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Impact of corporate Social responsibility Reporting on organizations Performance -A case study of Hemas company in Sri Lanka

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By

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CERTIFICATION

The thesis entitled "Impact of corporate Social responsibility Reporting on organizations Performance -A case study of Hemas company in Sri Lanka" in partial fulfillment of the requirement for the Degree of Master of Science in Management is hereby is Accepted.

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DECLARATION OF CANDIDATE

I certify that this does not incorporate without acknowledgement of any material previously submitted for a Degree or Diploma in any University, contain any material previously published or written by another except where due reference is made in the text.

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P.H.Kusumawathie

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ABSTRACT

The field of corporate social responsibility (CSR) has grown exponentially in the last decade. Nevertheless, there remains a protracted debate about the legitimacy and value of corporate responses to CSR concerns. There are different views of the role of the firm in society and disagreement as to whether wealth maximization should be the sole goal of a corporation. This study presents some evidence that aims to answer the following question: What are the influential factors for involvement in CSR activities? Whether there is a relationship between company performance and CSR? What kinds of CSR activities are currently practiced? Whether CSR is reported as per generally accepted guidelines? Questionnaires were used and personal interviews conducted to survey managers and senior executives of the case company – Hemas plc in Sri Lanka. The study reports that CSR programs, which pertain to economic, social, community, and environment concerns, has been found to have an influence on Hemas plc's image and reputation and performance. It can be concluded that because of its prominent practice, Hemas plc has built a good corporate image and reputation in the community. The study has found the view that Hemas plc should further integrate CSR programs into its business strategies, broaden its CSR network to its various stakeholders, put more emphasis on environmental issues, and employ an efficient measurement mechanism for evaluating the impacts and benefits of its CSR programs.

CHAPTER 1

INTRODUCTION

1.1 Background of the study

Corporate social responsibility (CSR) is continuously growing in importance in the modern world of globalization. For various reasons companies take the initiative in the formulation of codes of conduct, company values, and other means of taking their corporate responsibilities beyond legally binding obligations. Many companies have now also realized their power to contribute to the common good of society at large and to have a positive impact on some of the most serious issues prevailing in the modern world and at the same time contribute to the financial performance of the company itself. However, outcomes of CSR activities remain unclear. Extensive research in the field has produced mixed evidence on the impact of CSR on corporate financial performance. This key issue needs to be addressed and whether CSR activities are really producing the benefits for business as claimed found out.

1.2 Research problem

The existing research in the area of CSR has largely focused on the motivators and drivers behind socially responsible actions in corporations or the stages of CSR development. At the same time, the actual outcomes of such actions remain under-researched and uncovered (Halme & Laurila 2009; McWilliams & Siegel 2000). By definition, CSR refers to the idea of *doing good*, but the debate has been concentrating on the question whether it is possible for a business to “meet new social, environmental, and financial expectations and still win?”(Business Week 1999, Orlitzky. 2003). This has been researched through examining the relationship between CSR initiatives and

Corporate Financial Performance (CFP). However, the evidence has been at best mixed and inconclusive, partly due to the fact that studies so far have not seriously addressed the differences between various types of CSR activities (Halme & Laurila 2009; Hillman & Keim 2001; Barnett & Salomon 2006). In general, the very nature of CSR is such that its positive societal impacts are often taken for granted. After all, if a company engages in so-called socially responsible activities such as charity, is it not already going beyond its own duties and doing the best it can in order to make the world a slightly better place to live in? The question should be, however, more concentrated on the strategic intent of a company's CSR activities. There have been a few attempts to address this by claiming that CSR initiatives in fact could be mutually beneficial for society and the company itself *–if* strategically integrated into the company's core business (Halme & Laurila 2009; Porter & Kramer 2006). The objective of this research is to find out whether some types of CSR can be concluded to bring more benefits for the company.

1.3 Research questions

In order to achieve this purpose the following research questions were considered:

1.3.1 What are the influential factors for involvement in CSR activities?

1.3.2 Whether there is a relationship between company performance and CSR?

1.3.3 What kinds of CSR activities are currently practiced?

1.3.4 Whether CSR is reported as per generally accepted guidelines?

1.4 Objectives of the study

The present study has aimed at studying the effect of CSR on the performance of a selected company in Sri Lanka. This is to draw a relationship between CSR and the growth and development of a company. The following objectives are expected to be achieved through the study, based on the above research questions.

1.4.1 To identify the factors that influence the company's involvement in CSR activities

1.4.2 To explore whether any impact exists between the company's performance and CSR

1.4.3 To examine the nature of CSR activities and their impact

1.4.4 To recognize the level of CSR disclosures against accepted guidelines and principles .

1.5 Research Design

A research design provides the framework for the collection and analysis of data. The choice of a research design reflects decisions about priorities related to a range of dimensions of the research process (Mouton, 2000). In this study the research is designed on a qualitative basis. Data was collected from Hemas plc. The study was implemented focusing on qualitative research methods. The document analysis was affected to determine the possible impact of the CSR programs of Hemas Plc. Interviews were held to reconcile the findings of the document analysis, with CSR.