2018

The Relationship Between Corporate Social Responsibility, Corporate Sustainability, and Corporate Financial Performance

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Abstract

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MSc, Queen Mary University of London, 2010

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Doctoral Study Submitted in Partial Fulfillment

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Abstract

Some business executives are reluctant to engage in social responsibility and sustainability practices because of the assumption that these projects are costly and impair profitability. The purpose of this correlation study was to examine the relationship between corporate social responsibility, sustainability (as proxied by the 2016 Best Corporate Citizens index), and corporate financial performance (as measured by ROA and Tobin's Q). Stakeholder theory was the theoretical framework for the study. The results of linear regression analyses indicated an insignificant positive relationship between corporate social responsibility, sustainability, and financial performance. The yield of the linear regression analyses was as follows: $F(1, 12) = .023$, $p = .881$, $R^2 = .002$ for ROA and $F(1, 12) = .060$, $p = .811$, $R^2 = .006$ for Tobin's Q. The findings from the study revealed that the relationship between social and sustainable activities and financial performance is indifferent regardless of whether financial performance is assessed using accounting or market measures. The presence of a direct, though insignificant, association calls for business managers' attention. The reason is that with the positive association, it is arguably useful to suggest that the more social and sustainable projects are embarked on by firms, the greater the probability of an increased financial outcome.

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Dedication

My dedication goes to God almighty for making it possible for me to see this day and for giving me the strength to complete my doctoral program. Also, I dedicate the study to my husband, Temitope Daniel, for your support, patience, understanding, and love. I look forward to spending my life with you, pursuing our dreams together and growing old together. To my children, Tomilola and Faith, with the hope that this study will inspire them to know that there is no limit to your success except the one set by self. I offer a Special thank you to my parents, Dr. and Mrs. Ayo Akinyelure, for their support, help, prayers, and words of encouragement. I love you both, I appreciate you for the discipline you instilled in me right from my tender age you both made me know that impossibility is only in the dictionary of a lazy man. My sincere appreciation goes to my mother-in-law, Pastor Olayinka Daniel, I couldn't have gotten a better person as my mother-in-law, thanks for all your prayers and services to ensure our success. Finally, I would like to dedicate this study to my siblings, Adekunle and Oluwatayo, for the love you both showed me despite all my troubles.

Acknowledgements

I reverence the Holy Spirit for His help and direction throughout this doctoral journey. I also acknowledge the continuous and relentless support of Dr. Michael Lavelle, my doctoral study chair. I met you for the first time in my second residency in November 2017 in California, and since then you have encouraged me, given me your constructive criticism, and pushed me towards achieving my doctoral goals. I would like to thank my 2nd committee member, Dr. Charles Needham, for your thorough review of my study, especially when it comes to me complying with the APA writing format and referencing. My appreciation also goes to my University Research Reviewer, Dr. Scott Burrus, for your quick review and response, which helped the swift and successful completion of my study. It was an honor and privilege to work with each of you during the journey to earning my doctorate. I would like to thank Dr. Comfort Akuh a Walden Alumni who offered me advice and provided tremendous support that guided me in the completion of this study.

I appreciate my family and friends for their understanding and sacrifices they made to assist me in successfully achieving the title of Dr. Oluwakemi Daniel. My special thanks go to my brother-in-law, Mr. Tunde Oni-Daniel for his tremendous sacrifices and help to resolve all the technical issues I encountered during my doctoral journey. Finally, I would like to thank the researchers before me for their selfless effort in ensuring that future scholars like me go through a smooth ride in conducting a related study.

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Section 1: Foundation of the Study

The concepts of corporate sustainability (CS) and social responsibility (CSR) have become an important topic for many industries and corporations due to an increased awareness of green initiatives and natural resources protection (Malik, 2015). For organizations to survive in today's highly competitive global market, business executives must not only concentrate on economic aspects but also on sustainable performance (Kannan, 2018). During the last 2 decades, the issue of the value-enhancing capabilities of CSR and CS has drawn attention from the media and academic researchers (Malik, 2015). One aspect of the topic that researchers have examined is the relationship between CSR or CS and corporate financial performance (CFP; Charlo, Moya, & Munoz, 2015).

Research examining the relationship between CSR, CS, and CFP has provided stakeholders with mixed results (Laskar & Maji, 2016; Nag & Bhattacharyya, 2016). Some researchers have argued that corporations that invest more in social and sustainability projects are at an economic disadvantage compared to less socially responsible organizations (Cavaco, Engelen, Liedekerke, 2016; Nag & Bhattacharyya, 2016). Other researchers have found that the increased costs associated with CSR and CS engagement are compensated for by the long-run benefits of such actions (DiSegni, Huly, & Akron, 2015; Kawk & Choi, 2015). Such contradicting results create a gap for further examination as business leaders continue to seek a balance between shareholders' wealth maximization and stakeholder's interests (Balabanov, Balabanova, & Dudin, 2015). In this study, I examined the independent variables of CSR and CS as they relate to CFP.

Background of the Problem

Due to financial constraints, business leaders sometimes refuse or feel reluctant to embark on sustainability and social responsibility activities (Panwar, Nybakk, & Hansen, 2015). Due to the short-term adverse effect on financial performance, some organizational leaders fail to start investing in sustainability projects (Li, Ngniatedema, & Fang, 2016). While pursuing its economic goals within its legal boundaries, a firm must carry out its business ethically and give back to the society by embarking on voluntary projects (Nastiti, Sukoharsono, & Nurkholis, 2017). Nevertheless, some business executives have yet to realize the financial effect of participating in social and sustainable initiatives with regard to cost minimization, improved asset utilization, increased revenue, and long-term shareholder value (Sands, Rae, & Gadenne, 2016). Consequently, those executives are unable to make investment decisions regarding green and environmental initiatives.

Following the 2008 U.S. subprime crisis, which triggered the global financial crisis and economic meltdown, companies are under continuous pressure to assess and reduce the environmental impacts of their business activities (Groenewald & Powell, 2016). Leaders of energy corporations are especially burdened when it comes to addressing social and environmental issues, such as the overuse of natural resources, climate change, pollution, and deforestation, all of which affect public wellness and environmental stability (Stjepcevic & Siksnelyte, 2017).The effect of CSR and CS on CFP in the energy sector of the United States is of interest to stakeholders as the recent economic crisis increased stakeholder management concerns for managers and other

business leaders (Horisch, Freeman, & Schaltegger, 2014). The result of this study may create more interest among business leaders in the energy industry to engage in sustainable practices.

Problem Statement

Some business executives have yet to integrate the new business paradigm, one that reflects stakeholders' growing interests in companies' environmental, social, and governance (ESG) activities to their corporate culture (Marti, Rovira-Val, & Drescher, 2015). In 2016, 60% of corporate investors were willing to divest from firms with low sustainability performance, but only 25% of the executives surveyed developed a clear business case for sustainability (Unruh et al., 2016). The general business problem was that some corporate leaders lack awareness of the potential negative consequences of not incorporating social and environmental activities into their firms' business structures. The specific business problem is that some CEOs in the energy industry in the United States lack an understanding of the relationship between CSR, CS, and financial performance.

Purpose Statement

The purpose of the quantitative correlation study was to examine the relationship between CSR, CS, and CFP. I examined the relationship between two independent variables, CSR and CS, and a dependent variable, CFP. The target population was comprised of Russell 1000 energy companies ranked as best corporate citizen in the United States. The implication for positive social change included the potential to provide knowledge to influence business strategies that could promote a cleaner environment and improve air and water for all people.

Nature of the Study

I used a quantitative method to examine the relationship between CSR, CS, and CFP. The quantitative method is best suited for examining relationships among variables, the result of which, in business research, can help to form a generalized conclusion about a business-related issue (McCusker & Gunaydin, 2015). The qualitative method involves the use of open-ended questions and an inductive approach to gain an in-depth understanding of a particular event (Kelly, 2016); mixed methods research involves combining features of both quantitative and qualitative methods and thus requires much time to complete (Molina-Azorin, Bergh, Corley, & Ketchen, 2017). Because the purpose of the study was not to explore or gain a deep understanding of a phenomenon and based on the time constraint both qualitative and mixed methods were deemed inappropriate for the study. As such, I expected the quantitative method to best support the objective of the study.

Quantitative research includes three principal types of designs: (a) experimental, (b) quasi-experimental, and (c) correlation design types (Borbasi & Jackson, 2015). I used a correlational design in this study. Experimental and quasi-experimental designs involve an intervention with the participants of the study and are appropriate if it is possible, practical, and ethical to manipulate the independent variable (Grove, Gray, & Burns, 2014). The difference between experimental and quasi-experimental designs is that participants are randomly assigned to conditions in the former and not in the later design (Green et al., 2015). An experimental and quasi-experimental design would not be appropriate in this study because I relied on already collated data from a secondary

source and thus? data manipulation was not feasible. The correlation design was most suitable for this study, which examine the relationships between two or more variables without suggesting a cause-effect relationship of one variable on the other (Curtis, Comiskey, & Dempsey, 2016).

Research Question

What is the relationship between corporate social responsibility, corporate sustainability, and corporate financial performance?

Hypotheses

$H1_0$: There is no statistically significant relationship between corporate social responsibility, corporate sustainability, and corporate financial performance.

$H1_a$: There is a statistically significant relationship between corporate social responsibility, corporate sustainability, and corporate financial performance.

Theoretical Framework

The theory underpinning the study is the stakeholder theory, developed by Freeman in 1984. Researchers have drawn on stakeholder theory for examining and understanding the relationship between CSR, CS and CFP (Adamska, Dabrowski, & Grygiel-Tomaszewska, 2016). The argument is that stakeholders are more willing to allocate the resources they control to companies ranked high on CSR standards compared to firms rated low on CSR (Adamska et al., 2016). The key underlying concept of the stakeholder's theory is that managers can maximize a firm's value by meeting the needs of all stakeholders through CSR and CS (Chan, Watson, & Woodliff, 2014; Paul, 2015). The tenet of stakeholder theory is that the stakeholder group is made up of (a)

shareholders, (b) employees, (c) customers, (d) suppliers, (e) communities, and (f) government (Lu & Taylor, 2016). For this study, the independent variables included CSR and CS; the dependent variable was CFP. Therefore, based upon the stakeholder theory, I would expect the propositions advanced by the theory to support an expected relationship between the CSR, and CS and CFP (Jain, Vyas, & Chalasani, 2016).

Operational Definitions

Corporate financial performance: CFP is an indication of how a company performs financially as presented in such an organization's financial statement. Financial ratios such as earnings per share (EPS), Tobin's Q, return on assets (ROA), and return on equity (ROE) are mostly used to measure financial performance (Groenewald & Powell, 2016).

Corporate social responsibility: CSR is the voluntary activities that a business embarks on, which creates a positive impact on the firm's stakeholders and it goes beyond the organization's financial interest (Long, 2015). CSR is the responsibility of organizations towards the society, which includes the delivery of quality products and services at a fair price (Bhattacharya & Kaursar, 2016).

Corporate sustainability: The term CS refers to the role organizations play in preventing harm to humans from their operations and improving the well-being of the society by preserving the environmental natural materials (San Ong, Teh, & Ang, 2014).

Return on total assets (ROA): The return on total assets (ROA) ratio is an indication of the overall effectiveness of management in using its assets to generate earnings (San Ong et al., 2014).

Stakeholder's engagement (SE): SE is the process by which organizations involves various actors who may influence or be affected by the execution of their business decisions (Garard & Kowarsch, 2017).

Stakeholder's theory: The stakeholder theory provides a platform in which the interest of all stakeholders' is protected and managed. The stakeholder theory is based on the premise that it is not only the shareholder's interest that is at stake but rather the firm is responsible to other stakeholders (DiSegni et al., 2015).

Tobin's Q: Tobin's *Q* is calculated as the ratio of market value and book value of total assets, which helps to reflect the value of shareholder's investments in a business (Hejazi et al., 2016).

Assumptions, Limitations, and Delimitations

Assumptions

Assumptions are those beliefs of a researcher that are essential in carrying out the study, but are unverifiable (Simon & Goes, 2013). I made five assumptions in this study. (a) The Best Corporate Citizen (BCC) index represents the appropriate weighting for the Russell 1000 companies listed. (b) The BCC CSR and CS rank is accurate. (c) The energy companies listed on the BCC list are representatives of organizations in the energy industry in the United States. (d) ROA and MBV are a good proxy for a firm's financial performance. (e) The CSR, CS and financial data that I obtained from a secondary source are void of errors and inconsistencies.

Limitations

Limitations are potential constraints that are beyond the control of the researcher but could influence the outcome of the study (Simon & Goes, 2013). The identifiable limitations of the study included, first, the absence of an acceptable means to measure CSR, CS, and CFP. Researchers in the past have used Dow Jones Sustainability Index (DJSI), Fortune surveys, the FTSE4Good Index, and MSCI KLD 400 Social Index as a means of measuring CSR and CS (DiSegni et al., 2015; Laskar & Maji, 2016; Nag & Bhattacharyya, 2016). Second, the use of CSR, CS, and CFP data obtained from secondary sources constituted a limitation to the study, because the primary purpose for collecting such archival data differs from its use in the study. Also, there is the possibility of potential errors and inaccuracies in the measurement and compilation of the archival data, which could impact the reliability of the results. Third, the findings of the study may not be used to form a generalized opinion beyond the U.S. energy industry. Applying the results of the study outside the energy industry and the geographical boundaries of the United States may render such generalization unreliable.

Delimitations

Delimitations are the boundaries set by the researchers for the study and those characteristics that limit the scope of the research (Simon & Goes, 2013). The delimiting factor of this study was embedded in the use of the BCC index to assess CSR and CS data. The BCC index consists of 100 best corporate organizations from the Russell 1000 publicly listed companies. This index was chosen to achieve the purpose of the study because it was more cost-effective compared to the other corporate social ratings such as

KLD. Also, the dataset is publicly available and easily accessible through the Corporate Responsibility web site. Another delimiting factor was the focus of the study on energy firms because the nature of business in the industry formed a crucial part of ensuring the maintenance of a nation's infrastructure and natural resources. Finally, the measure of firm's financial performance in the study was limited to Tobin's Q and ROA.

Significance of the Study

The study may provide business managers with additional information regarding CSR, CS, and CFP relationships and could help support or reject the financial implication of social investment on firms' bottom line. In addition, the findings from the study might either help to support or refute the proposition that CSR and CS engagement will stimulate the development of cleaner technologies that could improve social well-being. In this section, I present the value of the study to organizations, business practice, and the implication for positive social change.

Value to Business

The intended audience for the study is the CEOs' of energy companies who have an interest in promoting sustainability and green initiatives. In 2016, about 90% of business executives identified that sustainability performance is important to gaining competitive advantage, but only 25% have developed a business case for it (Unruh et al., 2016). The findings from the study may be of value to business executives by providing insights into some CSR and CS activities that could help gain competitive advantage and improve firm's financial performance.

Contribution to Business Practice

The findings and recommendations from this study might contribute to effective business practice by adding to the body of knowledge on the possible impact of CSR and CS activities on organizational performance. Business executives who lack understanding of the relationship between CSR, CS, and CFP could benefit from the results of this study by developing a positive business case for sustainability. Some of the ways that CEOs could achieve this objective is to align their social responsibility and sustainability goals with the corporate goals (Balakrishnan, Malhotra, & Falkenberg, 2017; Unruh et al., 2017).

Implications for Social Change

This study has three implications for positive social change. (a) The information needed to contextualize decision-making by business leaders regarding developing means of mitigating any changes that are likely to have adverse environmental effects on the community. (b) The findings from the study might contribute to social change by promoting a cleaner environment, improving air and water quality and thus improve the quality of individuals' lives residing in the community where these organizations operate. (c) Identifying the relationship between CSR, CS, and CFP may help CEOs make investment decisions for social and environmental projects, which may contribute to the economy through job creation, increase in employees' incentives, and improved standard of living.

A Review of the Professional and Academic Literature

The purpose of this quantitative, correlational study was to determine the relationship between CSR, CS, and CFP as suggested by the proponents of the stakeholder theory. The literature review contains current research primarily from peer-reviewed journals, non-peer reviewed journals, workshops, scholarly books, and publication of government agencies within the past 5 years. The literature review includes a review of literature conducted in the areas of stakeholder theory, CSR, CFP, sustainability reporting, green initiatives, and sustainability and green performance.

The literature review contains seven main sections including: (a) theoretical framework, (b) CSR, (c) CS, (d) CFP, (e) CSR and CS measurement, (f) CFP measurement, and (g) empirical studies on CSR-CS-CFP relationship. In the first section, I discussed the stakeholder theory, which is the theoretical basis of the study and other competing theories. The second and third section contains a discussion of the independent variables (CSR and CS) respectively. The fourth section includes a review of literature of the dependent variable (CFP). In the fifth and sixth section, I presented an explanation of the measurement of the independent and dependent variables accordingly. Finally, I addressed the empirical studies examining CSR-CS-CFP relationship.

I conducted an extensive search of relevant scholarly articles and publications primarily using the following databases: Google Scholar, ProQuest Central, EBSCO, Business Source Complete, Academic Search Complete databases, Theses at Walden University, Emerald Management, and SAGE Premier. The Ulrich's Periodicals Directory database was used to verify the validity of the peer-review status of the journals

reviewed in the literature. Combinations of the following keywords were used: *corporate social responsibility, corporate governance, sustainability, sustainability performance, corporate social performance, green initiatives, financial performance, firm value, green performance, stakeholder theory, stakeholder management,* and *shareholder-based view*.

The keywords searched led to the selection of 205 articles, books, and government sources. From the list, 191 or 93% were published within 5 years and 170 or 89% were peer-reviewed (see Table 1). I validated the peer-reviewed status of the entire document sources using Ulrich's Periodical Dictionary to ensure at least 85% of the total sources were peer-reviewed.

Table 1

Synopsis of Sources for Entire Document

Source of content	Outside of 5 years range (2013 and earlier)	Within 5 years range (2014 – 2018)	Total of all sources
Peer-reviewed publications	9	170	179
Nonpeer-reviewed publications	1	17	18
Books	3	2	5
Dissertations	1	2	3
Total	14	191	205

Theoretical Framework

The theory underlying the study is the stakeholder theory developed by Freeman in 1984. Ian Mitroff initially detailed the stakeholder theory in his book *Stakeholders of the Organizational Mind*, published in 1983 (Alpaslan, Green, & Mitroff, 2009). Freeman

in late 1983 to early 1984 published an article on stakeholder theory but ascribed the development of the concept to Stanford Research Institute and made no reference to Mitroff's work (Alpaslan et al., 2009). Stakeholder theory was developed to understand the relationship between the allocation of a company's internal resources due to various stakeholder demands and its performance (Herremans, Mahmoudian, & Nazari, 2016). Proponents of stakeholder theory presuppose that a company is accountable not only to its shareholders but to all who can affect or are affected by its business activities (Sama-Lang & Njonguo, 2016). Stakeholder theorists opposed the position of the advocates of shareholder's maximization thereby arguing that firms' decision making requires a multi-dimensional objective as against the singular goal of profit maximization (van der Linden & Freeman, 2017).

Stakeholder Theory

The stakeholder theory is an appropriate theoretical framework for the study. The stakeholder theory provides the framework to explain how organizations should manage the interests of their stakeholders to increase sales, and maximize profits and shareholder's wealth (Wang, Dou, & Jia, 2016). The central problem of the stakeholder theory is how to prioritize the numerous and heterogeneous demands of the stakeholder groups (O'Riordan & Fairbrass, 2014; Taran & Betts, 2015). Each stakeholder group has unique interests that are related, unaligned, or conflicting and satisfying these various claims from the stakeholders can be unmanageable and challenging for business executives. However, regardless of whether a firm's manager is capable of managing these myriads of stakeholders' requests, stakeholder's management in inevitable

(Harrison, Freeman, & de Abreu, 2015). Stakeholder management involves the order of preference in which organizations address multiple stakeholders' demands (Manetti & Toccafondi, 2014).

The advocates of the stakeholder theory proposed that a firm's financial success depends on the alignment of all stakeholders' interest. Satisfied stakeholders tend to reciprocate the same attitude towards the organization by ensuring that the corporate goals are achieved (Harrison et al., 2015; Paul, 2015). The concept of stakeholder theory helps managers to focus on creating values that are complementary to both the business and stakeholders (Vidal, Berman, & Van Buren, 2015). Managers should not seek to trade-off the interests of one stakeholder group for the other; rather they should opt for a value creation strategy that will enhance its stakeholder management process (Horisch, Freeman, & Schaltegger, 2014). Therefore, stakeholder theory is primarily a means for improving firm's performance by addressing the collective interests of relevant stakeholders.

The body of literature on stakeholder theory focuses on a dual relationship between a company and its stakeholders. One aspect center on the expected economic benefit for the firm derived from meeting stakeholders demand and is called instrumental stakeholder theory (de Gooyert, Rouwette, van Kranenburg, & Freeman, 2017; Herremans, Nazari, & Mahmoudian, 2016; Manneti & Toccafondi, 2014). The other focuses on the organization taking into consideration stakeholders because it is the right thing to do and is referred to as moral stakeholder theory (de Gooyert et al., 2017; Herremans et al., 2016).

The instrumental stakeholder theorists have an opposing view to the proponents of the moral stakeholder theory. In instrumental stakeholder theory, stakeholder management is a strategic means used by an organization to fulfill its corporate goals (Hayibor, 2017). Firms' adopting the instrumental stakeholder theory focuses on stakeholder engagement because of the expected benefits (Goettsche, Steindi, & Gieti, 2016). Scholars and practitioners continue to inquire whether simultaneously fulfilling the interests of different stakeholder groups helps boost organizational performance (Wang et al., 2016). However, researchers have provided mixed results, but regardless; some studies have shown that stakeholder engagement and management improve company's performance (de Gooyert et al., 2017; Hayibor, 2017).

In contrast, scholars who adopted the moral stakeholder theory approach argued differently. The proponents of the moral stakeholder theory opined that firms involve in stakeholder management and engagement, not for the perks it expects to derive but because that is the ethical thing to do (de Gooyert et al., 2017). Researchers that viewed stakeholder theory from the moral perspective offered explanations that the company's knowledge of what is acceptable and unacceptable, right and wrong will propel it to act ethically by embarking on sustainable activities (Sama-Lang & Njonguo, 2016). The moral view also suggests that those stakeholder groups impacted by a firm's business engagement have the right to request for certain standard of performance and information (Herremans et al., 2016).

While the instrumental stakeholder view centers on businesses, the moral perspective revolves around the stakeholders. Most researchers studying the relationship

between stakeholder management via sustainable performance and financial performance employ the instrumental stakeholder theory (Egels-Zanden & Sandberg, 2010). Although, scholars have found varied results regarding CSR-CS-CFP association, but the extant literature has reported a direct CSR-CS-CFP relationship (Laskar & Maji, 2016). For example, Cavaco and Crifo (2014) found that firms that engage in CSR practices that help promote the stakeholder management concepts (complementary CSR) perform better financially while corporations that adopt substitutable CSR practices have low financial performance. Moreover, Shank and Shockey (2016) from the stakeholder theory perspective found that not only corporations benefit financially but also investors. Investors who consciously include sustainable firms in their equity portfolio on a risk-adjusted basis perform better financially in the long run.

The critical question is then how to define and identify relevant stakeholders. Galant (2017) defined stakeholders as those persons, groups, or corporations that derive benefits directly or indirectly from the daily operations and existence of a business. Stakeholders are categorized into two groups: primary stakeholders and secondary stakeholders (Harrison et al., 2015). The primary stakeholders include employees, shareholders, customers, government, and suppliers (Harrison et al., 2015; Kristen, 2015). The secondary stakeholders comprise of media and NGOs (Goettsche et al., 2016). The support and involvement of the primary stakeholders are essential for business continuity; thus, managers must balance the needs and expectations of primary stakeholder groups (Goettsche et al., 2016). Schwarzmuller, Brosi, Stelkens, Sporrle, and Welpe (2017) grouped stakeholders into the shareholding and the non-shareholding

stakeholders' group. The shareholding groups consist of those individuals such as shareholders and investors that have a financial stake in the organization (Schwarzmuller et al., 2017). The non-shareholding group includes customers, suppliers, government, employees, and communities (Schwarsmuller et al., 2017). The tenets of the stakeholder theory are that the relevant stakeholder groups are made up of (a) investors, (b) employees, (c) customers, (d) suppliers, (e) community, and (f) government (Diemont, Soppe, & Moore, 2016).

Customers and stakeholder theory. Customers as part of the primary stakeholder groups are essential to ensure a firm's survival and success. Advocates of the stakeholder theory propose a multidimensional customer CSR and CS perceptions (Perez & Rodriguez del Bosque, 2016). Scholars have identified various dimensions that explain customers CSR perceptions. For example, El-Garaihy, Mobarak, & Albahussain (2014) used a four-dimensional scale: (a) economic concerns; (b) philanthropic responsibilities; (c) legal; and (d) ethical issues to measure CSR perceptions. Similarly, Perez & Rodriguez del Bosque (2014) measured CSR perception based on the stakeholder management theory as a four-dimensional reflective model: (a) customers; (b) shareholders; (c) employees; (d) community; and (e) the board of directors. The stakeholder management theory is one of the most widely accepted theoretical frameworks for explaining CSR perceptions because it allows for the identification of various viewpoints and helps firms to improve on their CSR strategies (Ho Lee, 2017).

Customers have a rank of preferences as a result of their perception and or view of the company. Researchers are of the opinion that customers are not only concerned

about the financial value of consumption but also on the overall performance of the company, regarding sustainability and CSR orientations towards other stakeholder groups (Ho Lee, 2017; Perez & Rodriguez del Bosque 2014). Customers feel a level of identification and satisfaction if organizations are socially responsible to various stakeholders including themselves (Ho Lee, 2017). Organizations that engage in CSR and CS activities and leave a good impression on customers could positively influence the beliefs and attitudes of consumers, increase continuous patronage, and loyalty (Kim, Song, Lee, & Lee, 2017).

Consumers are sensitive to various organizations' actions. Perez and Rodriguez del Bosque (2016) noted that customers have a positive response to initiatives that protect their interest such as compliance with standards, products innovation, and quality of products and services. Customers' perception of CSR orientation positively influences customer satisfaction and identification, which in turns improves a firm's financial performance (Kim et al., 2017). A satisfied customer who identifies with a company's CSR orientation has the potential to re-purchase or recommend specific products or services to others, thereby boosting the corporation's image (Kim et al., 2017).

Suppliers and stakeholder theory. Along with customers, suppliers are key stakeholders that influence the day-to-day operation of a firm. Organizations are under increasing pressure from stakeholders to assess and reduce the impacts of their business activities on the environment (Groenewald & Powell, 2016). Sustainable supply chain management is one of the means that firm's management use to reduce unfavorable impacts of their business activities on the community thereby enhancing stakeholders'

relationship (Luthra, Garg, & Haleem, 2015). Suppliers are the first point of contact and primary source of any supply chain, organizations should, therefore, assess their critical success factors before selecting their suppliers (Kannan, 2018). Firms must evaluate factors such as cost-effectiveness, quality, and environmentally friendly raw materials in selecting sustainable suppliers in other to succeed in today's highly competitive global market (Wetzstein, Hartmann, Benton Jr., & Hohenstein, 2016).

Business managers must seek to understand the role suppliers' play in their business process and how the actions or inactions of this group of stakeholders influence the firm's triple bottom line. Kannan (2018) conducted a case study of a textile company and found that organizations need to know the various sustainability measurements in other to achieve the goal of sustainability based on the stakeholder-based view. Drawing from the stakeholder theory companies engage in value creation by selecting sustainable suppliers for the benefits of all stakeholder groups (Park, Chidlow, & Choi, 2014). The inclusion of sustainability and CSR practices into the procurement of raw materials from suppliers reflects in the final products or services of such corporation, thereby fostering good corporate reputation, employees' perceptions, and consumer patronage (Akremi, Gond, Swaen, Roeck, & Igalens, 2018). Suppliers' misconducts can disrupt firm's operations, thus by embracing multiple stakeholder perspectives and selecting appropriate suppliers' businesses can reduce the risk arising from supply chain (Kannan, 2018).

Community and stakeholder theory. Recent occurrences highlight the importance of organizations aligning their interests with those of the surrounding. For example, the BP oil spill in the Gulf Mexico, the continuing release of toxic sludge by

Massey Energy Corporation into the water supply of Eastern Kentucky and West Virginia (Choudhury, 2014). Stakeholder perspective is one of the ways business managers can foster community interests and enhance firm-community relationship (Khazaei, Elliot, & Joppe, 2015). Organizations that maintain a good relationship with the society encounter minimal disruptions in the form of protests from residents in their business environment, thereby reducing costs such firm (Price & Sun, 2017). Fostering community interests can also serve as a means of increasing firms' legitimacy with governments, thus accelerating government license, grants, and tax breaks for future projects, which in turn results in improved financial performance (Choudhury, 2014; Price & Sun, 2017).

Unlike the firm's association with other stakeholder groups such as employees, suppliers, and shareholders, the business-community relationship differs. Communities lack the empowerment to negotiate relationships with corporations' (Choudhury, 2014). For example, a gas leak during the daily activities of a firm will negatively impact the company's relationship with all its stakeholder groups; however, the community bears the most consequences (Choudhury, 2014). Therefore, initiatives that enhance the relationship between organizations and community are paramount for promoting good neighborhood practices and creating a lasting favorable impact in the society (Liu, Eng, & Ko, 2013). Moreover, evidence has it that there has been an increase in business engagement with various stakeholders through corporate community initiatives as a management strategy for value creation (Khazaei et al., 2015). In a study conducted on 184 leading U.S. companies Khazaei et al., (2015) found that corporate giving amounted to $15.5billion (U.S. dollars) in cash and product giving.

Employees and stakeholder theory. Employees consist of those stakeholder groups necessary for the long-term survival and financial performance of a corporation. Employees as members of an organization assess and respond to firm's CSR and sustainability activities as CSR acts have implications for employees' attitudes and behaviors (Akremi et al., 2018). CSR is a useful tool for managing employees' attitude because the initiatives help to satisfy some of the psychological needs of an employee and influence the quality of employee-organization relationship (DeRoeck, Swaen, Marique, & Stinglhamber, 2014). The strength of the employee-firm relationship, in turn, makes personnel to develop an enduring and favorable relationship with an organization thereby providing the firm with benefits that satisfy the overall corporate goal (Ni, Qian, & Crilly, 2014). Akremi et al. (2018) found a significant relationship between the degree to which a firm fulfills its social responsibilities and job satisfaction of its employees. Similarly, Glavas and Kelly (2014) in a study of 827 employees in 18 organizations based in North America found that personnel perceptions of CSR and CS are positively related to organizational commitment and job satisfaction.

The concept of stakeholder management plays an important role in ensuring personnel commitment to organization and job satisfaction. The stakeholder theory extends the obligation of business managers to a broad array of stakeholders often designed to fulfill social, legal, ethical, and economic responsibilities (Francoeur, Melis, Gaia, & Aresu, 2017). Therefore, management of corporations with a stakeholder perspective must acquire and develop qualified human capital that will help to achieve and satisfy multiple stakeholder demands (Madsen & Bingham, 2014). Plouffe, Bolander,

Cote, & Hochstein (2016) noted that companies use frontline employees as a strategy to influence other stakeholder groups such as customers, suppliers, and community. The stakeholder theory not only focuses on organization's direct relationship with their stakeholders but also the relationships among these stakeholders (Arevalo & Aravind, 2017). The inter-relationships among stakeholders influence the extent to which firms meet stakeholder demands; particularly organization may depend on the contribution from employees to satisfy external stakeholders because CSR actions lie ultimately on the discretion of internal stakeholders, which solely constitute of firm personnel (Ni et al., 2014). In essence, the adoption of the stakeholder perspective by firms will create a positive internal environment that can promote productivity and motivation among employees thereby increasing firm's financial performance (Price & Sun, 2016).

Investors/shareholders and stakeholder theory. Important to note is the reaction of potential investors to a firm's stakeholder management. Potential investors use their knowledge of a company's stakeholder management approach to make investment decisions thereby influencing an organization's future market capitalization (Schwarzmuller et al., 2017). According to Stevens, Moray, and Bruneel (2015) the perceived costs of fulfilling non-shareholding stakeholders' interests will negatively impact potential investors with less concern for sustainability practices. On the other hand, investors with high interest for sustainability practices will act favorably to firm's engagement in CSR and CS activities because of the assumed positive effect on shareholder's wealth maximization in the long run (Schwarzmuller et al., 2017).

Managers should engage in effective stakeholder management, because investors will use their knowledge of a company's stakeholder management activities to either withdraw or increase investment in such businesses. Drawing from the stakeholder theory, Cordeiro and Tewari (2015) found that shareholders in better-ranked corporation anticipate improved future cash flows as a result of increased favorable reactions from crucial environmentally sensitive stakeholders such as customers, thus positively influencing the firm's stock price. Likewise, Kansal & Joshi (2014) found that CSR-oriented corporations' benefit from a higher level of investors' confidence, which reflects in increased stock prices and firm's reputation. A continuous increase in stock price may also attract other financial resource providers such as debt holders, which helps to further ensure firm's financial stability (Sun & Cui, 2014). Moreover, the stakeholder-based view holds that corporate social irresponsibility may significantly impact shareholder's wealth negatively, thereby reducing investors' financial expectation (Price & Sun, 2017).

Rival Theories

Upon reviewing the literature, I observed several theoretical frameworks that could form a theoretical basis for examining the relationship between CSR, CS, and CFP. The first theoretical framework for consideration was shareholder theory also known as the economic theory with the major proponent being Milton Friedman (1970) (Saeidi, Sofian, Saeidi, Saeidi, & Saaeidi 2014). The second theory is the CSR theory that focuses on ethical labor practices and environmental effort (Freeman & Dmytriyev, 2017). The third theory for review was agency theory, which addresses agency problems in a bilateral relationship between principals and agents (Francoeur et al., 2017). Finally, the

resource-based view, explains that organizations derive sustainable competitive advantages from intangible resources (DiSegni et al., 2015).

Shareholder-based view. Proponents of the shareholder-based view presented contradicting arguments to that of the advocates of the stakeholder theory. Friedman proposed that organizations are only accountable to one class of stakeholder, which is the shareholder (Saeidi et al., 2014). The primary responsibility of managers is to maximize shareholders wealth while complying with necessary government regulations (Saeidi et al., 2014). Proponents of the shareholder theory believe that investment in social responsibility or sustainable activities results in increased expenditure thus might put a corporation in an economic disadvantage position compared to firms that refuse to participate in socially responsible or sustainable projects (Witkowska, 2016). Friedman noted that the only social responsibility of an organization is to increase profitability that is the economic performance of the business (Ferrero, Michael Hoffman, & McNulty, 2014). Ferrero et al. (2014) argued that Friedman's shareholder model rejects CSR notion because it involves expenditures, which represents a misappropriation of shareholders' funds. Similarly, advocates of shareholder theory noted that the sole responsibility of managers is not to acts on moral grounds thus the allocation of resources to social needs is not necessary, because it weakens the competitiveness of the firm, by increasing the price of the goods and services borne by final consumers (Witkowska, 2016).

Contrary to the shareholder-based view; the stakeholder theorists view social responsibility from the worldview of collective stakeholder relationship and engagement. Proponents of the stakeholder theory believe that organizations have a responsibility to

multiple stakeholder groups including shareholders because of the interdependency of stakeholders (Chan, Watson, & Woodliff, 2014). Queen (2015) noted that the shareholder-based view could be compatible with stakeholder theory by embracing an enlightened shareholder maximization strategy. The concept of enlightened shareholder maximization is the integration of financial and social obligations of firms as a strategy to maximize long-term firm value (Queen, 2015), a notion similar to that of the CSR and stakeholder theory.

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Agency theory. The agency theory emanated as a result of the issues that arise in the principal-agent relationship. Agency theorists argue that there is an intrinsic conflict of interest that exists between shareholders and business executives (Madsen & Bingham, 2014). In principal-agent relationships, shareholders are referred to as the principals represented by Board of Directors, while the executives or managers are agents that

oversee the day-to-day business operations (Madsen & Bingham, 2014). The problem arising from principal-agent relationships is known as the agency problem where the agents may allocate firms' resources to fulfill their selfish or personal interest at the detriment of the principals (Tan & Tang, 2016; Madsen & Bingham, 2014). Agency theory forms the theoretical and ideological foundation of organizational cultures that aid the increased number of corporate scandals (Pouryousefi & Frooman, 2017).

Proponents of the agency theory view CSR or CS as the selfish behavior of business executives to promote his or her reputation at the disadvantage of the firm's shareholders (Li, Li, & Minor, 2016), which is similar to the perspective of the shareholder or economist theorists. Contrary to the prediction of the agency theory regarding agents enhancing their public image at shareholders' cost Li et al. (2016) found that CSR activities are value enhancing. Advocates of the agency theory are of the opinion that the primary responsibility of management is to protect ownership interest (Bachiller, Giorgino, & Paternostro, 2015), a concept related to Friedman's view that the main objective of a business is shareholder's wealth maximization (Price & Sun, 2017).

In contrast, the stewardship theory, which is an alternate view of agency theory, reveals that managers have the responsibility not only to protect shareholders interests, but also to acts responsibly to other stakeholders such as community, consumer, and government (Bachiller et al., 2015). Similarly, the stakeholder theory extends the agency theory view by suggesting that managers should attempt to address the demands of a wide range of stakeholders, thereby ensuring that decisions and actions are focused at satisfying all firms' stakeholders (Francoeur et al., 2017).

Corporate social responsibility theory (CSR). The CSR theory is another theory that researchers examining the relationship between CSR and CFP have exploited. The CSR theory affirms that organizations are entities with economic, legal, ethical, and philanthropic responsibilities (Freeman & Dmytriyev, 2017). CSR evolves through three major phases: (a) profit-maximizing, (b) trusteeship, and (c) quality of life (Witkowska, 2016). Proponents of the CSR theory view CSR as a means for building stakeholder relationships by meeting needs of various primary stakeholders (Price & Sun, 2017). According to Freeman and Dmytriyev (2017), CSR is commonly believed to create value for one group of stakeholders at the expense of other stakeholders (Galant & Cadez, 2017). For example, a pay increase for employees reduces profitability, thus reducing the amount of money available for dividend payout for shareholders and limited funds to engage in community development projects (Freeman & Dmytriyev, 2017). On the contrary, because stakeholders are interdependent creating value for one group positively influence value creation for other stakeholder groups (Queen, 2015). For example, by investing in sustainable activities a firm may attract qualified and motivated personnel, potential investors, build corporate image, and enjoy more patronage from consumers (Chan et al., 2014).

Stakeholder theory and CSR theory focuses on the same business issue from a different perspective. Both approaches emphasize the importance of integrating a wide range of stakeholders' interest in business operations (Freeman & Dmytriyev, 2017). However, the CSR theory prioritizes corporate responsibility to society at large over other stakeholders (Galant & Cadez, 2017). The examination of the relationship between

CSR, CS, and CFP, which is the goal of the study, is best achieved by considering the interest of multiple stakeholders (Mason & Simmons, 2014). Therefore, the stakeholder theory forms a better theoretical basis for the study as it helps creates an in-depth understanding of CSR and CS in relation with business performance (Theodoulidis, Diaz, Crotto, & Rancati, 2017).

Resource based view (RBV). Proponents of the RBV theory emphasize that firms carry out various projects depending on resource availability. Wernerfelt in 1984 was among the first to explore resource-based theory in the strategic management field (Galbreath, 2016). Wernerfelt noted that anything identified as strength or weakness could serve as a firm's competitive advantage (Galbreath, 2016). The RBV has been used to examine organizational performance with a focus on firm's unique resources, which are categorized into tangible and intangible assets (Adamska, Dabrowski, & Grygiel-Tomaszewska, 2016). The tangible or physical resources include current and fixed assets while the intangible resources include goodwill, intellectual property, and patent right (Galbreath, 2016). The theoretical basis of the RBV is that organizations' can develop a competitive edge with their intangible resources because of the peculiarity nature of these resources and thus improve the firms' bottom line (Adamska et al., 2016). The extent to which a firm's intangible resources is difficult to imitate and replace leads in sustained advantage over rival companies, which in turn improves financial performance (Glavas & Mish, 2014). For example, in a crisis, executives can take advantage of their firm's reputation to manage crisis and quickly recover from the incident (Adamska et al., 2016). Likewise, a positive corporate image will help attracts skilled employees and signal to

external stakeholders (such as customers and society) that the company meets stakeholders' CSR and CS expectations (Arevalo & Aravind, 2017).

The RBV faced criticism from various scholars and researchers. Critiques of the RBV noted that the resource-based theory ignores the integration between firms and the broader environment where the organizations conduct businesses (Glavas & Mish, 2014). According to RBV, a firm will only consider engaging in CSR from the viewpoint of managing the environment to align with the company's primary objective of profit maximization (Arevalo & Aravind, 2017). Like the shareholder and agency theory, the RBV focuses primarily on one group of stakeholders, which is shareholders by creating a competitive advantage to increase profitability thereby ignoring other stakeholder groups (Glavas & Mish, 2014). Also, viewing firm's resources as the sole unit of increasing value is limiting because it fails to recognize the possibility of complementary individual resources (Galbreath, 2016). For the study the RBV is not an appropriate theoretical framework because the concept of CSR and CS focuses on integrating the interests of a wide range of stakeholders and not just shareholders.

Corporate Social Responsibility

CSR was one of the independent variables for the study. The history of the concept and definition of CSR is traced to the twentieth century, especially from the early 1950s to date (Diemont et al., 2016). Researchers have identified the book Social Responsibilities of the Businessman by Bowen (1953) as the first definitive book on the subject of CSR (Ghobadian, Money, & Hillenbrand, 2015; Laskar & Maji, 2016). Before the 1950s, in the late 1800s, CSR was referred to as corporate philanthropy, where the act

of philanthropy governs the social activities of businesses (Singh, Majumdar, & Saini, 2017). The late 1800s represented the profit maximization management era because of the various lawsuits on organizations for using business funds for philanthropy purposes (Muhammad, Abdulrahman, Ahmed, & Salmiah, 2014).

The 1950s introduced the era of awareness, where the discussion of the involvement of businesses in CSR activities was getting comfortable with firm's primary stakeholders thereby resulting in the concept of CSR (Glac, 2014). The concept of CSR emerged because of the need for management to integrate and incorporate the interest of their stakeholders, social, and environmental concerns in their business operations (Seto-Pamies & Papaoikonomou, 2016). During the 1960s up until 1973, CSR was faced with the challenge of lack of response from business leaders, as CSR activities were either delayed or ignored (Ghobadian et al., 2015). However, by 1974 corporations began to respond and take actions towards addressing CSR issues and by the end of 1990, approximately 90% of Fortune 500 companies had integrated CSR into their corporate goals (Kim, Kim, & Qian, 2015).

After the introduction of the concept of CSR in the 1950s, various themes such as public responsibility, corporate social responsiveness, sustainability, corporate social performance, corporate citizenship, global responsibility, social entrepreneurship, and corporate responsibility have emerged (Ghobadian et al., 2015). CSR is mostly used as a comprehensive term to describe the diverse issues explaining the responsibilities of business (Ghobadian et al., 2015). Carroll presented a four-part definition of CSR embedded in a conceptual model of corporate social performance (Kim et al., 2015). The

definition comprises of the economic, legal, moral, and voluntary expectations of the community from organizations (Ghobadian et al., 2015). The economic and legal responsibilities reflect in the company's effort to maximize profit at the same time obeying the rules and regulations set by regulatory bodies (Balqiah, Astuti, Yuliati, & Sobari, 2017). The moral and voluntary responsibilities cover the kind of ethical norms and discretionary roles that stakeholders expect from corporations (Nastiti et al., 2017).

Corporate social responsibility motives. There are various reasons why corporations engage in CSR activities, which include economic benefits, reputational increase, and company recognition. Organizations are faced with challenging and different demands of multiple stakeholders, which have resulted in firms expanding its business objectives from the traditional view of profit maximization to include all stakeholders' interest (Balqiah et al., 2017). Stakeholders are the major player in initiating CSR activities either directly or indirectly (Kiesssling, Isaksson, & Yasar, 2016). CSR activities help a business deliver value to its heterogeneous stakeholders and impacts a firm's profitability and value (Malik, 2015).

There are other rationales behind a company's investment in CSR initiatives. Diemont et al., (2016) identified that corporate managers contribute to CSR for both explicit and implicit motive. Explicit CSR refers to the voluntary philanthropy acts of organizations, and it is intrinsically motivated (Diemont et al., 2016). On the other hand, implicit CSR is the mandatory social requirements fulfilled by a corporation, and the expected extrinsic value drives the act (Diemont et al., 2016). Implicit CSR implies that if firms refuse to act in a socially responsible manner as required, regulatory bodies may

attempt to enforce such corporations into acting responsibly, which will be more expensive (DiSegni et al., 2015). For example, a socially irresponsible firm may be required to pay fines or lose the business-operating license (Malik, 2015). Extrinsically motivated CSR implies that executives expect CSR to impact firms' profitability; on the contrary, intrinsic CSR motives are non-financial and are embarked upon to create a positive social change (Balqiah et al., 2017).

CSR practices are perceived differently by various class of stakeholders based on their needs and objectives (Story & Neves, 2014). Organizations may face a trade-off between CSR performance and economic value, and therefore investing in CSR activities may be costly than the expected financial benefits (Diemont et al., 2016). Companies that engage in CSR activities do so for many reasons, such as to (a) portray a good corporate governance, (b) avoid costly government-imposed fees, (c) boost employee morale, (d) improve firm capital market value, and (e) product differentiation (Hasan & Habib, 2017; Malik, 2015). Balqiash et al. (2017) explained that organizations CSR performance is business or stakeholder or moral driven. While the business and stakeholder motives are negative because it is a reactive strategy by firms, the moral motivation is positive, thereby representing a company's proactive CSR strategy (Balqiash et al., 2017). However, a proactive environmental approach was found not more positively associated with firm's performance than the reactive strategy (Goncalves, Robinot & Michel, 2016).

Corporate Sustainability

The second independent variable that I reviewed in the study was CS. The concept of CS is a more recent development compared to CSR (Seto-Pamies &

Papaoikonomou, 2016). CS evolved from four more established concepts, which are sustainable development, CSR, stakeholder theory, and corporate accountability theory (Chang et al., 2017; M. Miralles-Quiros, Miralles-Quiros, & Arraiano, 2017). CS has evolved but became more pronounced in 1987 after the Brundtland Commission's report on sustainable development was published (Groenewald & Powell, 2016). Also, globalization and the increased market complexities such as the recent crisis in the financial and capital markets resulted in the need for CS (Amran & Ooi, 2014).

Historically, CS emerged as a result of economic growth and development, environmental stewardship, and a need for social justice and equity (Christofi, Christofi, & Sisaye, 2016). The environmental pollution and disaster during the 1980s and 1990s such as the Exxon Valdez oil spill and the Deepwater Horizon oil spill in Mexico led to the establishment of regulations by various regulatory bodies to maintain the environment's natural resources (Christofi et al., 2016). Globally, organizations, industries, and governments developed an interest in sharing responsibility and promoting the regulations that preserve the environment and nature (Iyer & Shankar, 2015).

Business executives realize that the drastic deterioration of natural resources and pollution of the environment in which they operate and generate income could lead to the demise of their business (Amran & Ooi, 2014). Hence, to reduce the potential impacts, companies started implementing sustainability initiatives and reporting such activities in the firm's financial statement (Christofi et al., 2016). Sustainability performance and disclosure became an essential factor in determining a firm's success in a highly

competitive market (Lu & Taylor, 2016). Organizations expanded the traditional economic objective of shareholders' wealth maximization to include environmental and social factors thereby shifting business focus from just profit making to include people and planet (Groenewald & Powell, 2016). Both CSR and CS have the same focus, which is to strike a balance between a company's economic, social, and environmental responsibilities (Seto-Pamies & Papaoikonomou, 2016). Hence, the three firm's objectives, which are economic, social, and environment are complementary and referred to as the triple-bottom-line (Taran & Betts, 2015).

Similarly, government regulators and legislators have realized that CS over time is a concern for investors and citizens (Iyer & Shankar, 2015). As a result, regulatory bodies and policymakers are working on establishing guiding principles that would help prevent corporate environmental and social irresponsibility (Mossberg, 2017). For example, the irresponsible acts of firms such as Enron Financial Scandal, and the Tyco fraud and corruption scandal, which resulted in job instability, and the eventual loss of the means of livelihood for so many individuals birthed the Sarbanes-Oxley Act of 2002 (Christofi et al., 2016; Kecskes, 2017).

CS expanded its scope into voluntary reporting of the triple-bottom-line activities by organizations in other to promote ethical behavior (Christofi et al., 2016). However, as a result of globalization and the rise in the demand for organizational management to adopt sustainability practices, sustainability reporting might no longer be voluntary (Amran & Ooi, 2016). In essence, the emerging trend in the global market will birth regulations and standards that ensure corporations report on green initiatives. For

examples, the Securities and Exchange Commission (SEC) in 2010 issued guidelines that corporations will follow in disclosing risks associated with global warming (Christofi et al., 2016). Moreover, many industry experts and financial analysts find it difficult to understand and analyze the voluntary report of organizations on sustainability and therefore a need to have a standard form of sustainability reporting (Christofi et al., 2016).

Sustainability reporting. Organizational leaders use sustainability reporting (SR) to communicate their good corporate behavior to the community. Sustainability reporting is a tool used by business leaders to disclose their corporate green best practices in the quest to portray a good corporate image to stakeholders (Iyer & Shankar, 2015). Green best practice refers to the control measures put in place by firms to promote sustainability initiatives and reduce the impact of their operations on the climate (Annelize, Rose, Gert, & Noleen, 2015). The control measures could be preventive or corrective such as reducing emission, water usage, and the adoption of clean technology (Christofi et al., 2016).

Sustainability reporting is defined as the non-financial disclosure of a company's social, economic, and environmental activities to its internal and external stakeholders (Groenewald & Powell, 2016; Puetter et al., 2016). SR is the means by which organization report on the pros and cons their business activities have on the environments (Miller, Fink, & Proctor, 2017). SR is a valuable tool used to track and measure firms' sustainability and environmental performance, to create awareness,

ensure compliance to regulations governing business operations, boost corporate image, increase employee morale, and promote transparency (Groenewald & Powell, 2016).

Refusal to engage in SR by an organization could negatively impact its performance, goodwill, and accessibility to funds (Bradford, Courtemanche, Heutel, McAlvanah, & Ruhm, 2017). Stakeholders are requesting for more transparency and accountability from business managers through SR (Bradford et al., 2017). KPMG's research on SR in 2015, it was discovered that 92% of the 250 largest companies globally have SR as a standard practice (Du, Yu, Bhattacharya, & Sen, 2017; Krivacic, 2017). However, stakeholders are not only concerned about firms' engagement in SR but also the quality of the report and means of sustainability measurement (Joshi & Li, 2016).

Firms SR differs based on various reasons such as dissimilarity in corporate strategy, institutional affiliations, and stakeholder focus, which makes comparisons among companies' difficult (Bradford et al., 2017). According to Groenewald & Powell (2016), there is no standard for SR; most corporations' report is in the form of environmental accounting, triple-bottom-line accounting, and sustainability accounting. To ensure a standard means of comparison and to meet the diverse needs of stakeholders most organizations follow the format published by certain organized bodies such as the Global Report Initiative (GRI), and Sustainability Accounting Standards Board (SASB) when reporting on CS (Szekely & vom Brocke, 2017).

For example, the GRI reporting framework consists of two main parts that explain the principles guiding SR (Erguden & Catlioglu, 2016). The first aspect of the framework highlights the reporting principles concerning context, which includes: (a) content

prioritization, (b) stakeholder participation, (c) sustainability framework, and (d) integrity in reporting content prioritization, stakeholder participation, and sustainability framework (Erguden & Catligolu, 2016). The other part identifies the guidelines to follow in reporting to maintain quality, and it consists of the principle of (a) balance, (b) comparability, (c) accuracy, (d) timeliness, (e) clarity, and (f) quality of report (Krivacic, 2017).

The principles mentioned above are necessary in organizational decision making. Krivacic pointed that the accuracy, relevance, easy accessibility, clarity, and quality of SR enable stakeholders to make an informed decision and assess companies' performance. Various groups of stakeholders are interested in eco-friendly organizations, and via SR these stakeholders can decide whether or not they should invest, patronize, work for, or do business with a certain corporation (Du et al., 2017). PWC in a survey conducted in 2014, discovered that new generations prefer organizations that engage in sustainability practices (Erguden & Catlioglu, 2016). Moreover, stakeholders are not the only beneficiaries of SR but also organizations gain competitive advantage from sustainability practices (Ngniatedema, Li, & Lllia, 2014). Therefore, there is a need for further evaluation of the role social and sustainability performance play in enhancing firms' value creation, which is the purpose of the study. In the next section, I presented a detailed discussion of the dependent variable.

Corporate Financial Performance

The dependent variable for the study was CFP, and it is one of the means used in measuring organizational performance. Firm performance refers to the degree of business

achievement expressed in the form of profitability, market share, sales growth, and level of strategic goals (Long, 2015). Business managers measure performance base on their firm's activities such as manufacturing, operational, marketing, and sales function (Kushwaha & Sharma, 2015). Existing studies examining the relationship between CSR, CS, and firm performance have used variables such as environmental, economic, marketing, and intangible performance to measure organizational performance (Hasan & Ali, 2015), but financial performance happens to appear more in the literature (Groenewald & Powell, 2016).

Today business managers are under increasing pressures (internally and externally) to produce sustainable products or render services in an environmentally friendly manner in other to enhance performance (Kushwaha & Sharma, 2015). Among other factors leading to increased investment in sustainable environmental projects such as firm's economic resources, management view of CSR and CS, financial performance is top in the hierarchy (Singal, 2014). Singal (2014) noted that green initiatives require the economic buoyancy of a corporation because investment in sustainable projects is an action most likely difficult for financially constrained firms.

One common view of all management theories in the examination of the association between CSR, CS, and firm value is the financial performance of organizations. For instance, the resource-based view noted that firm managers should harness its intangible resources to create a competitive edge for itself, thereby increasing its profitability (Kamboj, Goyal, & Rayman, 2015). Proponents of the agency and shareholder theory highlighted the need for management to focus on protecting the

interest of principals' by promoting shareholder wealth maximization (Sandaruwan & Ajward, 2017). In like manner, the stakeholder theory and CSR theory explained how organizations could use social performance and stakeholder management as a strategy to enhance firm financial performance (Theodoulidis et al., 2017). Lu and Taylor (2014) refer to the agency and shareholder theory as the traditional view, in which corporate social performance (CSP) increases operating cost thereby reducing profitability. On the other hand, the stakeholder theory also known as the revisionist view implies that CSP promotes firm's goodwill and decreases transaction costs, which in turn increases profitability (Lu & Taylor, 2016). Based on the premise that the central point in most management theories used in the examination of the relationship between CSR, CS, and firm value is profitability, which is a measure of firm financial performance (Hasan & Ali, 2015), I employed CFP as the dependent variable in the study.

Measurement of Corporate Social Responsibility and Corporate Sustainability

Researchers have used various measures of CSR and CS in the study of organization social responsibility and sustainability initiatives. One of the roadblocks encountered in measuring CSR and CS is that both concepts are multifaceted and comprises of multiple theories, such as agency theory, shareholder theory, stakeholder theory, and resource-based view (Nag & Bhattacharyga, 2016). Also, there may be an unbalanced reaction to favorable CSR performance and unfavorable CSR performance, thereby resulting in a different assessment of CSR and CS (Cullinan, Mahoney, & Roush, 2016). Moreover, CSR and CS lack a generally accepted definition for constructing a common framework to measure social and sustainability performance (Diemont et al.,

2016). To provide such a structure Diemont et al. (2016) suggested that CSR should be measured using a stakeholder-based view as an initial premise. Nonetheless, when a stakeholder approach is chosen to assess CSR and CS, some measurement issues still arise (Boztosun & Aksoylu, 2015).

In the CSR and CS literature four approaches have been identified towards measuring CSR and CS using the stakeholder model and the approaches are (a) the reputation listings, (b) issue benchmark, (c) content analysis, and (d) scales measuring CSR or CS awareness at the individual management level (Boztosun & Aksoylu, 2015). The issue with the above-listed means of measurement is that reality proves otherwise. For example, Elron a highly reputed energy corporation in America rated high on CSR and sustainable practices were found to have engaged in fraudulent practices in reporting its CSR activities (Saveanu, Abrudan, Giurgiu, Mester, & Bugnar, 2014). In like manner, managers have contested International Standard ratings stating that the model for measurement rarely suits the unique cases of each organization (Diemont et al., 2016).

Regardless of the various means of measuring CSR and CS and its shortfalls, the most commonly used measurement approach is the reputational index ranked by rating agencies (Ahamed, Almsafir, & Al-Smadi, 2014). Examples of such reputational index used in the study of the relationship between CSR, CS, and CFP include Fortune Index (FRI), Kinder, Lydenberg, Domini (KLD) Index, Dow Jones Sustainability Indexes (DJSI), and recently the Best Corporate Citizen (BCC) Index (Laskar & Maji, 2016). Literature notes strong support for the use of KLD and DJSI and this is evident in the popularity of these reputational indexes in research (Lu & Taylor, 2016). However, due

to the cost associated with the KLD and DJSI, the BCC index is a preferred proxy for measuring CSR and CS (Queen, 2015). Additionally, researchers recently used the BCC index because the dataset is easily accessible and the index consists of firms reputed to have demonstrated concern and create value for all stakeholder groups (Queen, 2015; Timbate & Park, 2018).

The BCC index is published in the Corporate Responsibility (CR) Magazine and the committee weights each data category independently to account for different relative values (Queen, 2015). The BCC index rank firms that engage in sustainable practices and have successfully integrated shareholder maximization and stakeholder management strategies into their business goals based on seven categories (Queen 2015). These firms are ranked based on environment, climate change, employee relations, human rights, governance, finance, and philanthropy (Timbate & Park, 2018). The variables mentioned above have been used by CR Magazine since 2001 and encompass 260 data elements (Timbate & Park, 2018). An exciting feature of the BCC index is the grouping and ranking of firms by industry and the transparency of its calculation (Queen, 2015), thus allowing modification of the weight to exclude the effect of financial performance from the weighted average and group the attributes into CSR and CS components. In the study, established evaluation measurement of the BCC index was useful in exploring the relationship between CSR, CS, and CFP in the energy industry of the United States.

Measure of Corporate Financial Performance

Empirical researchers on the relationship between CSR, CS, and firm value have used different means to measure financial performance. Hejazi, Ghanbari, and Alipour

(2016) grouped financial metrics into market-based and accounting-based measures. Although, the accounting and market based financial measures started losing relevancy because of the notion that these measures are constant and complex to understand; too financial; internally focused; and does not present long-term firm's view (Vij & Bedi, 2018). The accounting and market-based measure are still the most objective method of assessing firm performance (Rahman, Ibrahim, & Ahmad, 2017). Other methods such as performance pyramid, balanced scorecard, closed-loop management system, SMART pyramid, though include financial measures but also subjective, which makes it difficult to assess firm performance without bias (Vij & Bedi, 2018).

Recently return on assets (ROA), profit after tax (PAT), earnings per share (EPS), Tobin's Q, market book value (MBV), and return on equity (ROE) have been used extensively for measuring firm financial performance (Li et al., 2016). Researchers such as Chih, Chih, & Chen (2010), Kabir & Thai (2017), and Saxena & Kohli (2012) used accounting measures that constitute mainly of ROA, PAT, and ROE. Others have used market-based measurement such as Tobin's Q, and market to book value (MBV) to assess CFP (Cordeiro & Tewari, 2014; Shank & Shockey, 2016). A few numbers of studies have assessed CFP using a combination of accounting and market measure (Garg, 2015). For example, Strouhal, Gurvits, Nikitina-Kalamae, & Startseva (2015) measured financial performance using ROA and market value added (MVA); also, Garg (2015) employed ROA and Tobin's Q as a means for evaluating CFP. However, researchers have widely adopted ROA and Tobin's Q as units of measurement for examining firms' financial performance (Garg, 2015; Jiri, Petra, Aleksandr, & Zuzana, 2018).

ROA is a measure of the overall effectiveness of management in using organization's assets to generate earnings (San Ong et al., 2014). ROA is an objective unit of financial measurement derived from firm's financial statements (Jiri et al., 2018). ROA is an indicator of a company's profitability vis-a-vis its total assets (Kowalewski, 2016). ROA is computed by dividing earnings before interest and tax (EBIT) with total assets, which helps shareholders in analyzing earnings generated from invested capital, thus allowing for a fair and objective comparison among firms of various sizes (Ibrahim, Darus, Yusoff, & Muhamed, 2015). ROA is noted as the best overall indicator of financial past performance because the multiple degrees of commercial borrowings and capital schemes do not influence it (Ibrahim et al., 2015).

Tobin's Q, unlike ROA, indicates both the past and future performance of an organization despite being computed based on historical data (Price & Sun, 2017). Tobin's Q is calculated as the ratio of market value and book value of total assets, which helps to reflect the value of shareholder's investments in a business (Hejazi et al., 2016). A Q greater than 1 reveals that the company has increased in value and managed efficiently. Tobin's Q is a forward-looking measure that reflects investors' expectations on the future profit of a corporation (Kim et al., 2015). Similarly, Sum (2014) identified that Tobin's Q is useful in exploring real rates of equity returns and examining the present value of expected future profits.

Despite the drawback highlighted by some researchers that Tobin's Q is biased with investors' investment behaviors, Tobin's Q is frequently used to test CSR-CS-CFP relationship as a measure CFP because the impact of CSR and CS are not necessarily

reflected in short-term profitability (Kim et al., 2015). Also, Price and Sun (2017) noted that market-based measures of firm value help in evaluating corporate social performance (CSP) and are consistent with stakeholder theory. In like manner, German, Ebbes, & Grewal (2015) explained that Tobin's Q represents the best measure of CFP because it considers the benefits and potential costs of CSP and merges both capital market and accounting-based data. Although studies examining the relationship between CSR, CS, and CFP have adopted either accounting or market based respectively in their study, only limited scholars have employed both measures in assessing CFP (Garg, 2015). The study helped expand on the literature by using ROA and Tobin's Q to measure CFP.

Recent Empirical Studies

Many studies conducted in the past examining the relationship between CSR and CFP or CS and CFP has found mixed results resulting in a controversial position. Charlo et al., (2015) found empirical research has been inconclusive primarily because of the factors employed in measuring sustainability and social responsibility. Other factors that could result in conflicting results are sample size, industrial context, research methodologies, and techniques adopted for collecting and analyzing data (Huang & Watson, 2015; Lu & Taylor, 2016). The contentious results reported by scholars in prior research on CSR-CS-CFP relationship raise vital questions of whether CSR increases or impair organizational value, and if so, in what manner and to what extent (Cheng, Ioannou, & Serafeim, 2014).

Reviewing the extant literature on CSR-CFP and CS-CFP relationship, Mikolajek-Gocejna (2016) observed varied results. For instance, 5.7% studies reported

negative, 71.7% positive, 15.1% neutral, and 7.5% mixed (Mikolajek-Gocejna, 2016). By employing a meta-analysis, Lu and Taylor (2016) found that sustainable performance increases a firm's financial performance mostly in the long run. The finding from Lu and Taylor (2016) meta-analysis is consistent with Groenewald and Powell (2016) and Hasan and Ali (2015) that observed an overall positive relationship between sustainable performance and CFP. Likewise, Li et al., (2016) conducted a study on top 500 publicly traded companies in the US and established that green initiatives and performance overall have a significant impact on financial performance but result varied per industry analysis. For instance, no significant relationship existed in the energy industry in 2012 but in 2013 debt ratio was positively by impacted sustainable performance (Li et al., 2016). Also, Nicolosi, Grassi, and Stanghellini (2014) examined CSR-CFP association of some US corporations using KLD dataset from 1991 to 2007 and discovered a positive relationship between both variables.

Some researchers found that CSR and CS are strategic drivers that result in long-term benefits such as customer retention, attracting potential investors and customers, and shareholder support, which in turn improve CFP (Jhunjhunwala, 2014; Jo, Kim, & Park, 2015; Kabir & Thai, 2017; Singal, 2014). Arguing in a similar vein, Epstein, Buhovac, and Yuthas (2015) in a case study conducted with four firms from multiple industries in the U.S. found that CSR and CFP are not competing but are complementary, and thus company uses CSR as a strategy to increase financial performance. Similarly, Cordeiro and Tewari (2014) conducted a regression analysis of U.S. corporations in various industries and concluded that investors react positively to firms with green rankings,

which reflects in the company's short and long-term returns. Also, Maletic, Maletic, Dahlgaard, Dahlgaard-Park, & Gomiscek (2015) carried out a study of some European companies in the manufacturing and service industries using regression analysis and found that sustainable innovations are positively related to firm performance. Again, Charlo et al., (2015), Kushwaha and Sharma, (2015), and Unruh et al., (2016) observed that corporations that have embedded sustainable initiatives in their business model report higher profitability compared to their counterparts.

Huang and Yang (2014) reported a positive correlation between corporate social performance and CFP from the viewpoint of management effectiveness assessed by ROA and investor's interests measured by ROE. Goncalves et al., (2016) equally accounted that when firms engage in CSR and CS initiatives from a concerned citizen perspective rather than a pro-active viewpoint, such organization perform better financially. Moreover, Martinez-Ferrero and Frias-Aceituno (2015) concluded that regardless of which variable is independent or dependent between CSR and CFP, a bi-directional relationship exists between both variables. Hasan and Habib (2017) using a large set of US data from KLD established that firm's financial resources determine the level of investment in CSR across the firm's lifecycle stages. Although, Fonseca and Ferro (2016) in their study discovered that even in unfavorable economic conditions it does pay to invest in CSR innovations especially for small and medium scale enterprises (SMEs).

Contrary to other scholars who found a positive and significant correlation between CSR and CFP, Ofori, Nyuur, & S-Darko (2014) reported a positive but insignificant CSR-CFP relationship. On the other hand, Strouhal et al., (2015) carried out

a one-way ANOVA test of firms listed on the Prague Stock Exchange and verified that CSR reporting does not affect organizational performance. Some other researchers found mixed results regarding the CSR-CS-CFP relationship. For instance, Delmas, Nairn-Birch, and Lim (2015) observed that in the short-run there is a negative relationship between CS and ROA; however, Tobin's Q which is a measure of CFP increases when there is a decrease in GHG emissions. In like manner, Garg (2015) conducted a regression analysis and paired t-test of different companies listed in the BSE Greenex Index of Bombay Stock Exchange and established that sustainability reporting negatively affects CFP in the short-run and positively in the long-run. Comparatively, Cavaco and Crifo (2014) observed that companies that embark on complementary CSR activities are financially stable and perform better than corporations that invest in substitutable CSR practices.

Researchers such as Elshahat, Wheatley, and Elshahat (2015) found a mixed result between the individual variables identified in KLD and returns. However, when all these variables are combined in a single metrics and divided into environmental concerns and strengths variables, a positive relationship was observed between the overall environmental concerns' ratings and company's annual returns (Elshahat et al., 2015). On the contrary, an insignificant association was discovered between total environmental strengths variables (except for recycling) and annual returns (Elshahat et al., 2015). The combination of the overall environmental strength and concern ratings resulted in a significant and negative correlation with returns (Elshahat et al., 2015). Correspondingly, Mishra and Modi (2016) used KLD data of firms in the USA and observed that only CSR

efforts that have precise and verifiable benefits to firms' primary stakeholders influence shareholder value favorably whereas corporate philanthropy and other community-focused efforts have no remarkable effect.

CSR-CS-CFP Relationship in the Energy Industry

The energy industry plays a major role in contributing to environmental pollution and unsustainability. Eighty percent of greenhouse gases in the atmosphere occur as a result of energy production and consumption, thereby bringing about an unfavorable effect on the environment (Erguden & Catlioglu, 2016). Today, consumers are more aware of the adverse effects of carbon emission and are beginning to pay close attention to the sustainability initiatives of firms within the energy industry. Unfortunate incidents such as the Fukushima nuclear disaster have made developed countries to adopt and invest in sustainable sources of energy (Erguden & Catlioglu, 2016). Also observed is the switch towards a more sustainable environment at the local level with cities like Aspen in Colorado, Burlington in Vermont, and Greensburg in Kansas in the USA already using renewable energy (Paun, 2017).

Energy corporations are the leading player in the manufacturing sector and are ranked high in polluting the environment, hence should champion sustainability activities and report in the industry (Erguden & Catlioglu, 2016). Energy companies aware of the implications of carbon emission have started to invest more in renewable energy (Erguden & Catlioglu, 2016). Aside, the negative impacts of carbon emission on the environment, there is evidence of improved financial performance for green organizations in the energy sector. For example, Bobinaite (2015) found that the financial

stability of the companies in the energy industry is moderate in the short-run; however, continuous investment in renewable energy will result in improved financial performance in the long run.

In a study examining the impact of green initiatives and green performance on financial performance in top 500 companies in the USA, out of 10 industries, only four (consumer discretionary, consumer staples, energy, and healthcare showed significant relationships (Li et al., 2015). Ye, Hsing Hung, and Jian (2018) observed that CSR positively influence the economic value of Chinese energy corporations both in the short and long term, thereby leading to sustainable financial development in the Chinese industry. On the contrary, Paun (2017) found that Romania energy firms that are producing renewable energy perform poorly compared to the energy corporations using fossil fuels to create energy. The unclear relationships between green initiatives and firm value have contributed to business managers' withdrawal or reluctance in embarking on sustainable innovations in the energy sector (Patari, Arminen, Tuppura, & Jantunen, 2014). For example, result from prior studies shows that energy firms are lagging behind in green initiatives and faces higher difficulty in complying with CSR standards (Li et al., 2015; Nicolosi et al., 2014). Therefore, there is a need for further examination of the relationship between CSR, CS, and CFP in the energy sector especially with the increasing demand for sustainable practices as a result of the negative happenings (such as BP oil spill) within the industry (Patari et al., 2014).

Summary and Transition

As a result of the lack of evidence to support the potential benefits of CSR and CS to organizations, business executives feel reluctant to invest in social and sustainable activities. The purpose of this correlation study was to examine the relationship between corporate social responsibility, sustainability (as proxied by the 2016 Best Corporate Citizens index), and corporate financial performance (as measured by ROA and Tobin's Q). I used a multiple regression model in analyzing the relationship between CSR, CS, and CFP. The stakeholder theory formed the theoretical framework for the study. Review of past literature revealed variations in the results of the relationships between social and sustainable practices and financial performance.

In Section 2, I cover the following topics: the restatement of the purpose of the study, my role as the researcher in the data collection process. The section included the study's research method and design, ethical research, data instrument, data collection, data analysis, and the process used to support the study's validity. In Section 3, I present the findings of the study, the implications of the study for social change, and recommendations for further research.

Section 2: The Project

In Section 2, I described the design of the study. The section began with a restatement of the study purpose statement. Next to the purpose of the study was an analysis of my role as the researcher, the limitations and challenges encountered and personal biases in the interpretation of data. The section further contains (a) research method and design; (b) population and sampling; (c) data collection including instrument, techniques, and organization; and (d) data analysis technique. I concluded the section by addressing the study validity and reliability.

Purpose Statement

The purpose of the quantitative correlation study was to examine the relationship between CSR, CS, and CFP). I examined the relationship between two independent variables, CSR and CS, as measured by the BCC index in 2015 and a dependent variable, financial performance as measured by the 12-month ROA, and Tobin's Q as of December 2016. The target population comprised Russell 1000 energy companies ranked as the BCC in the United States. I used secondary data obtained from BCC index and the electronic data gathering, analysis, and retrieval (EDGAR) system to measure the independent variables and dependent variable respectively. This study has implications for positive social change: it could offer significant knowledge that could influence business strategies and, in turn, promote a cleaner environment, for example, improve air and water quality for all people.

Role of the Researcher

The role as the researcher aligns with the standardized protocols outlined by Walden University and the its Institutional Review Board (IRB). As the researcher, I gathered quantitative data needed to complete the study from Internet sources and I reorganize the data for analysis to suit the purpose of the study. The variables, CSR and CS, proxies for the BCC index of 2016, were available through the *CR Magazine* website. I downloaded the BCC, industry-ranked index of companies in the energy sector and recalculated the social scores based on the publisher's formulas; the goal was to eliminate the financial factor in the ratings in order to correlate CSR and CS scores with financial performance. As a result of the publisher's transparency in publishing the methodology and formulas used in arriving at the social scores, recalculating the social scores to fit the purpose of the study was straightforward.

According to Erguden and Catlioglu (2016), environmental and climate factors are categorized as part of sustainability. Hence, I further grouped the social ratings into two groups with the first representing the CSR variable and the second CS variable. In agreement with Erguden and Catlioglu, the environment and climate element of the BCC ratings represented sustainability, while the combination of human rights, employee relations, corporate governance, and philanthropy factors made up CSR.

I assessed the dependent variable (CFP) using ROA and Tobin's Q. To compute for Tobin's Q, I used a generally accepted formula since I cannot directly assess Tobin's Q from firm's financial statements. Next, I retrieved data for ROA and the calculation of Tobin's Q from EDGAR through the U.S. Security and Exchange Commission website.

Afterward, I compiled a CFP score for each of the 12 energy companies ranked in the BCC industry index based on equal weightings of each of the two financial measures. Subsequently, I reorganized the data collected into a spreadsheet, which included (a) CSR scores, (b) CS scores, and CFP. Afterward, I conducted a correlational analysis using the Statistical Package for Social Science (SPSS) software on the data presented in the spreadsheet.

Upon completing the data collection and analysis process, I presented the findings of the research in an objective, ethical, and unbiased manner (Achinewhu-Nworgu, Nworgu, Azaiki, & Dikeh, 2015; Khan, 2014). There are no direct or personal relationships with any of the corporations in the study, which helped me to remain independent and neutral in the interpretation of results. Also, because the data I employed in the research are readily available by an external source and the computation requires standardized formulas, no step required my judgment.

Participants

In the study I did not employ human participants in the data collection process. I obtained the data for CSR and CS from the BCC index published in *CR Magazine*, which is publicly available via the *CR Magazine* website now 3BL Media. The data for CFP was available through EDGAR as provided on the Security and Exchange Commission website. All data in the study included the largest 1000 publicly quoted companies in the U.S. listed by Russell 1000. The study included a population census of 12 energy companies in the USA. As noted by Gay, Mills, and Airasian (2009), if the population of research has fewer than 100 participants or units, it is best to sample the entire

population. Also, a sample must be a representative of the population to provide the greatest degree of generalizability (Aamir, 2014). Therefore, all the energy corporations ranked in the 2016 BCC industry index comprised the population sample of the study. The use of the entire population as sample size helped to eliminate sample selection bias (El-Masri, 2017). The energy corporations included in the 2016 BCC index are those firms that engage in the exploration and production of crude oil and natural gas.

Research Method and Design

Three approaches used in research include (a) quantitative, (b) qualitative, and (c) mixed methods (Morgan, 2018). I used a quantitative correlational research design to determine the relationship between CSR, CS, and CFP in the study. Researchers used the quantitative method to test theories by examining the relationships among variables using statistical techniques (Brunsdon, 2016). In the next two sections, I provided the considerations and rationale for adopting the quantitative method and correlational design for the study.

Research Method

I used the quantitative research method to determine the relationship between the independent and dependent variables in the study. A quantitative method can provide valuable insight into the ordering of reality and help in mitigating personal bias (Savela, 2018). The quantitative approach is justifiable for the study because researchers use the method when examining the relationship among measurable variables against theories (McCusker & Gunaydin, 2015). Also, the quantitative method best suits the objective of the study because it requires the collection of data in a larger volume, using standardized

approaches where the focus is on statistical information rather than perceptions (McCusker & Gunaydin, 2015). The study involved the testing of stakeholder theory by examining the relationship between CSR, CS as measured by 2016 BCC index and CFP as measured by reviewing 24-month ROA and Tobin's Q. Thus, the quantitative method was the most appropriate to achieve the objective of the study (Park & Park, 2016).

The qualitative method is best suited for studies that are inductive and requires the development of theory (Christenson & Gutierrez, 2016; Levitt et al., 2018). For the study, the qualitative method was inappropriate because it does not embrace the use of statistical techniques and cannot achieve the aim of testing theory (Park & Park, 2016). The mixed method, on the other hand, capitalizes on the strength of both qualitative and quantitative methods and is used by researchers to address the weaknesses of quantitative and qualitative approach respectively, thereby providing an in-depth understanding of the research problem (Hussein, 2009; Levitt et al., 2018). The use of mixed method requires meeting the standards of both quantitative and qualitative research methodology in the design, execution, and reporting stages (Levitt et al., 2018). Thus, since the required feature of the qualitative method, which includes deductive process and theory development, does not apply to the study, the mixed method was not considered.

Research Design

The quantitative method involves the use of three primary designs: (a) experimental, (b) nonexperimental, and (c) quasi-experimental (Borbasi & Jackson, 2015). Conducting a true or quasi-experiment does not suit the purpose of the study as it involves intervening with the study participants by manipulating the independent variable

(Grove, Gray, & Burns, 2014). An experimental research design is suitable for establishing a cause and effect relationship and involves random sampling (Geuens & De Pelsmacker, 2017). The study was nonexperimental in design and did not employ random sampling or data manipulation, which best explains a cause and effect relationship. The correlational design is a nonexperimental design suitable for examining the association between measurable variables without suggesting a cause and effect relationship (Curtis et al., 2016). Therefore, the correlational design was chosen to examine the relationship between CSR, CS, and CFP.

Population and Sampling

The population for the study includes energy companies engaged in the exploration and production of crude oil and natural gas within the United States ranked in the 2016 BCC index. Companies ranked in the BCC index are from the Russell 1000 listing. Russell 1000 is a subset of the Russell 3000 index, and it's an index of approximately 1000 largest companies in the U.S. equity market. The BCC index ranks the largest corporation in the U.S. with regards to market capitalization based on seven categories. The final index score is the weighted average of the seven categories used in ranking the Russell 1000 companies regarding social and sustainability performance.

The sample for the study consisted of the social and financial performance data for the 12 U.S. energy companies ranked in the 2016 BCC index. The study focused only on the 12 energy companies in the census population with consistent data to examine the relationship between CSR, CS, and CFP. Gay et al. (2009) suggested that if the population is less than 100, the best sample size is the entire population. Also, because

the entire population represented the sample of the study, selection bias was not relevant; hence there was no need to use bootstrapping to resample observations (Buonaccorsi, Romeo, & Thoresen, 2018; El-Masri, 2017). Thus, the entire energy companies listed in the 2016 BCC ranking constituted the sample size of the study.

Ethical Research

There is a need for researchers to demonstrate the credibility of their research by conducting such study in an ethical manner (Abramson et al., 2018). Ethical issues that require consideration in a study includes protection of sensitive data, ensuring participants understand their role in the study, and the participants' right to withdraw from the study (Abramson et al., 2018; Hardicre, 2014). The study does not include human participants, sensitive or confidential information, or the need to seek participants' consent. The data collected from 2016 BCC index and EDGAR are publicly available via the web and does not require special permission before usage. I stored all data downloaded in an electronic password protected folder, which I will delete 5-years after the completion of the study. The Walden University governing board required the approval of the study by its Institutional Review Board (IRB) to ensure ethical compliance and adherence to the institution rubric requirements. The study was awarded approval number 08-20-18-0632890.

Data Collection Instrument

I used the 2016 BCC industry index as the instrument to assess the independent variables of the study. Researchers have used other indexes such as KLD and DJSI for assessing CSR and CS data, but the BCC regarding cost-effectiveness and accessibility is

preferred (Queen, 2015). For over 19 years *CR Magazine* has recognized the environmental, social, and governance performance of publicly quoted companies across the U.S. with the 100 BCC rankings (*CR Magazine*, 2018). The 100 BCC list ranks companies listed in the Russell 1000 index. All data in CR's corporate citizenship database are collected and analyzed by ISS Corporate Solutions Inc. The ISS collects company's data from several sources: (a) company websites, (b) sustainability reports, (c) company 10-Ks, and (d) other public sources such as Toxic Release Inventory, The Emergency Response Notification Systems, and the EPA EnviroFacts data set. ISS use 260 ESG data points of disclosure and performance measures derived from publicly available information across seven categories: (a) climate change, (b) employee relations, (c) environmental, (d) financial, (e) governance, (f) human rights, and (g) philanthropy and community support (CR Magazine, 2018). The weighting for each of the category are: (a) 16.5%, (b) 19.5%, (c) 19.5%, (d) 9.0%, (e) 7.0%, (f) 16.0%, and (g) 12.5% respectively. Within each of the category, the individual element is equally weighted. Once ISS has calculated the underlying score for each category, the agent then ranks order the full Russell 1000 within that category, with 1 being the best rank. When all categories are ranked, ISS applies the category weightings to generate an overall weighted average ranking for each Russell 1000 companies and the top 100 companies makes up the BCC index. In the case of a tie, there is a tie-gap, and ISS allocates the next closest score to the company following in rank.

Queen (2015) noted that because of the transparency of the BCC index calculations, modifications of the weight are possible to suit the purpose of any study. For

the study, I modified the weight to exclude the financial category of the 2016 BCC index in other to adjust for the effect of economic performance since CFP was the dependent variable. Also, Erguden and Catlioglu (2016) in their study categorized environment and climate as part of sustainability. Thus, for the study the environment and climate change element are grouped to make up CS variable, while the other four categories: employee relations, governance, human rights, and philanthropy and community support comprises of the CSR variable. Moreover, since ISS uses various indicators (260) for the seven CSR dimensions it measures; the measurement errors are minimal (Timbate & Park, 2018), thereby ensuring the reliability of the instrument.

The dependent variable (CFP) for the study consisted of ROA and Tobin's Q. The 2016 BCC index of the energy sector was the instrument for determining the sample companies, but the corresponding financial performance data for these companies were gathered from EDGAR through the U.S. Security and Exchange Commission. The data used for the computation of ROA were obtained from EDGAR. Also, because Tobin's Q was not listed directly in companies' financial statement or financial investment websites, there was a need to compute for the Tobin's Q variable (Wang, 2015). The most widely adopted formula of Tobin's Q comprises of the addition of the market value of equity and book value of liabilities divided by book value of total assets (Wang, 2015). The advantage of the Tobin's Q is that it reduces the impact of the various accounting methods employed by different organizations (Wang, 2015). I obtained the elements needed in the computation of ROA and Tobin's Q from EDGAR through the Securities and Exchange Commission website.

Data Collection Technique

Archived information via the internet, libraries, and museums are another means of assessing data aside from the other medium such as survey instruments, observations, and interviews (Clark & Veale, 2018; Parilla, Morgan, & Fidler, 2017). Shawver et al., (2016) observed that the use of the Internet for data collection is now common. I collected all data for the study from the websites of CR Magazine and EDGAR through the U.S. Security and Exchange Commission. I downloaded the 2016 BCC index as an Adobe Acrobat file and transposed the data into an Excel spreadsheet. I retrieved the financial performance data of the energy companies in the 2016 BCC index from EDGAR through the Securities and Exchange Commission website and recorded the information in an Excel spreadsheet. I saved all data I intended to collect in an external drive for easy retrieval at the time of data analysis. The rationale for selecting the data collection process is the cost-effectiveness, accessibility of data, and convenience.

Data Analysis

The research question for the study was: What is the relationship between CSR (X_1), CS (X_2), and CFP (Y_1)? The independent variables were CSR and CS and the dependent variable was CFP. The following was the null and alternative hypotheses for the study, with a .05 level of significance:

$H1_o$: There is no statistically significant relationship between corporate social responsibility, corporate sustainability, and corporate financial performance.

$H1_a$: There is a statistically significant relationship between corporate social responsibility, corporate sustainability, and corporate financial performance.

I imported the Excel spreadsheet containing the CSR, CS, and CFP values into SPSS version 24 for statistical correlation analysis. In the study, I aimed to either accept or reject the null hypothesis. Confirmation of a positive correlation would result in the rejection of the null hypothesis, thereby indicating the existent of a relationship between CSR, CS, and CFP in the energy industry. On the other hand, a negative or insignificant correlation would mean that there is no relationship between CSR, CS, and CFP, hence accepting the null hypothesis.

I used multiple regression (MR) models in analyzing the relationship between CSR, CS, and CFP. Researchers use the MR model to analyze the relationship between two or more independent variables and one dependent variable (Karadas, Celik, Serpen, & Toksoy, 2015). Also, MR model can help identify outlier or anomalies among variables (Jeon, 2015). MR model was appropriate for analyzing data in the study because the data meets the definitional requirement of the model, which includes one dependent variable (CFP) and multiple independent variables (CSR and CS). The MR model has four basic assumptions: (a) linearity, (b) normality, (c) constant variance of the error terms, and (d) independence of the error terms (Jeon, 2015). I tested these assumptions by checking partial regression plot, or by comparing null plot and residual plot, or by carrying out a statistical test, thus ascertaining the usefulness of the model in this study (Jeon, 2015).

Another assumption of the MR model is multicollinearity between or among independent variables (Jeon, 2015; Karadas et al., 2015). I estimated the level of multicollinearity between the independent variables (CSR and CS) using the variance

inflation factor (VIF) function in the SPSS 24 software. If the VIF value is less than five, the multicollinearity would not pose a problem (Akinwande, Dikko, & Samson, 2015). However, if greater than five, Jeon (2015) and Karadas et al., (2015) provided three possible solutions: (a) conduct a partial least squares regression analysis to see the relationship between each independent variable and dependent variable, (b) delete one independent variable if the correlation is very high, and (c) combine the highly corelated variables to become one variable, (d) researcher should report the findings only for the purpose of predicting and not explaining (Jeon, 2015; Karadas et al, 2015). Finally, I screened the data I intended to obtain from BCC index and EDGAR for missing values and data. However, since the data are either presented in a binary or numeric form, the non-interpretation of data did not pose an issue.

Study Validity

I addressed the threats to validity and reliability of the study in this section. Threats to validity include external, internal, and statistical conclusion validity (Brincks et al., 2017). The study was a non-experimental design and threats to internal validity are not applicable. However, the threats to external validity relate to generalizability, which implies that the findings of the U.S. energy companies listed in Russell 1000 may not apply to energy companies in other countries or for other industries. Researchers such as Rieschick (2017) conducted a similar study in the Food and Beverage industry using the same instrument (that is BCC index and EDGAR) for data collection. Likewise, Queen (2015) used the BCC index to assess the financial performance of all organizations ranked regardless of the sector. Hence, results from other studies such as Rieschick

(2017) and Queen (2015) helped complemented the findings from the study to form a general opinion of the relationship between CSR, CS, and CFP.

The threats to statistical conclusion validity describe the extent to which the outcome of a study relates to the correctness and reasonableness of the relationship between variables (Hales, 2016). According to Lando and Mungan (2018), threats to statistical conclusion validity are conditions that increase the Type I error rates (rejecting the null hypothesis when it is, in fact, true), and Type II error rates (accepting the null hypothesis when it is false). I addressed the threat to the statistical conclusion by adhering to all necessary procedures required to conduct scientific research. Dien (2017) suggested that to minimize Type II error researchers must identify the most effective analytic approach. Relative to the study, the MR model was chosen to help analyze the data that I collected because it was the most appropriate method for examining relationships between multiple independent variables and one dependent variable (Jeon, 2015). Also, the MR model requires the fulfillment of certain assumptions of linearity, normality, multicollinearity, independence, and homoscedasticity before employing the model in any study. To satisfy these assumptions, I carried out a test of these assumptions using normality probability plot of the regression-standardized residual and ran statistical test to further ensure non-violation of the assumptions identified earlier (Jeon, 2015).

An internal consistency reliability check is applicable when the study involves the collection of data through individual survey respondents or test takers (Cohen, Cohen, West, & Aiken, 2013). The most common measure of internal consistency or reliability is the coefficient alpha also known as Cronbach's alpha (α) (Cohen et al., 2013). The

purpose of the study was not to determine a causal relationship, and did not involve the collection of data via primary source; therefore, internal validity is not a factor for this study. Lastly, the sample size in the study could stand, as a form of threat to the study outcome if the sample selected is not an adequate representation of the population. According to Gay et al., (2009), if the population of research has less than 100 participants or units, it is best to sample the entire population. Therefore, for the study sample size did not result in an issue because I used the whole population as the sample size for the study.

Lastly, the sample size in the study could stand, as a form of threat to the study outcome if the sample selected is not an adequate representation of the population. According to Gay et al., (2009), if the population of research has less than 100 participants or units, it is best to sample the entire population. Therefore, for the study sample size did not result in an issue because I used the entire population as the sample size for the study.

Summary and Transition

Section 2 of the study included the restatement of the purpose of the study and my role as a researcher to ensure that the study was embarked on without any form of bias. The study did not include any human participants because the data used in the study were collected from the publicly available archive. A quantitative correlational study was adopted to achieve the purpose of the study. Relative to the study, the MR model was chosen to help analyze the data that I collected. The final element in section 2 covers the reliability with regards to the generalizability of the study and the statistical conclusion

validity. In section 3, I presented the findings of the study, application to professional practice, implications for social change, and recommendations for further research.

Section 3: Application to Professional Practice and Implications for Social Change

Introduction

The purpose of the quantitative, correlational study was to examine whether there was a relationship between CSR, CS, and CFP. If there is relationship, then it is possible to influence managerial decisions to favor investment in social and sustainable initiatives. I used SPSS, Version 24, to test for the relationship between the independent variables (a) CSR (X_1), and (b) CS (X_2) and the dependent variable of CFP. I used the MR model to analyze the relationship between CSR, CS, and CFP. After testing for the necessary assumptions in conducting a multiple regression analysis, there was perfect collinearity between the independent variables. I combined both independent variables to arrive at one independent variable, labeled CSCSR, and examined the relationship with CFP using simple linear regression. I accepted the null hypothesis and rejected the alternative hypothesis since the analysis demonstrated that the combination of the CS and CSR variables had an insignificant relationship with financial performance. In this section, I present the findings, application to professional practice, and implications for social change, which provided the basis for the recommendations for action and future research. The section also includes my reflections on the study process.

Presentation of the Findings

In this section, I discussed the sub-topics on the assumptions tested; the descriptive and inferential statistics, and a theoretical interpretation of the findings. I presented the result of the study in tables and figures to show a pictorial view of the data analysis. Finally, I offered a concluding statement.

Tests of Assumptions

I evaluated assumptions of multicollinearity, outliers, normality, linearity, homoscedasticity, and the independence of residuals. Violations of these assumptions were tested using SPSS, Version 24. Statistical results, tables, and figures are presented in this section to check for any violations of the assumptions of linear regression.

Multicollinearity. I conducted a test on the severity of multicollinearity to determine the extent of the linear relationship between the independent variables. Testing multicollinearity was essential to determine if the predictor variables were too close for data analysis. I employed tolerance and VIF in checking the multicollinearity assumption between CSR and CS. Table 2 indicates a perfect linear relationship between CSR and CS, as the VIF and tolerance were equal to 1. To resolve the issue of multicollinearity, Jeon (2015) and Karadas et al. (2015) suggested the following steps: (a) conduct a partial least squares regression analysis to see the relationship between each independent variable and dependent variable, (b) delete one independent variable if the correlation is very high, and (c) combine the highly corelated variables to form a composite variable, (d) report the findings only for the purpose of predicting and not explaining (Jeon, 2015; Karadas et al, 2015). In the result presented in Table 2, SPSS excluded the CSR predictor variable and included the CS variable in the analysis because of the perfect collinearity between CSR and CS. For the study, since both CS and CSR are perfectly correlated, both variables were added to yield one composite variable, labeled CSCSR.

However, a multiple regression analysis will no longer suit the purpose of the study, due to a minimum number of predictive variables required to carry out the MR

analysis. A simple linear regression analysis was conducted, which also have the same assumptions as MLR, except for the assumption of multicollinearity. A simple linear regression is suitable for establishing the relationship between one independent variable and one dependent variable. The next sub-heads address the assumptions of outliers, normality, linearity, homoscedasticity, and independence of residuals.

Table 2

Multicollinearity of Independent Variables

	Unstandardized coefficients		Standardized coefficients			Collinearity statistics	
Model	B	Std. error	Beta	t	Sig.	Tolerance	VIF
1 (Constant)	-1.678	8.254		-.203	.843		
CS	.015	.100	.048	.153	.881	1.000	1.000

[a] Dependent variable: ROA

Normality. The normal p-p plot of regression standardized residual for ROA and Tobin's Q in Figure 1 and Figure 2 shows some deviations of the residuals from the regression line. A researcher should embark on further statistical test in the situation of a small sample size as the normality plot may not give a true representation of the data (Ernst & Albers, 2017). Ernst and Albers (2017) suggested that statistical test such as *Z*-scores, Kolmogorov-Smirnov test can help to confirm if such a plot is significantly outside a normal distribution. According to Colan (2013) the *Z*-scores are arrived at by dividing the skewness and kurtosis of the distribution by the corresponding standard error. A standardized skewness and kurtosis represented by *Z*-skewness and *Z*-kurtosis

respectively within the ±1.96 for small sample size (n < 50), ±3.29 for medium sample size (50 < n < 300), or ±2 for skewness and ±7 for kurtosis for large sample size indicate a normal distribution (Kim, 2013). The sample size for the study is 12, which falls under the category of a small sample size.

Presented in Table 5 are the values of the skewness, kurtosis, *Z*-skewness, and *Z*-kurtosis of the variables. The *Z*-skewness of -2.32 for the ROA variable does not fall within the range of ±1.96, but the difference is not up to 0.5, which implies that the deviation from normality is not significant. The *Z*-kurtosis of 1.07 lies within the threshold of ±1.96, which indicates that the distribution is normal. Also, the p-value of the Kolmogorov-Smirnov test of 0.075 shown in Table 3 is greater than the 0.05 level of significance, thus indicating that the ROA is normally distributed. The statistical test helps explain that the deviation from normality as shown in Figure 1 is not significant. On the other hand, the *Z*-skewness and *Z*-kurtosis of 2.179 and 3.175 respectively for Tobin's Q shows a significant deviation from normality as seen in Table 4. Also, the p-value of the Kolmogorov-Smirnov test of 0.004 depicted in Table 3 is significantly less than 0.05, which further explains that the dependent variable of Tobin's Q does not follow a normal distribution.

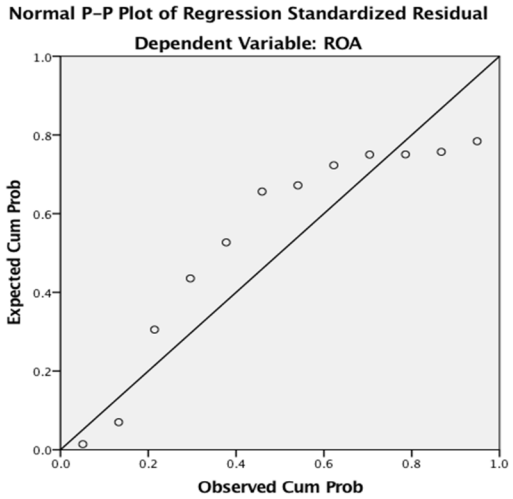

Figure 1. Normal probability plot (P-P) of ROA.

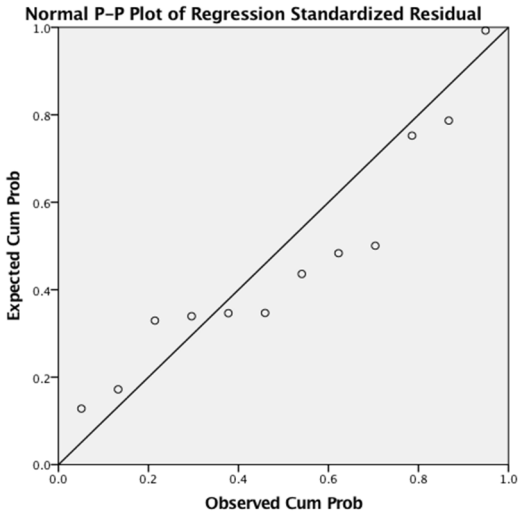

Figure 2. Normal probability plot (P-P) of Tobin's Q.

To address the issue of non-normality of the Tobin's Q variable, Sainani (2012) noted that a simple data transformation such as a natural logarithm of the data could help resolve the non-normality issue. I did a log-transformation of the Tobin's Q variable and tested for the normality assumption. As depicted in Table 5 the *Z*-skewness and *Z*-kurtosis of 0.199 and 1.2 fall within the ±1.96, thereby indicating that LNTOBINQ is

normally distributed. Figure 3 represents the normal plot for LNTOBINQ. Equally, the Kolmogorov-Smirnov test of 0.073 presented in Table 3 is greater than the 0.05 level of significance, which indicates that the distribution is normal.

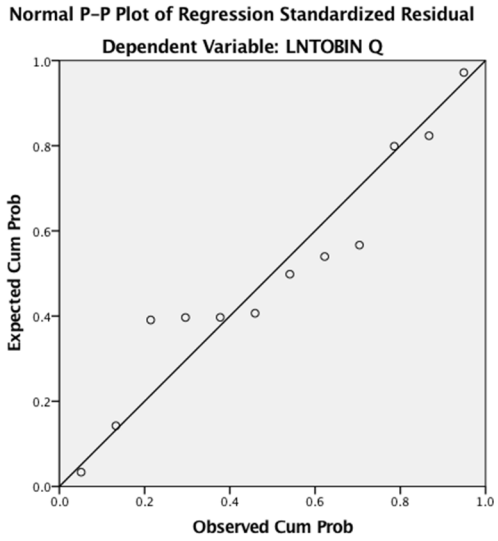

Figure 3. Normal probability plot (P-P) of LNTOBINQ.

Table 3

Tests of Normality

	Kolmogorov-Smirnov[a]		
	Statistic	df	Sig.
TOBIN Q	.297	12	.004
ROA	.232	12	.075
LNTOBINQ	.232	12	.073

[a] Lilliefors Significance Correction

Outliers. The box plot is one of the ways to detect the presence of outliers in a data (Ernst & Albers, 2017) Any data that does not fall within the box is referred to as an outlier. The SPSS version 24 was used to derive the box plot for the dependent variables, and any figure that is asterisked outside the box by SPSS shows that there are significant

outliers in the data. The box plot as shown in Figure 4 and Figure 5 for the dependent variables ROA and LNTOBINQ supports that although there are outliers, these are not significant outliers to violate the assumption.

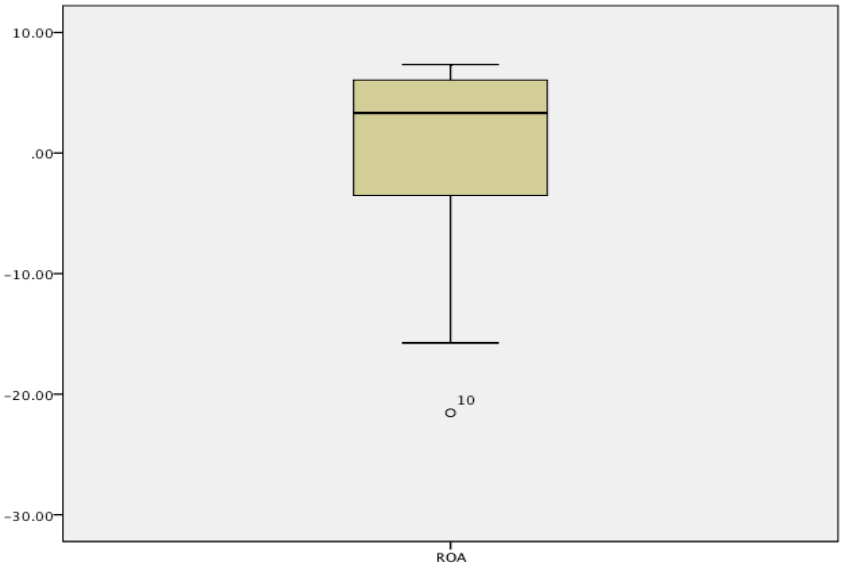

Figure 4. Box plot of ROA.

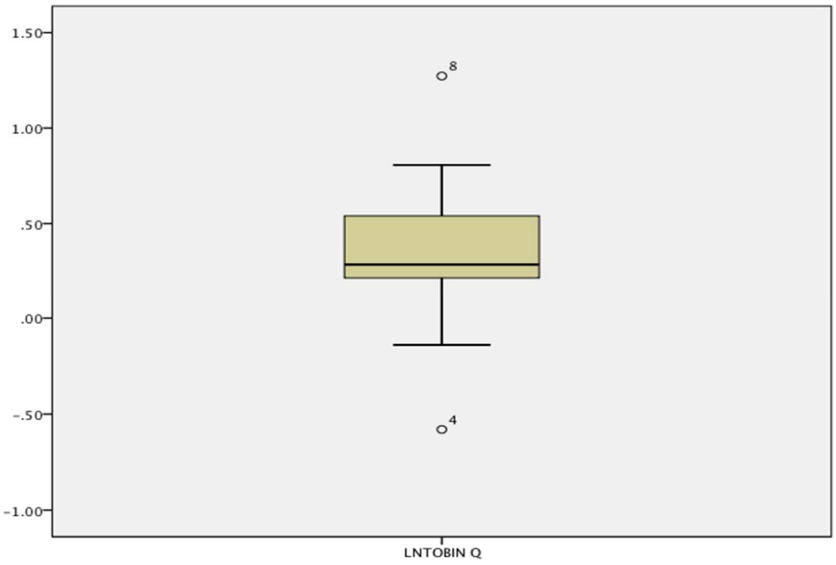

Figure 5. Box plot of LNTOBINQ.

Independence of residuals and homoscedasticity. The scatter plot helps to test for the assumption of the independence of residuals and homoscedasticity. However, due to the small sample size of the study, the scatter plot of the standardized residual does not present a clear pattern in the dots to help conclude the independence of residuals and homoscedasticity as shown in Figure 6 and Figure 7. Thus, the Durbin-Watson statistic test was adopted in assessing the independence of residuals assumption. A Durbin-Watson value between 1.5 to 2.5 is acceptable as normal to conclude the presence of the independence of residuals. The Durbin-Watson statistic test of 1.880 and 1.878 for ROA and LNTOBINQ respectively presented in Table 6 shows the absence of autocorrelation in the data. To statistically test the assumption of homoscedasticity I employed the Barlett's test of sphericity. According to Li et al. (2015) a Barlett's p-value greater than 0.05 means that homogeneity of variance is not violated. The results presented in Table 4 shows a p-value of 0.881 and 0.811 which indicates a non-violation of the homoscedasticity assumption.

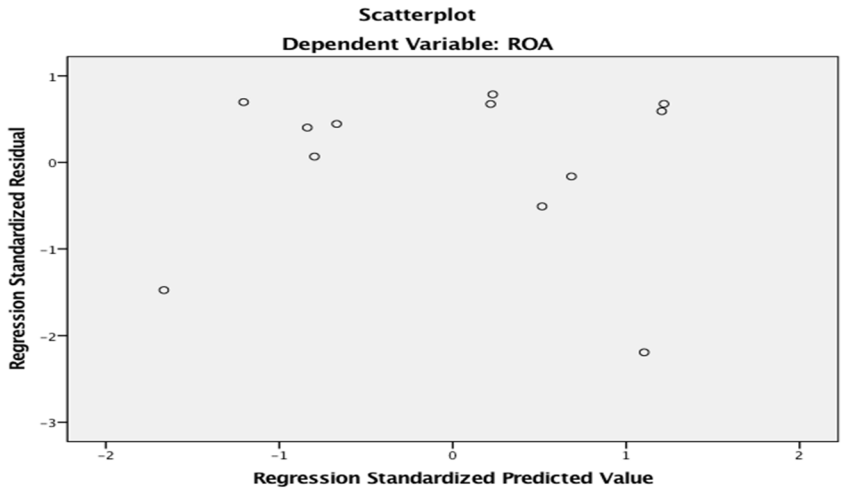

Figure 6. Scatter plot of ROA.

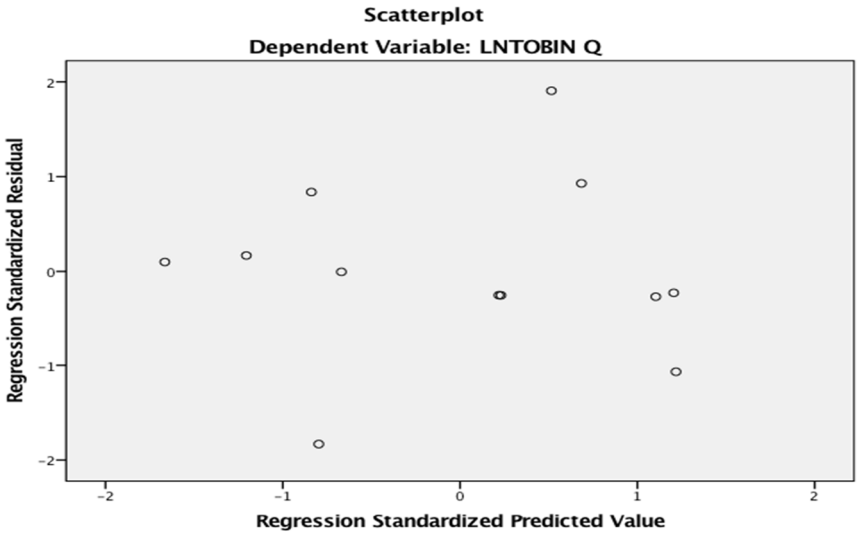

Figure 7. Scatter plot of LNTOBINQ.

Table 4

Bartlett's Test for ROA and LNTOBINQ

Bartlett's Test of Sphericity ROA	Approx. Chi-Square	.057
	df	1
	Sig.	.881
Bartlett's Test of Sphericity LNTOBINQ	Approx. Chi-Square	.057
	df	1
	Sig.	.811

Linearity. Linearity means that the predictor variables in the regression have a straight-line relationship with the outcome variable. From Figure 1 and 3 although there were some deviations from the straight line, the points are close to a straight line. The box plot depicted in Figure 4 and 5 also showed that there were no significant outliers, thereby supporting the conclusion that the linearity assumption was not violated. As

noted by Casson (2014) if the residuals are normally distributed and homoscedastic, there is no need to worry about linearity.

Descriptive Statistics

The total number of energy companies in the 2016 BCC index was 12, and completed data of these firms were analyzed for the study. Table 5 shows descriptive statistics of the variables including the mean, standard deviation, skewness, kurtosis, *z*-skewness, and *z*-kurtosis of CSCSR, ROA, and LNTOBINQ. Tables 5 depicts that the independent variable CSCSR and the dependent variable ROA are negatively skewed. A negative skew means that the tailed distribution is longer on the left side and that the bulk of the values tend towards the right of the mean (Kim, 2013). A skewness number greater than 2 represents a significant violation of normality (Kim, 2013). As presented in Table 5 the dependent variable LNTOBINQ have a positive skew of 0.127, which indicates that the distribution is normal. Kurtosis measure the extent of probability in the tails of the distribution and a number greater than 7 explains a substantial departure from normality. The kurtosis figure presented in Table 5 for the independent and dependent variables of ROA and LNTOBINQ shows that the variables are normally distributed.

Table 5

Descriptive Statistics of Study Variables

	N	Min.	Max.	Mean	Std. Deviation	Skewness	Kurtosis	Z-Skewness	Z-Kurtosis
CSCSR	12	70.95	286.43	195.4	74.74	-.26	-1.36	-0.41	-1.10
ROA	12	-21.55	7.34	-.492	9.385	-1.481	1.32	-2.32	1.07
TOBIN Q	12	.56	3.57	1.543	.777	1.731	3.912	2.179	3.18
LNTOBINQ	12	-.5798	1.273	.333	.462	.127	1.479	.199	1.2

Inferential Results

I chose to use simple linear regression analysis in the evaluation of the study because it helps explains the statistical correlation between one predictor variable and one dependent variable (Lin & Tsai, 2015). In order to ascertain the relationship between CSCSR and CFP represented by ROA and Tobin's Q, I used the standard linear regression, a = .05(two-tailed). The independent variable is CSCSR and the dependent variable is CFP. There were no violations of the linear regression assumptions.

The null hypothesis was that the independent variable did not have a significant relationship with the dependent variable. The alternative hypothesis was that the independent variable has a significant relationship with the dependent variable. The dependent variable CFP was measured by ROA and TOBIN Q. The model was unable to predict the dependent variable as measured by ROA significantly, F (1, 12) = .023, p = .881, R2 = .002; therefore, I accepted the null hypothesis that there is no relationship between CSCSR and CFP represented by ROA. The linear combination of the predictor

variable account for the $R^2 = .002$ and an adjusted $R^2 = -.097$ as shown in Table 6 indicating that the model does not help to predict the dependent variable assessed by ROA. Equally, the model was unable to significantly predict the dependent variable as measured by Tobin's Q, $F\ (1, 12) = .060$, $p = .811$, $R^2 = .006$; therefore, I accepted the null hypothesis that there is no relationship between CSCSR and CFP represented by Tobin's Q. The linear combination of the predictor variable account for the $R^2 = .006$ and an adjusted $R^2 = -.093$ as shown in Table 7 indicating that the model does not help to predict the dependent variable measured by Tobin's Q. The conclusion from the analysis is that the combination of CS and social responsibilities activities does not have a significant relationship with CFP assessed using accounting and market-based measure.

Table 6

Model Summary (ROA)

				Std.	Change Statistics					
Model	R	R Square	Adjusted R Square	Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change	Durbin-Watson
1	.048[a]	.002	-.097	9.8312	.002	.023[c]	1	10	.881	1.880

[a] Predictors: (Constant), CSCSR
[b] Dependent Variable: ROA

Table 7

Model Summary (LNTOBINQ)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.077[a]	.006	-.093	.48309	.006	.060	1	10	.811	1.878

[a] Predictors: (Constant), CSCSR

[b] Dependent Variable: LNTOBINQ

Regression and Pearson product-moment analysis.

The Pearson product-moment correlation coefficient is a value between +1 and -1 with a number closer to 0 indicating a weak relationship (Cohen et al., 2013). The Pearson product-moment correlation coefficient (r) was used to determine the linearity and strength of the relationship between the independent variable and the dependent variable in the study. The value of $r = 1$ is interpreted as a perfect positive correlation and $r = -1$ means a perfect negative correlation (Yang, Liu, Tsoka, & Papageorgiou, 2016). The Pearson product-moment correlation coefficients of the variables are depicted in Table 9 and Table 11. The correlation demonstrated an insignificant positive weak relationship between CSCSR and CFP measured by ROA in the energy industry with $r = .048$, $p = .881$. Likewise, the value of $r = .077$, and $p = .811$ as depicted in Table 9 shows that LNTOBIN has no statistically relevant relationship with CSCSR in the energy industry. Besides, the t-test associated with the independent variable $t(12) = .153$ and

$t(12) = .245$ in Table 8 and Table 10 respectively further supports the evidence that there is no relationship between CSCSR and CFP.

Table 8

Regression Analysis Summary for Predictor Variable (ROA)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	-1.68	8.25		-.203	.843	-20.07	16.7
	CSCSR	.006	.040	.048	.153	.881	-.082	.094

[a] Dependent Variable: ROA

Table 9

Pearson Correlation Analysis (ROA)

		CSCSR	ROA
CSCSR	Pearson Correlation	1	.048
	Sig. (2-tailed)		.881
	N	12	12
ROA	Pearson Correlation	.048	1
	Sig. (2-tailed)	.881	
	N	12	12

Note. $p<0.01$

Table 10

Regression Analysis Summary of Predictor Variable (LNTOBINQ)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	.24	.406		.592	.567	-.664	1.14
	CSCSR	.000	.002	.077	.245	.811	-.004	.005

[a] Dependent Variable: LNTOBIN Q

Table 11

Pearson Correlation Analysis (LNTOBINQ)

		CSCSR	LNTOBIN Q
CSCSR	Pearson Correlation	1	.077
	Sig. (2-tailed)		.811
	N	12	12
LNTOBIN Q	Pearson Correlation	.077	1
	Sig. (2-tailed)	.811	
	N	12	12

Note. $p<0.01$

Analysis summary. The purpose of this study was to examine the efficacy of social and sustainability initiatives in predicting financial performance. I used simple linear regression to examine the ability of social and sustainability initiatives to predict the ROA and Tobin's Q. The model as a whole was unable to significantly predict financial performance as measured by ROA and Tobin's Q respectively, $F(1, 12) = .023$, $p = .881$, $R^2 = .002$ and $F(1, 12) = .060$, $p = .811$, $R^2 = .006$. Social and sustainability activities do not provide useful predictive information about financial performance. The conclusion from this analysis is that CSR is insignificantly associated with CFP.

Theoretical discussion of findings. I used the stakeholder theory as the framework to examine the relationship between corporate social and sustainable activities and CFP. Findings from the study revealed that social and sustainable initiatives, using the 2016 BCC index as a proxy, do not have a significant relationship to the financial performance of firms in the energy industry. The result of the data analysis did not support the view of the stakeholder theorists that centers on business managers satisfying the various demands of the stakeholder groups to improve the firm's bottom line.

Researchers such as Rieschick (2017) examined the relationship between CSR and CFP in the food and beverage industry using the 2016 BCC index as a proxy for CSR and ROA for CFP. Rieschick used the ethical and stakeholder theory as a lens to examine the relationship between CSR and CFP and found a similar result with this study. Rieschick also examined the relationship between CSR and CFP for the 100 companies listed in the 2016 BCC index and established that there is a no significant relationship between CSR and CFP regardless of the industry. Elshahat et al. (2015) conducted a

study and found an insignificant negative relationship between the overall environmental ratings and annual returns. Similarly, Dinsmore (2014) found a negative and no significant relationship between corporate social performance and financial performance, thus not providing support for stakeholder theory.

Contrary to the findings from Dinsmore (2014) and Elshahat et al. (2015), I found an insignificant but positive association between the combination of CS and CSR and CFP, thereby supporting the findings from the research by Ofori et al. (2014). Also, previous researchers noted that the measures of financial performance as it related to market and accounting evaluation influences the relationship between CSR and CFP (Garg, 2015). In contrast, the results from this study do not show a difference in the correlation between CSR and CFP as measured by market and accounting performance. I found an insignificant positive relationship between CSCSR and ROA and CSCSR and LNTOBINQ. In the next sub-section, I present the applications to professional practice.

Applications to Professional Practice

Stakeholder management in the form of social responsibility and sustainability performance is some of the initiatives put forward by previous scholars to help satisfy the heterogeneous demands of stakeholders. However, due to lack of evidence of the financial benefits derived from such philanthropy acts, there is no clear business case to justify investment in social and sustainability projects. While the findings of this study did not provide evidence for the implementation of sustainable and social initiatives based on positive financial performance, it does create an awareness of the importance of the importance of CSR. Stakeholders such as government and consumers are paying

attention to the impact of an organization's operation in its environment. The government is beginning to penalize businesses for non-compliance to environmental standards (Hasan & Habib, 2017; Malik, 2015). Consumers now are favoring more green corporations regarding patronage than firms destroying natural resources through emissions and pollutions (Perez & Rodriguez del Bosque, 2016).

Friedman (1962) suggested that business leaders should only engage in activities that are justifiable and contributes to the overall firm success. An organization's success is measured based on the number of litigations, financial performance, customer's perception, good will, and employee's satisfaction (Hasan & Ali, 2015). Thus, even though the result of the study does not provide a significant relationship between social and sustainable performance and CFP, business leaders are at no lost as there are other benefits that could translate to better financial performance in the long-run.

There is an increasing demand for sustainable practices thereby resulting in a new paradigm shift in the corporate society that focuses not only on profitability but also on environmental impacts of business operations (Patari et al., 2014). Business leaders, therefore, face the challenge of maximizing shareholder's wealth without negatively affecting the environment as a result of their firms' data to day activities. In the light of this study, firm managers should aim at developing strategies to move with the shift but not at the expense of financial performance. Business executives may decide to invest in those green initiatives that are cost-effective and cause no harm to the natural environment.

Implications for Social Change

Many organizations engage in CSR, many talks about CSR, but few know the implication of CSR for people and lives in everyday communities. Social and sustainable initiatives involve business leaders making fundamental decisions that are in the interests of protecting nature (Epstein et al., 2014). For instance, the monitoring and limiting the use of natural resources such as water and fossil fuels by corporations could help to reduce the negative impact on the environment.

Proponents of the stakeholder theory posit that by firms meeting the competing demand of their stakeholders, they enjoy a greater benefit through an increase in their enterprise value. (Harrison et al., 2015). The findings of this study reflect a positive relationship between social and sustainable initiatives and CFP, which supports the view that to an extent there is a correlation between the independent variable and dependent variable in the study. However, because the relationship is weak, the study might not justify organizations' involvement in CSR regarding the derivable financial benefits.

The implications for social change from the results of this study include the potential to promote a cleaner environment, improve air and water quality, and improve the quality of individual lives. Confirmation of a significant positive relationship could have supported the propositions of the stakeholder theory, thereby encouraging continued investment in CSR activities. The findings of this study among other varied results from previous researchers indicate that there is a need for government intervention in the protection of the society. The government has a role to play in putting regulations in place for the preservation of lives and natural resources.

The study's value to social change begins with the point that if there are no sufficient financial justification to attract business involvement in CSR, then the government will have to step in to preserve the environment. Government officials can provide a legal reason that sets at least minimum standards of operating business ethically, which will, in turn, contribute to the economy. Also, policymakers and administrators could use the study findings to promote social and sustainable initiatives by providing financial incentives to organizations. For instance, leaders in the government can set regulations such as tax breaks to encourage business entrants to engage in production and rendering of green products and services. In return, the economy will enjoy a boost through job creation, and improved quality of residents' lives in the community where these businesses operate.

Recommendations for Action

The findings of this study support several recent studies such as Ofori et al. (2014), and Elshahat et al. (2015) that found a positive but insignificant relationship between social and sustainable initiatives and CFP. Notwithstanding, the presence of a direct though insignificant association calls for business managers' attention. The reason is that with the positive association, it is arguable to suggest that the more social and sustainable projects embarked on by firms, the greater the probability of experiencing an increase financial outcome (Ofori et al., 2014).

Theoretically, this study contributes to the literature in some ways. Firstly, it confirms the relationship between social and sustainable initiatives and financial performance empirically. Secondly, it adds to the increasing need to establish other

incentives aside monetary advantage for investing in CSR projects within the energy industry in the United States. Practically, the study findings imply that business leaders should embark on sustainability projects strategically, and not haphazardly to enjoy the potential long-term benefits. Managers could create CSR awareness at the organizational level as a form of strategy to develop better brand recognition and gain a good reputation, and in the long run, perhaps financial performance.

Likewise, the government as a member of the stakeholder group has the primary responsibility to protect the environment and provide social amenities. Therefore, it is paramount that government officials do not abandon the green initiatives to business managers but join by also promoting social responsibility through transparency within the public business service. Also, the government can create development centers to increase knowledge and awareness of small and medium scale enterprises about social responsibility and how to strategically involve in sustainability initiatives.

Other stakeholders such as consumers could influence sustainability practices through their choice of green products and services. Equally, investors could use their investments as a driving force for responsible growth. These stakeholders could demonstrate their interest in promoting the environment by demanding that firms engage in sustainability reporting as a means of creating awareness, which in turn will help make consumption and investment decisions.

I will send copies of my abstract and some sections of my study to *CR Magazine* and United Nations Global Compact with an offer to provide copies of my entire study upon request. I intend to replicate a similar study in Nigeria in other to establish the

relationship between CSR and CFP within the energy industry in a developing economy. The study will be published in the ProQuest dissertation database and other scholarly journals, to ensure access by other researchers, scholars, and business professionals. My plan also is to present the findings at conferences, seminars, and training that involves social and sustainability practices.

Recommendations for Future Research

The sample size selected for this study is relatively small to examine the relationship between CSR and CFP. Future researchers could replicate the study by increasing the sample size to include all the energy companies in the Russell 1000. Also, future studies could focus on the 100 companies ranked by BCC index for 2016 to determine the extent of the relationship between CSR and CFP by including firms from various industries. This study is also limited to a period of one year, which makes it difficult to ascertain if the association between CSR and CFP will remain the same in the long run. Researchers could conduct a longitudinal study to establish if there are any variations in the results on a yearly basis.

In this study, I used a secondary means of data collection, and this has its inherent limitations. Subsequently, scholars could collect primary data through questionnaire and interview for the social and sustainability variable. The choice of which variable is dependent or independent could also impact the result of the regression. I will suggest that researchers should interchange the dependent variables in this study for the explanatory variables and the independent variable for the responding variable to determine if the outcome will vary.

Reflections

My decision to pursue the DBA program was to fulfill my personal and professional goal. The journey was challenging in balancing work, family, school, and other life activities. I began my doctoral study with the assumption that business activities geared towards social and sustainability will increase a firm's success. I anticipated finding a positive and significant relationship between social and sustainability performance and CFP. As I continued down to data collection and analysis, I observed that my expectation was proven otherwise. Even though the correlation results showed a positive relationship between CSCSR and CFP, the outcome of the regression analysis revealed that the predictive ability of the combination of social and sustainability activities with regards to financial performance is not very strong. I was also of the opinion that the relationship may differ when a market or financial measure of financial performance is adopted. After running the regression, I found that regardless of the measure of CFP, the relationship remained the same.

The information gathered from the study has helped me to conclude that government officials have a role to play in ensuring that businesses embark on sustainable projects. The government could promote CSR engagement among organizations by designing policies that would stimulate the development of cleaner technologies and help firms in CS into innovation and production. The findings from this study, also pointed out that I, as a consumer and investor should serve as a watchdog in protecting the environment, thus patronizing green initiatives. I am hopeful that the study

will increase the interest of stakeholders in identifying innovations that would preserve nature and improve the well-being of the community.

Conclusion

I examined the relationship between social and sustainability initiatives and financial performance. Data analysis supported the null hypothesis that there is no significant relationship between the combination of corporate social activities and sustainability and financial performance. The study findings of an insignificant relationship refute the stakeholder theorists' propositions, thereby suggesting that a collective stakeholder perspective does not improve an organization's financial performance.

The result of this study and a review of the literature identified the need to justify organizations' involvement in social and sustainable activities beyond financial benefits. In essence, business managers should explore ideas and initiatives that will not destroy the value of the environment where their businesses operate. Also, government and policymakers should promote sustainable practices among corporations by providing financial incentives for green initiatives, establishing regulations that focuses on advancing social responsibility, and leading by example.

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