employees' expectation and company's practice of monthly salary and other benefits and also providing good physical work environment. And a previous research finding indicated that employees seeking great empowerment, more job-security, better work-life balance and a sense of meaning in their work are from the reason which drives companies towards CSR. It is true that satisfying everyone in the organization is almost impossible. However, it is possible to satisfy most and increase their commitments if we do things fairly. In a nutshell, we can say that the firms are fulfilling their responsibility towards their employees partially.

Community comes as the second stake holder of a company. Responsibilities towards the community is more of discretionary (philanthropic) in nature. Both of the case companies, according to the interview response and the information from the bureau of community service, involve in community development programs. The administrative and human resource manager of the company explained that they are selective on sponsorship proposals and specifically accepts those which concerns about the key problems of the people of the city and will provide funds.

The specific actions the company has involved in include; supporting primary and secondary schools library support, making cobble stone in the campus of the mentioned schools present around the factory, supporting HIV/AIDS, support of pure water supply, sponsorship of books and films, help for orphans and vulnerable children, and a lot more.

In addition, as per administrative and human resource manager of the Sanofi Aventis pharmaceutical' responses, there are a lot of sponsorship questions from different institutions. But the company has limited capacity so that it cannot satisfy all of the inquiries. But selectively, there are activities conducted by the company which favors the betterment of life of the community. As an example, he said, the company has provided container shops for

those who are organized under the small and micro enterprises, it does have sport club which it provides all the necessary materials and make payments to the members, it has sponsored a lot of books and festivals which strengthens cultural developments, help for orphans and vulnerable children (through contribution made by employees, as a deduction from their monthly salary), and the like.

According to head of Core Process of Social Protection and Rehabilitation program, under the bureau of community service affairs, Sanofi Aventis pharmaceutical are one of the private firms that their organization is working in co-operation with. This company involves in care and support of Orphans and Vulnerable Children (OVC), i.e. they allocate budget necessary to cover the expense of basic needs and educational materials. However, considering the number of OVC and the existing capacity of the company, the organization believes that the numbers of OVC under these companies are not good enough and expects them to increase the number of OVC supported.

A prior study indicated that philanthropy includes actively engaging in acts or programs to promote human welfare or goodwill. Philanthropy encompasses those corporate actions that are in response to society's expectation that businesses be good corporate citizens. Concerning the community, companies are expected to contribute to the betterment of the life of the community through for example supporting cyclone centers and educational institutions, donating money and medicine to help implement community health related programs, making contribution to community social and cultural development, supporting those projects that enhance a community's quality of life like pure water supply projects and also creating job opportunity. When we see its practice, it almost is involving in all parts that it is expected to involve in, setting aside the magnitude. In this regard, though it has no obligation rather responsibility, the company is doing well.

The third stakeholder is environment. Pollution Control Senior Expert of the Environmental protection authority explicated that their organization works with private firms for the achievement of its missions. Sanofi Aventis pharmaceutical are private firms that the organization is working with in waste treatments. The relation is started recently and the organization believes that the actions undertaken by the Sanofi Aventis pharmaceutical in order to keep environment clean, reduce emission and treatment of liquid waste and bad smell

are not good enough. Emission, bad smell and liquid waste will have a negative impact on the health of the community and also animals. He added that they recommended the company to conduct plantation, especially big broad leafed trees surrounding the factory so as to trap some dusts, to treat their liquid waste before it is released to the society, and to use technology which reduces its contribution to environmental pollution. He also said a notice is given by their organization to the company to correct such problems within three months' time, especially its liquid and solid waste and factory area treatment. He advised that the company should keep the factory area clean and green.

The administrative and human resource manager of the company said that they have the program of tree plantation in their compound and especially after the millennium the activities are strengthened. This plantation program will help to reduce emission of dust to the air because the planted trees will trap some of it. Also the expansion projects are designed in such a way that emission will be reduced to zero meaning that the expansion projects are environmentally sound. With regard to their liquid waste, the company uses its safety tankers so that there will be no liquid waste released to the society. Besides, though the company has no involvement in forestation programs, there is an area where the company has taken the responsibility to keep away from the reach of peoples and animals by hiring guards to protect it so that the naturally growing plants will be kept safe from being cut and destroyed by the local people (philanthropic contribution).

Trade Registration and Business Licensing Proclamation (Proclamation No. 67/1997) of Ethiopia requires that any commercial activity should be undertaken in compliance with environmental protection regulations. It regards the observance of environmental protection laws both as a pre-condition for issuance, and the ground for suspension and revocation of a business license. Article 22(2) of the proclamation requires presentation of a certificate from environmental agencies to the effect that the intended business activity does not violate environmental protection laws as pre-condition for the granting of business license. The proclamation also states that, if a licensed business is ascertained to have violated environmental protection laws, its license may be suspended until the violation is rectified. If the issue is not rectified within the specified time or if the business repeatedly commits the breach, the license may be revoked (Mellese & Mesfin, 2008). Therefore the companies'

Compliance with environmental laws is mandatory because breach has consequences which can go up to the revocation of their trade license.

The overall policy of Ethiopian environmental policy is to promote sustainable development through the sound management and use of resource so as to meet the needs of the present generation without compromising the ability of future generations to meet their own needs. Environmental Pollution Control proclamation (proclamation no. 300/2002) requires protecting the environment in general and safeguarding human health and wellbeing as well as maintaining the artistic values of nature in particular. The proclamation has included principles like; refrain from polluting, administrative or legal measures imposed on violators (polluter pays principle), duty to install sound technology, polluter cleans up or pays the cost, closure or relocation of industrial sites to avert risks (Meskir, 2008). Being a firm operating in Ethiopia the case company is also expected to operate in compliance with policy and laws of the country. The company is expected to reduce use of harmful chemicals/release of harmful gases, bad smell, involve in forestation and city beautification programs and also to keep their compound clean and reduce the negative influence it has on the community.

Empirical evidences revealed that financially strong companies can afford to invest in ways that have a 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. Hence, as one of the largest companies in the city (Multinational pharmaceutical companies), a larger contribution may be expected from it by the community. Its response also witnesses this fact. The case companies said that there are a lot of institutions asking for sponsorship of activities and they replied to those sponsorship inquiries which they think are more important for the community, indicating the expectation from the community. The companies are almost perfect with the fulfillment of it responsibilities with regard to the community and their employees. Failures are observed concerning the environment. In a nutshell, we can consider the overall CSR practice fulfilled partially. However, there is a need for more accomplishment of such responsibilities so that support the development of the country more than ever as growth generated by the private sector will be more inclusive, equitable and poverty reducing.

#### **4.2.2. To What Extent the management and employees of the case Company is clear with Corporate Social Responsibility?**

The administrative and human resource manager of the Sanofi Aventis pharmaceutical replied that the company is responsible to its owners in achieving its objective of maximization of return, and also working with its employees and society for the achievement of these objectives (economic responsibility). Further he elucidate that the company is basically responsible to act according to the business rules and regulations of the country (legal responsibility). They also pointed out that the companies responsible to the customers in providing quality products, and the community in helping for the betterment of quality of life, in co-operation with government (legal, ethical, and philanthropic responsibility).

The above response, when it is compared with CSR definition used in this study and the four CSR dimensions, the case company has a better understanding about CSR. Besides, the responses clarify that the companies have realized that they are socially responsible in economic, legal, ethical and philanthropic dimensions and hence apply Carroll's CSR pyramid constructs.

However, even though the managers' response indicated that the company is clear with CSR issues, the company has failed to have specifically designed set of policies and principles regarding their social responsibility practices. But, a prior study explained that in order to be responsible and profitable in the same time, businesses must implement CSR policies, which answer the demands of their stakeholders. The fact that the companies do not have a specifically designed set of policies and principles regarding CSR implies that it may not have their own explanation for what CSR means for the companies so that there are probability that the explanations given by the managers can be their personal views than the company view.

56.95% (Table 4.2) of the employees' respondents in the Sanofi Aventis pharmaceutical replied that they have the knowhow about corporate social responsibility. But, when they are asked as to how they understand it, most of the respondents have failed to give any explanation and few have tried to give meaning which is much inclined towards the

philanthropic responsibility of its respective company, which shows similarity with the managers' view in the prior research in Lebanon.

Difference as to how firms' understand corporate social responsibility has been considered in prior researches. A research conducted in Lebanon for example showed that companies were adhered to a discretionary (philanthropic) conception of CSR implying an inclination among all companies operating in Lebanon to conceive of CSR as comprising the philanthropic contributions that business firms make over and above their mainstream activities. While this may be interpreted as a natural evolution through the theoretical hierarchical CSR pyramid (which includes Economic Responsibility, Legal Responsibility and, ethical Responsibility, in addition to the Discretionary or philanthropic Responsibility). Another study reported the applicability of Carroll's Pyramid of CSR constructs. In the Sanofi Aventis pharmaceutical, however, there is an inclusion of all responsibilities in the theoretical hierarchy. But, a difference from the theoretical prioritization given for both the global case and Africa has been observed.

In the theoretical CSR constructs, first comes economic responsibility, then legal, ethical, and finally philanthropic responsibility. In the theoretical new African pyramid economic responsibility comes first, then philanthropic, then legal, and finally ethical responsibility. However, the case company prioritizes this dimension as, economic responsibility first, then legal, philanthropic, and finally ethical responsibility. The difference between African CSR pyramid and the prioritization of the case company comes in how they rank the legal and philanthropic responsibilities. The African pyramid ranks philanthropic and legal responsibility second and third respectively, but the case company rank these responsibilities the other way round, legal second and philanthropic third. Prior studies gave an explanation on the more inclination towards philanthropic responsibility, that is, there is lack of appreciation of the other domains of CSR and their critical importance particularly in a developing country context. Therefore, the inclusion of the other domains of CSR could be as a result of the existence of appreciation of all CSR dimensions and understanding of their importance for both the company as well as the community.

In general, considering the definition used in this study and the theoretical hierarchical CSR constructs, there is a better understanding of the concept of corporate social responsibility, the company applies the theoretical four dimensions of CSR (knowingly or unknowingly), even though there is a difference in prioritization of such dimensions of CSR.

### **4.2.3. Motivating Factors to Respond to the Question of Corporate Social Responsibility**

Companies do have their own reasons for involving in Corporate Social Responsibility practices. And these reasons are different from one company to another. There is also a probability that a company may have multiple reasons to practice CSR. Sanofi Aventis pharmaceutical can be one example here. As per the explanation of the administrative and human resource manager of the the Sanofi Aventis pharmaceutical, the company has multiple reasons while it is involving in corporate social responsibility practices. The first reasons, according to him, that the company wants to get a greater reputation from the public. By being an active participant in developmental activities of the community, it wants to send a message that it always is part of the countries developmental movements, and works for the betterment of quality of life of the society, in addition to maximization of return to the owners. If the companies become effective in doing so, they will in turn get the benefit of increased customers' loyalty. Secondly, they added, the companies through involving in CSR practices wants to create sense of belongingness in the society towards the company. They further explained that the company wants to make the community believe that the existence of the company is a great benefit for them also.

A prior research elucidated that the mutual dependence between society and corporate can create value for both corporate and society. Some factors such as increasing of environmental awareness, increasing scarcity of tangible and intangible resources, and transparency of operations and functions have impact on it time to time. In addition, organizations shift towards excellence corporate citizenship thereby increase customer, employee and other stakeholder loyalty. Another study asserted that firms use their CSR records to create the image of socially responsible firms and thereby influence consumer buying decisions in favor of the goods and services marketed by them. And faced with a public disapproval that campaigning groups might exploit and governments be forced to act on, business responds with efforts to appear more socially responsible.

The reasons by the case companies are consistent with prior research findings. The reasons described by the administrative and human resource manager of the Sanofi Aventis pharmaceutical have consistency with the previous findings in that organizations shift towards excellence corporate citizenship thereby increase customers, and other stakeholders loyalty



and that firms use their CSR records to create the image of socially responsible firms and thereby influence consumer buying decisions in favor of the goods and services marketed by them.

#### **4.2.4. What Possible Benefits can the Company Realize Because of Their Involvement in CSR Practice?**

There are evidences which witness the fact that there are benefits the company can realize through their involvement in CSR practices. CSR practices can have an impact on companies' ability to attract skilled man power. 54.74% of the respondents in Sanofi Aventis pharmaceutical, did not has any information about CSR practices by the companies 70.5% of the respondents in the Sanofi Aventis pharmaceutical, also replied the CSR practice by the company did not has any part on making them apply to work within these companies. This implies that the ability of the Sanofi Aventis pharmaceutical to attract skilled employees is less.

A prior research indicated that those investments which have long term strategic impact may be strategically linked to a better public image and improved ability to attract more skilled employees which shows inconsistency with our finding. The difference in the previous research finding and the case in this company is, may be, as a result of the fact that, as compared with labor supply, there is less job opportunity in the country so that employees do not have much chance to choose from among employer organizations which can meet their choices. This can be improved through time as more and more job opportunities becomes available in the country and hence employees will get a chance to chose among employer organizations which can fulfill their expectations from an organization, in addition to salary.

### 4.3 Analysis of the Societies Responses

**Table. 4.3. General Background of the Respondents**

S N	Item	Alternative	Frequenc y	Percentag e
1	Gender	Female	21	37.4
		Male	36	62.6
		<b>Total</b>	<b>57</b>	<b>100.0</b>
2	Educational background	12 Completed	30	52.1
		Certificate	3	5.3
		Diploma	15	27.4
		First degree	9	15.3
		Masters & above		
		<b>Total</b>	<b>57</b>	<b>100.0</b>
3	For how many years you lived around the company?	Less than 1 year		
		For 1 to 2 years	12	22.1
		For 3 to 4 years	24	42.6
		Above 4 years	21	35.35
		<b>Total</b>	<b>57</b>	<b>100</b>

Source, Own Survey; 2017

As can be seen on the table two, 62.6% of the respondents are male and 37.4 % of them are female. And on the item two the educational background of the respondents shows that 52.1% of them are 12 grade completed, 5.3 % of them have certificate, 27.4% of them are graduate with diploma and the rest 15.3 of them are graduate with first degree. On the item three of the 22.1% of the respondent's lives around the company for 1 to 2 year, 42.6% of them are for 3 to 4 year and 35.35% of them are for above four years.

**Table 4.4. The benefit of the CSR**

Item	Alternative	Frequenc y	Percentag e
1. I have heard about CSR practice of the company before	Strongly agree		
	Agree	6	10
	Neutral	9	17.4
	Disagree	18	33.7
	Strongly Disagree	24	38.9
	<b>Total</b>	<b>57</b>	<b>100.0</b>
2. I have a good relationship with the company	Strongly agree	3	5
	Agree	6	10
	Neutral	12	20
	Disagree	9	16.4
	Strongly Disagree	27	48.6
	<b>Total</b>	<b>57</b>	<b>100.0</b>
3. I believe that I haven't got a benefit from the company's operation	Strongly agree	18	32.8
	Agree	21	37.2
	Neutral	12	20
	Disagree	3	5
	Strongly Disagree	3	5
	<b>Total</b>	<b>57</b>	<b>100.0</b>
4. The company tries to trace the negative impacts of its production process on the environment	Strongly agree		
	Agree	6	10
	Neutral	6	10
	Disagree	21	37.2
	Strongly Disagree	24	42.6
	<b>Total</b>	<b>57</b>	<b>100.0</b>

Source, Own Survey; 2017

As can be seen on the item 1 of table 4.4, for the statement “I have heard about CSR practice of the company before” 10% of the respondents agree, 17.4% of them are neutral, 33.7% of them disagree and 38.9% of them are strongly disagree. Based on the data majority 72.6 of the respondents didn't agree. This implies that the company didn't has a good complain handling mechanism.

As can be seen on the item 2 of table 4.4, for the statement “I have a good relationship with the company” 5% of the respondents strongly agree, 10% of them are agree, 20% of them are neutral, 16.4% of them are disagree and 48.6% of them are strongly disagree. Based on the

data majority 65% of the respondents didn't agree. This implies that the society didn't have good relationship with the company.

As can be seen on the item 3 of table 4.4, for the statement "I believe that I haven't got a benefit from the company's operation" 32.8% of the respondents strongly agree, 37.2% of them are agree, 20% of them are neutral, 5% of them are disagree and 5% of them are strongly disagree. Based on the data majority 68% of the respondents agree with the statement. This implies that society that lives around the company believe that they didn't have a benefit from the company's operation.

As can be seen on the item 4 of table 4.4, for the statement "The company tries to trace the negative impacts of its production process on the environment" 10% of the respondents strongly agree, 10% of them are neutral, 37.2% of them are disagree and 42.6% of them are strongly disagree. Based on the data majority 79.8% of the respondents didn't agree. This implies that the company didn't tries to trace the negative impacts of its production process on the environment.

**Table 4.5. The company interest for locally**

Item	Alternative	Frequenc y	Percentag e
1. The company provides clear information about its products	Strongly agree		
	Agree	27	45.8
	Neutral	9	18.4
	Disagree	9	17.9
	Strongly Disagree	12	22.6
	Total	<b>57</b>	<b>100.0</b>
2. The company is interested in a locally coordinated project which can benefit the local community	Strongly agree		
	Agree	6	10.5
	Neutral	12	22.6
	Disagree	12	20.0
	Strongly Disagree	27	46.8
	Total	<b>57</b>	<b>100.0</b>
3. The company gives regular financial support to local community activities and projects	Strongly agree	6	11.1
	Agree	12	22.1
	Neutral		
	Disagree	18	31.6
	Strongly Disagree	21	35.3
	Total	<b>57</b>	<b>100.0</b>

4. What does the relationship that you have with the company looks like.	Very good		
	Good		
	Medium	15	25.3
	Bad	24	45.3
	Very bad	18	29.5
	Total	<b>57</b>	<b>100.0</b>

Source, Own Survey; 2017

As can be seen on the item 1 of table 4.5, for the statement “The company provides clear environmental information about its products” 45.8% of the respondents agree, 18.4% of them are neutral, 17.9% of them are disagree and 22.6% of them are strongly disagree. Based on the data majority of the respondents didn’t agree. This implies that the company didn’t provide clear information about its products.

As can be seen on the item 2 of table 4.5, for the statement “The company is interested in a locally coordinated project which can benefit the local community” 10.5% of the respondents are agree, 22.6% of them are neutral, 20.% of them are disagree and 46.8% of them are strongly disagree. Based on the data majority of the respondents didn’t agree. This implies that the company is not interested in a locally coordinated project which can benefit the local community.

As can be seen on the item 3 of table 4.5, for the statement “The company gives regular financial support to local community activities and projects” 11.1% of the respondents strongly agree, 22.1% of them are agree, 31.6% of them are disagree and 35.3% of them are strongly disagree. Based on the data majority of the respondents agree with the statement. This implies that the company didn’t gives regular financial support to local community activities and projects.

As can be seen on the item 4 of table 4.5, for the relationship that the respondents have with the company looks like 25.3% of the respondents as medium, 45.3% of them as bad and 29.5% of them as very bad. Based on the data majority of the respondents choose bad. This implies that the company didn’t have good relationship that the respondents have with the society.

**Table 4.6. The comprises of the CSR of the company**

Item	Alternative	Frequency	Percentage
1. The company CSR activity comprises sustainability, use no more of a resource than can be regenerated.	Strongly agree		
	Agree		
	Neutral	9	17.4
	Disagree	21	37.4
	Strongly Disagree	27	46.2
	<b>Total</b>	<b>57</b>	<b>100.0</b>
2. The company CSR activity comprises accountability, reporting of those quantifications to all parties affected by those actions.	Strongly agree		
	Agree	6	2
	Neutral	15	27.9
	Disagree	6	10
	Strongly Disagree	30	52.1
	<b>Total</b>	<b>57</b>	<b>100.0</b>
3. The company CSR activity comprises transparency, the actions of the organization can be ascertained from that organization's reporting.	Strongly agree		
	Agree	24	42.6
	Neutral	12	20
	Disagree		
	Strongly Disagree	21	37.4
	<b>Total</b>	<b>57</b>	<b>100.0</b>

Source, Own Survey; 2017

As can be seen on the item 1 of table 4.6, for the statement “The company CSR activity comprises sustainability, use no more of a resource than can be regenerated” 7.9% of the respondents agree, 10.5% of them neutral, 37.4% of them are disagree and 44.2% of them are strongly disagree. Based on the data majority of the respondents didn't agree. This implies that the company CSR activity didn't comprises sustainability, use no more of a resource than can be regenerated.

As can be seen on the item 2 of table 4.6, for the statement “The company CSR activity comprises accountability, reporting of those quantifications to all parties affected by those actions” 9.5% of them agree, 27.9% of the respondents neutral, 10.5% of them are disagree and 52.1% of them are strongly disagree. Based on the data majority of the respondents didn't

agree. This implies that the company CSR activity didn't comprises accountability, reporting of those quantifications to all parties affected by those actions.

As can be seen on the item 3 of table 4.8, for the statement "The company CSR activity comprises transparency, the actions of the organization can be ascertained from that organization's reporting" 42.6% of the respondents agree, 22.1% of them are neutral and 35.3% of them are strongly disagree. Based on the data majority of the respondents agree with the statement. This implies that the company CSR activity comprises transparency, the actions of the organization can be ascertained from that organization's reporting.

# **CHAPTER FIVE**

## **SUMMARY, CONCLUSION AND RECOMMENDATION**

### **4.1 Summary of the Major Findings**

The study was conducted at the Sanofi Aventis pharmaceutical. The main objective of the study was to explore the practice of Corporate Social Responsibility on The Sanofi Aventis pharmaceutical. The main findings of the study are summarized below:

- The study reveals that the employees in the Sanofi Aventis pharmaceutical have a positive attitude towards corporate social responsibility.
- The study shows that managerial attitude towards corporate social responsibility in the Sanofi Aventis pharmaceutical is found to be consistent with most of the findings in the previous studies conducted in different countries.
- The study shows that satisfying everyone in the organization is almost impossible. However, it is possible to satisfy most and increase their commitments if we do things fairly. In a nutshell, we can say that the firms are fulfilling their responsibility towards their employees partially.
- It was found that the practice of CSR in relation to community, it almost is involving in all parts that it is expected to involve in, setting aside the magnitude. In this regard, though it has no obligation rather responsibility, the company is doing well.
- The study reveals that the company is almost perfect with the fulfillment of its responsibilities with regard to the community and its employees. Failures are observed concerning the environment. In a nutshell, we can consider the overall CSR practice fulfilled partially. However, there is a need for more accomplishment of such responsibilities so that support the development of the country more than ever as growth generated by the private sector will be more inclusive, equitable and poverty reducing.
- The study should also explore the case company's CSR pyramid in relation to Carroll and Africa. The case company pyramid somewhat different from the theoretical aspect. The case company prioritizes the dimensions as, economic responsibility first, then legal, philanthropic, and finally ethical responsibility.



- The study found that the case company applies the theoretical four dimensions of CSR (knowingly or unknowingly), even though there is a difference in prioritization of such dimensions of CSR.
- The study reveals that the motivated factor of applying CSR. In this regard the company wants increase customers, and other stakeholders loyalty and that firms use their CSR records to create the image of socially responsible firms and thereby influence consumer buying decisions in favor of the goods and services marketed by them.
- It also found the benefit of CSR. In this regard, CSR practices can have an impact on company's ability to attract skilled man power. But there is a difference in the previous research finding and the case company. As a result of the fact that, as compared with labor supply, there is less job opportunity in the country so that employees do not have much chance to choose from among employer organizations which can meet their choices.

## **5.2. Conclusion**

Corporate social responsibility (CSR) is a concept with a continuing debate. There is an increasing evidence that the CSR movement has picked up enough momentum to continue unabated into the next century. But, still empirical studies have generally remained scant. Specifically, there is a scarcity of research addressing the concept and practice of CSR in developing countries in general and it is almost at its zero stage in Ethiopia.

This study presented the result of a research investigating attitude of management towards corporate social responsibility and practice of the same in the Sanofi Aventis pharmaceutical. In addition to the case company, data was collected from other stakeholders of the company (employees, environmental protection authority, and Bureau of community service). The responses from these stakeholders were required for cross checking the response from interview with the company manager and see how they perceive the company's activities.

The study was conducted using primary data collected from interview and questioner designed in such a way that can answer the objectives of the study. In studying the managerial attitude towards CSR, linker scaling has been used to summarize and analyze their responses. The response of employees was summarized using descriptive statistics (frequency and

percentage). The findings revealed that, though, the Sanofi Aventis pharmaceutical are not completely clear with the philosophy of corporate social responsibility, it has a better concept about CSR when it is compared with other previous findings in other developing countries. There is a complete inclusion of the four theoretical dimensions of CSR (economic responsibility, legal responsibility, philanthropic responsibility, and ethical responsibility).

Besides, the Sanofi Aventis pharmaceutical had a positive attitude towards the concept and practice of Corporate Social Responsibility. It means the top management recognized that CSR contributes to the sustainable development of business and society, though; they do not have a specifically designed set of policies and principles about their Corporate Social Responsibility. However, there is a difference in how they prioritize the four theoretical CSR dimensions as compared to the prioritization developed by prior studies.

In their prioritization, economic responsibility come first, then legal, philanthropic and finally ethical responsibilities. The theoretical CSR construct which was developed for the global case prioritize them as economic responsibility first, then legal responsibility, Ethical responsibility, and finally philanthropic responsibility and the African construct prioritize them as economic responsibility first, philanthropic responsibility second, legal responsibility third, and lastly ethical responsibility. The difference between African CSR pyramid and the prioritization of the case company lies in how they rank the legal and philanthropic responsibilities. The African pyramid ranks philanthropic and legal responsibility second and third, respectively, but in the case company rank these responsibilities differently, i.e., legal second and philanthropic third. The study has seen the CSR practice by the company in accordance with its three stakeholders (creditors (employees, the environment, and community).

According to the findings, this company was acting in compliance with the legal, ethical and philanthropic requirements with regard to employees. The companies fulfill their corporate social responsibility partially towards employees. Concerning the environment also, The Sanofi Aventis pharmaceutical has failed to operate in compliance with the requirement of the environmental protection authority, though there is a step forward movement regarding the same by putting attention on the impact of factory emission, bad smell and designing an expansion project which is environmentally sound. However, the company involving in the city beautification program which is a philanthropic conduct towards the environment. The

responsibility towards the community is philanthropic in nature and the company has done a lot in this regard. Hence, implies that this company is fulfilling their corporate social responsibility partially.

The motive for a company to act in a socially responsible way differs from one company to another. But, the reasons for the case companies were the same. Reasons for The Sanofi Aventis pharmaceutical include, having greater reputation from the public so that increase customers loyalty (profit motive), and creating sense of belongingness up on the local community towards the company. In addition pressure by different organizations and individual personnel have also contributed to the philanthropic responsibility of the company.

This study has also tried to see if CSR practice by the case company can derive benefit in attracting skilled man power and enhancing their ability to get capital from creditors. Previous research findings showed that there are benefits which can realize by the involvement in CSR activities, like attracting skilled man power, enhancing ability to get credit capital, increase customer loyalty and in turn profitability, etc. This study finding indicated that the company CSR practice was not able to attract skilled man power and even most of its employees did not have any information about CSR practice of the company when they applied to work in this organization.

### **5.3. Recommendation**

The employees who are found to have a positive outlook towards the concept and practice of Corporate Social Responsibility are expected to put their views in to practice and then push the company's move towards CSR in to the next step, i.e., the designing of policies and principles about their CSR and consideration of these policies and principles in every operational decisions.

In the move towards practicing corporate social responsibility, especially the philanthropic one, a question may be raised as to what to do for the community, so that most will benefit from it. Understanding the community need is the first step in conducting philanthropy to the society. This could be achieved by conducting a need assessment. Once the need assessment is completed, the second step will be prioritization of such needs. In addition to the needs, the area in which CSR practice is needed have to be identified. Then, the company can get in to practice.

As an alternative, working in co-operation with non-governmental organizations (NGO's) can be one way to practice Corporate Social Responsibility (philanthropy). These partnerships enhance the corporations' role in the community and the ability of NGOs to sustain the social needs within the same community. This cooperation with NGO's could make the corporate philanthropic activities much easier and faster as NGO's makes need assessments and can recommend the company what contributions it has to make in order to solve societal problems.

A prior research explained that in order to be responsible and profitable at the same time, businesses must implement CSR policies, which answer the demands of their stakeholders. However, the firm failed to have a specifically designed set of policies and principles concerning CSR. May be their failure to meet social responsibility is attributed to lack of such policies and principles. Hence, it is better for the company to have policies and principles about CSR so that they can always consider it when it makes operational decisions and hence will improve the extent of its CSR practice. CSR principles may include:

- ❖ Obey the laws and regulations of the countries and conduct all business in an ethical manner.
- ❖ Respecting the rights and dignity of every employee and treat them fairly and without discrimination.
- ❖ Encouraging team working and the sharing of knowledge throughout the organization.
- ❖ Recognizing employees' individual and team contribution and reward them appropriately.
- ❖ Providing good working and employment conditions for the staff.
- ❖ Giving for health and safety, the highest priority in all business activities and in accordance with health and safety policy.
- ❖ Managing the environmental impacts of company's activities, products and services responsibly in accordance with the environmental policy.
- ❖ Working to develop business sustainably with due consideration for environmental issues.
- ❖ Supporting a precautionary approach to environmental challenges.
- ❖ Undertaking initiatives to promote environmental responsibility.
- ❖ Encouraging the development and diffusion of environmentally friendly technologies.

- ❖ Promoting a reputation for honesty, trust and excellence with employees, clients, government, creditors, environment, and suppliers.

The findings resulted that most of the employees lack awareness on the concept of corporate social responsibility. Creating awareness could have a positive impact on their contributions to the company move towards CSR. Thus, it is better if the company create concept awareness on the issue of CSR. Before that, the company needs to have a clearly designed set of policies and principles and include it as its business objective. Once they design company level policies and principles, letting the employees know the plan can be done on regular meetings. Introducing the company level policies and principles can put a pressure up on the employees to be part of the company Corporate Social Responsibility practice and make them contribute by themselves.

Serious follow up by the environmental protection authority could have a positive impact on the actions of the case company. It is good for the environmental responsibilities of company to be fulfilled. The environmental protection authority should conduct a serious and continuing follow up and also create sense of belongingness and awareness towards the environment.

The overall policy of the Ethiopian environmental policy is to promote sustainable development through the sound management and use of resource so as to meet the needs of the present generation without compromising the ability of future generations to meet their own needs. Therefore, the company are expected to use resources efficiently and dispose their waste appropriately so that satisfy its needs, not endanger the environment, and in turn the health of the present and future community of the area.

Finally, awareness could be created by giving training for selected (responsible) personnel in the organization. How its operation could endanger the environment and how environmental pollution can put the health of the community as well as their domestic animals in danger, and even how risky it is on its long term performance could be the possible point of discussions in the training.

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