

The Effect of Corporate Social Responsibility on firm's Profitability: In case of BGI Ethiopia Brewery Share Company in Addis Ababa, Ethiopia

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Abstract

Corporate social responsibility (CSR) is the way organizations integrate social, environmental and economic concerns legally and ethically. The aim of the study was to explore the effect of CSR on business profitability. The study applied a qualitative approach using primary and secondary data collection technique. The targeted population was BGI Ethiopia management team & (internal & external stakeholders) similarly; FGD respondents and key informants were selected by non-probability sampling method using convenience sampling technique, since not every member of the population have a chance of being selected and purposive sampling techniques were selected respectively because the ROA taken was the most recent data which is 6 years of data(2013-2018). While the qualitative data were analysed using ATLAS software through narrative analysis since thematic analysis is a good approach to find out knowledge & experiences from a set of qualitative data. And then the quantitative data were analysed using ratio analysis (ROA) by applying year to year comparison (trend - analysis). The results indicated that it is hard to figure out whether the direct or indirect plays a more pivotal role in influencing the firm's profitability. Because, of the complexity of tangible and intangible factors, those intangible factors that related to the CSR were not measured in this study. The study recommended that it is not adequate to choose only the accounting-based approach to measure the CSR effect in profitability; the regular CSR-profitability relationship may be influenced by the financial crisis; It is hard to define the timescale for the financial return of CSR due to the ambiguous word "long-term". Finally, companies need to constantly make a promise of applying the CSR. Also, the study will, benefits policymakers to gain insight into CSR practices in the alcoholic beverage sector and helps to establish a code of conduct & resolve problems that discourage the implementation of CSR in Ethiopia.

Keywords: Brewery, Corporate, Profitability, Responsibility, Social

DECLARATION

I declare that the research Report entitled “ The Effect of Corporate Social Responsibility on firm’s Profitability: In case of BGI Ethiopia Brewery Share Company in Addis Ababa, Ethiopia ” submitted to Research and Postgraduate Studies’ Office of Business and Economics College is original and it has not been submitted previously in part or full to any university.



Date: November 2020

CERTIFICATE

We certify that the Research Report entitled “**The Effect of Corporate Social Responsibility on firm’s Profitability: In case of BGI Ethiopia Brewery Share Company in Addis Ababa, Ethiopia**” was done by Trufat Berhanu for the partial fulfilment of Master’s Degree under our Supervision.

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ABBREVIATION

| | |
|-----------|--|
| CSR | Corporate Social Responsibility |
| CFP | Corporate Financial Performance |
| CSRD..... | Corporate Social Responsibility Disclosure |
| FP..... | Financial Performance |
| FGD | Focused Group Discussion |
| KI..... | Key Informant |

1 CHAPTER ONE: INTRODUCTION

1.1 Background of the study

During recent years, corporate social responsibility (CSR) has become a widely and over and over again discussed topic in the educational community given the effects that business-environment activities have on employees, clients, authorities, society, business partners, investors, environment, and local communities (Saxton, 2014).

The ever-growing curiosity in CSR has drawn the attention of researchers and of the business environment on its acceptability and its sound effects on company performance. Stakeholders play a significant role in the financial performance of a company (Garriga & Mele, 2004). Companies are more and more aware of the fact that they must accept the responsibility regarding the impact of their business activity on all the stakeholders and support, through voluntary actions, the communities where they perform their economic activity (McWilliams & Siegel, 2001).

In the earlier period, financial performance was one of the key measurements of a firm's value. Greater rank was also given especially who have a high financial margin also, Maximization of shareholders wealth as well a crucial point especially for firms who are revenue driven organizations In this regard, the emphasis that is given for CSR was not obvious (Nari & Raman , 2012) & (Benjamin, 2017) through times the emphasis (CSR) has changed because the value of one organization success is determined by its participation to the society (Nari & Raman , 2012).

CSR has been rising as a worthy corporate strategy in this regard there are two motives for the growing interest in CSR. On one hand, consumers are demanding from firms something more than a high-quality product at a low price, and they have a preference for brands that are socially reputed when evaluating similar products (Porter and Kramer, 2006).

Many studies (Aguinis & Glavas, 2012); (Anderson Linda Ackerman, 2010); (Anderson and Fornell, 2004); (Aragón and López, 2007); (Andriof, 2002); (Aragón and López, 2007); (Aupperle; Carroll and Hatfield, 1985); (Babalola, 2012); (Brammer and Millington, 2008)&

(Carrol, 2016) examining the association between CSR and company performance are done in the case of developed countries and very few studies were performed in the case of developing or emerging countries like Ethiopia. CSR in developing countries or emerging countries is assumed as a philanthropic, public-relation, or marketing activity (Sanclemente-Téllez & Wicks, 2017).

Corporate responsibility should be clearly understood as a responsibility toward stakeholders. Accordingly, in current management CSR has come equivalent importance as firms profitability (CFP); Still, CSR is not about one-off project. it is all about reducing the adverse effect that takes place from the activities of business entities open emotional connectivity with customer inclines to development of a business, assessing a corporate beyond its product and beneficial features to a higher level of meaning and commitment to customer well-being (Madhusanka., 2015).

CSR is a current occurrence in the Ethiopian business perspective. The opinion of CSR is talked over mostly at the university and government levels and its application has been low (Potluri, 2008- 2011). But, nowadays good starts are evident in some industries. For instance, (Tilahun, 2011) mentions that social enterprises, as well as multinational and local companies in the country, are playing significant roles in the environmental perspective of CSR. By engaging in CSR activities the firms are working in the direction of cultivating sustainable environmental management in the country.

Corporate Social Responsibility (CSR) is a concept that has involved worldwide thought and developed a different significance in the global economy. Whereas globalization and worldwide trade have given way to great openings, it has also unlocked the entrance to bigger complications for countries across the globe. This has resulted in the call and need for greater transparency and corporate citizenship and opened the gateway for a culture called corporate social responsibility or CSR which in fact allows for corporations to take on a role in the society, to play the caretaker, and to show it carefulness. As a well-managed modern rival organization operating in the 21st century, the business entity has to care for the fundamentals and expectations of its stakeholders (Madhusanka., 2015).

Corporate action might have numerous kinds of negative impacts happening in the surrounding natural environment because of business operations. Such impacts might include overuse of natural, non-renewable resources of energy, pollution wastage, and degeneration of biodiversity, climate change, deforestation and so forth (Uddin;Hassen and Tarique, 2008) After recognizing an increase in environmental disasters that was contributed by the unethical business interest and human careless attitude the need for this study (Brazioniene and Banyte, 2010).

However, according to (Debas, 2011), companies and social enterprises in Ethiopia participate in environmental management or CSR as a result of the influence of external factors such as policymakers, customers and competitors, on the one hand, and own responsibility, public recognition and improve relations with the local community.

The purpose of the study is to assess the corporate social responsibility activities and its effect on corporate profitability in the case of B.G.I Ethiopia Brewery.

1.2 Statement of the Problem

In today's rapidly varying business environment, firms of all sizes are under pressure to establish ethical behavior. Firms are responsible not to shareholders, but also to stakeholders, such as employees, consumers, suppliers, local communities, competitors, and the environment. Businesses must not act in a responsible manner since it is in their commercial interest, but it is how society expects the businesses to behave (Chang and Darcy, 2017).

CSR is a concept inspiring positive volunteering-based social activities or accountabilities towards the stakeholders of a company (Laisc). Such social activities carried out by the companies are not directly linked to the business, but their effects have an indirect positive influence on company activity (Hopkins;Justice And Ariyabandu, 2012) and (Ariyabandu, 2018).

Now a days the study of CSR and its relation to financial performance is rising. Sustainable firms expect the upcoming needs of the public and regulate their business priorities to different needs, making sure they have the assets to carry on doing business . Therefore, in the perspective

of corporate social responsibility (CSR) responsiveness of companies and the development of activities, demands arise about whether there is a plan for CSR activities, what is the basis of financing for these activities and how they affect the performance and value of companies. Investors are attracted & more concerned in the social and environmental effect of businesses and they want to invest in companies with a decent CSR performance (Aupperle; Carroll and Hatfield, 1985).

CSR actions are various and contain: public investments, philanthropy, marketing campaigns with CSR elements, workplace health and safety activities, employee training courses, corporation policies for the safety of human rights and the fight against corruption, transparency in the reporting of CSR activities, and environmental protection activities (energy consumption, water, emissions of waste, and amount of waste generated). Their metrics is difficult from time to time, so that the beneficiary of these information sometimes have to assess or compare the statistics reported by companies, each in its own way, to be brought to a common denominator. Actions such as donations are paralleled with public investment and waste management costs are integrated to environmental protection costs. So, non-financial reporting plays an increasingly significant role and targets to increase transparency and performance as well as to inspire businesses to implement a more sustainable business strategy. (Peloza, 2009)

Literature provides conflicting results on the relationship between CSR practice and firms profitability with some studies showing a positive relationship (Graves & Waddock ; Hill, 1997) ; others negative (Cordeiro & Sarkis, 1997) ; (Wagner & Azomahou ; Wehrmeyer, 2002) and still others showing that there is no relationship between the two variables (Siegel and McWilliams, 2000); (Aragón and López, 2007).

Today, more companies initiate CSR strategies in Ethiopia. Apart from multinational companies, we can also detect an increased number of NGOs and a few national companies. Also, a study conducted by (Kassaye, April 2016) identified that since the people interviewed in Ethiopia showed the need for companies and organizations to engage in philanthropy (charity) since the government and institutions did not get to the top to support the socio-economic needs of the Ethiopia society.

The specified literature also highlights the fact that CSR practices create additional costs for companies unless such costs produce positive elements returned in an added company performance, such costs can affect the company results, which, in turn, may lead to a competitive disadvantage (Agarwal, 2008). Friedman (Friedman, 1970) emphasized that the only responsibility a company has is to increase shareholder wealth. Friedman's followers argued that CSR only brings additional costs to the company; therefore it reduces shareholder wealth (Reich).

Moreover, (Bogomolova & Romaniuk ; Winchester, 2008) found not only a negative relation between CSR and company financial performance (CFP) but, also showed that companies adopt CSR practices whenever their brand or image is affected. Researchers found a negative relation between CSR and CFP when market base measures were included in their analyses (Momente and Reggiani, 2007), different control variables, as well as multiple-industries inclusion in the regression models (Gossling and Beurden, 2008) Hence, CSR activities continue to aggravate uncertainties as to whether such initiatives may lead to improved company performance and whether they are a source of sustainable competitive advantage.

In another, a study showed by (Saunders, 2006), established that the percentage of consumers who are more likely to recommend a company that supports a good cause over the one that does not is 52%. Meanwhile, 55% of consumers struggle that in a recession they will purchase from corporates products that support good causes even if they are not necessarily the cheapest. Companies that have made CSR as a crucial part of their businesses are gaining the profits in the form of company sustainability, reducing liabilities, and insurance costs, as well as an improved brand image (Saunders, 2006).

Another study conducted by (Freeman) has stated that an organization's CSR initiatives are driven by its concern for the interests of various stakeholders such as employees, customers, suppliers, and other communities since they all have some influence upon the performance of the organization. Socially responsible business results in positive public opinion and higher status, which enable the company to differentiate itself in the market and find a way to attract a greater

number of customers socially responsible companies attract, motivate, and retain employees as well as investors (Carroll, 2015).

However, only a few of companies have chosen to play a more active role in promoting the CSR policies (Lakmali and Madhusanka, 2015) Such social responsibility practices are accepted because of either the pressure exercised by the government and society or the benefits such practices have on the companies. So, social responsibility boosts companies to balance social responsibilities and environmental responsibilities with profit. Accordingly, profit maximization or a continuous market-share increase should be the main objective for companies (Friedman, 1970). As businesses go forward, other objectives keep on adding as well, to an ever-bigger size, to lead to synergic effects. These intentions must also think through the effects of business decisions on stakeholders.

Earlier studies have revealed the presence of a positive relation between CSR and firm profitability as well as a negative relation or the lack of a statistically significant relation to the need to conduct this type of research (O'Bannon & Preston ; Graves , 1997).

Most of the empirical studies about the effect of CSR on a firm's profitability have focused on the developed countries while only fewer studies have been conducted in developing countries like Ethiopia. Of these studies conducted in Ethiopia, they were skewed towards the oil gas firms, telecommunication, and banking sector or they were only focused on CSR not with the relation of profitability plus, there were relatively small numbers of studies found in the alcoholic beverage sector in Ethiopia context, therefore, the study tries to fill this gap by examining the effect of CSR on firms profitability in B.G.I Ethiopia Brewery Share Company.

1.3 Research Question

Now there is a need to address the research questions on which this whole thesis's going to be based are as follows:

- a) What are the CSR activities within BGI Ethiopia brewery?

- b) How does the management perceive investment in CSR in B.G.I Ethiopia Brewery share Company?
- c) What challenges does CSR impose on B.G.I Ethiopia Brewery share Company?
- d) What is the relationship between CSR & profitability?
- e) How investments in CSR affect profitability?

1.4 The objective of the study

1.4.1 General Objective

The main objective of the study is to examine the effect of Corporate Social Responsibility on a firm's profitability, In the case of B.G.I Ethiopia Brewery.

1.4.2 Specific Objective

The study examines the following points while reviewing the Alcoholic Beverage industry specifically B.G.I Ethiopia's brewery share company performance,

- To assess the CSR activities in BGI Brewey Share Company.
- To explore the managements objective towards CSR investment.
- To explore the challenges of CSR implementation on B.G.I Ethiopia's brewery share company.
- To identify the linkage between CSR & profitability
- To explore how CSR influence firm's profitability.

1.5 Significance of the study

There is no confirmation about the relationship between corporate social responsibility and Alcoholic beverage industry performance that includes financial and non-financial performance. Regardless of the existence of some literature about the role of corporate social responsibility in the features of environment and society, there is a significant gap in how corporate social responsibility improves the Alcoholic beverage industry's financial performance due to lack of documented proof of the benefits.

From this time the researcher's focus is to find out the effect of CSR on a firm's profitability based on selected Alcoholic beverage industry which is B.G.I. Ethiopia and will try to realize whether the firm gets any benefits from the much they spend. The findings are likely to be essential in providing insight towards which, CSR activities are the most operative in terms of their effect on the bottom line of the brewing-business winning in them. Moreover, the outcome of the study will furthermore increase the existing consistency of knowledge on the subject of motivation and productivity in the brewing- industry.

This insight would enable them to regulate the balance between these motivations, maximization of the social good that can be drawn from these CSR activities and profitability. The above-mentioned has attracted the need to explore how corporate social responsibility expenditures influenced the profitability of alcoholic beverage-industry in Ethiopia.

The study is going to assist the business students of the area as well as the business competitors, to know the effect of CSR as a competitive advantage because most of the time customers not only focus on the product but also integrate the worth and goodwill of Alcoholic beverage industry. The Study will be expected to contribute in the following areas:

- The results of this study can be used as an input for management of the firm to evaluate the outcome of investment in CSR in terms of a broad company focused goals and social Benefits. It will inspire the firm to plan not only short-term profits but the long-term sustainability of their business.

- Similarly, it encourages firms to incorporate community welfare plans with their operations. So, this lets the society benefit from CSR actions that target community development.
- This study will help customers and suppliers build a healthy relationship with the firm seeking mutual benefit for both. Moreover, employees and society will also benefit from the study.
- The study will also benefit various prerequisites of the stakeholders. Specifically, it benefits policymakers to get an insight into CSR practices in the Alcoholic Beverage sector and helps to establish a code of conduct and policies that enhance CSR practices and solve problems that discourage CSR implementation in Ethiopia.

1.6 Scope of the study

In this study, the effect of CSR on firms Profitability will eagerly define.

Theoretical Scope (variables): the effect of CSR on sales, gross profit, net profit, financial leverage of the firms clearly show whether if there is an association and what is the effect of CSR on firms' profitability in B.G.I. Ethiopia brewery. Moreover, the assessment is only from the point of view of B.G.I brewery only. In theory, the importance of CSR and its contribution to the Alcohol beverage industry's performance in financial perspective cannot be understood. For that reason, the study will be a reliable source of reference for scholars, researchers, authors, and other interested parties who work in the field of finance.

Geographical Scope: In terms of the Universe of the study, it is limited to a single industry which is in Alcoholic Beverage Industry Specifically, In B.G.I Ethiopia even within B.G.I Brewery the study is limited only CSR and CFP.

Methodological Scope: The study uses qualitative (in-depth-interview) and quantitative (ratio analysis) data collection method & used the audited financial statement of the brewery for 6 years from 2013-2018.

1.7 Limitation of the study

The expected limitations of the study are:

Sample Size: the scope of this paper is limited to the study of CRS of B.G.I Ethiopia Brewery and does not cover all beverage firms operating in Ethiopia. Due to time limitation it's difficult to generalize all multinational firms operating in Ethiopia.

Time Constraint: On the basis of the time required to complete the research it is one-time research. Due to time constraints the study was conducted from March 2019 – December 2020.

Data Constraint: since the study relied more on the internal financial reports which are not available to the public due to rivals several interests.

1.7.1 Profitability Ratio

Profitability ratios are:- financial metrics that are used to judge a business capability to generate earning relative to its revenue in the long term by using data from a specific point in time. Profitability ratios aid to measure how well a business is controlling its costs.

- ✓ **Return on Asset:** (ROA) offers venture capitalist an honest picture of management's ability to pull profits from the assets and projects into which it chooses to invest.
- ✓ **Return on Equity:** (ROE) is perhaps the most widely used profitability metric, but many investors quickly recognize that it doesn't tell if a company has excessive debt or is using debt to drive returns.

So, due to the above mentioned reasons the ROA is taken as critical ratio metrics for presenting a business's whole level of working efficiency and it displays how much profit was made on the total assets to make profit. Now, the profitability ratio is measured in terms of the association between net profits and assets. The ROA may also be called profit-to-asset ratio (Hargrave, 2013).

The formula is as follows:

$$\textit{Return on Assets} = \textit{Net Profit} / \textit{Total Assets}$$

1.7.2 Limitation on using financial ratios

Financial ratios have some limitations in their application and are not meant to be put in as conclusive answers. They are frequently used to offer extra facts in the validation of the results of financial and managerial decisions. They can offer signs to the company's performance or financial situation.

However, on their own, they cannot clarify whether performance is good or bad. Ratios have to be taken wisely. Some of the limitations about using ratios in financial analysis are:

- Ratios only point out symptoms of a problem. It is crucial every time to carry out extra analysis based on internal data to separate the roots of the problem. Ratio inspection just show the way to potential weak spots. It does not deliver conclusive or final evidence and only shows the existence of a problem.
- There is large bias involved, as there is no "correct" number for the many ratios. Additionally, it is tough to reach a final conclusion when some of the ratios are positive and some are negative.
- Ratios are built on financial statements that reflect the past and not the future Also, financial statements such as the balance sheet show the picture at "one point" in time, and so may not be representative of longer periods.
- Ratios may not be relatable for different businesses due to a variety of factors such as different accounting practices or different fiscal year periods. Also, just because a specific ratio is better than the average does not necessarily mean that the company is doing well; it is quite possible rest of the industry is doing very poorly.
- Outcomes can be biased by inflation, which can cause the book values of inventory and devaluing assets to differ greatly from their true values. Also, inventory costs and

depreciation write-offs can fluctuate from their true values, so misrepresenting profits. Without correction, inflation has a tendency to cause older firms to look more efficient and profitable than newer firms.

- It is also difficult to compile an industry wide averages or ratios that serve as a useful standard to measure all firms. (Hargrave, 2013)

1.8 Organization of the study

The study is expected to have five chapters. These chapters include Introduction, Review of related literature, research design and methodology, results and discussions and summary, conclusion, and recommendation.

The first chapter provides an over-all introduction including a background of the study, Statement of the problem, Research questions, Objectives of the study, Significance of the study, Scope and limitation of the study, organization of the study, and Definition of Key Terms.

Chapter two covered the literature relevant to the study. It includes theoretical concepts and empirical literature.

Chapter three is going to elaborate research design and methodology of the type and design of the study. It includes research design, source, and type of data, method of data collection, sampling size and technique, target population, method of data analysis, and ethical considerations.

Chapter four is going to summarize the findings and discuss them in detail.

Finally, **chapter five** is going to include four sections which consist of summary findings, conclusions, recommendations of the study, and future research areas.

1.9 Definition of Key Terms

- ✓ **Corporate Social Responsibility** is a self-regulating business model that helps a company be socially accountable- to itself, its stakeholders, and the public. By practicing corporate social responsibility, also called corporate citizenship, companies can be conscious of the kind of impact they are having on all aspects of society including economic, social, and environmental. To engage in CSR means that, in the normal course of business, a company is operating in ways that enhances society and the environment, instead of contributing negatively to them. (Chen, 2019).
- ✓ **Philanthropic Responsibility:** Philanthropic responsibility refers to voluntary giving and service to society (Jusubova, 2015).
- ✓ **Customer Satisfaction:** the degree of satisfaction provided by the goods or services of a company measured by the number of repeat customers. (Kotler P. , 2012)
- ✓ **Financial performance:** is a measure of how well a firm can use assets from its primary mode of business and generate revenues. This term is also used as a general measure of a firm's overall financial health over a given period. Analysts and investors use financial performance to compare similar firms across the same industry or to compare industries or sectors in aggregate. (Kenton, 2019)

2 CHAPTER TWO: REVIEW OF LITERATURES

2.1 Theoretical Review

Although, the beer market is at a turning point in Ethiopia its value has grown significantly, reaching USD620 million over the years, whereas consumption grew by 16 percent yearly, as studies shows. Even though annual production hit as high as 7 million hectoliters, the number of breweries has almost doubled over. Consumers have apparently lots of choices to satisfy their thirst for invented beers with an emphasis on flavor and technique. This has brought about many changes, from rethinking the marketing strategy and resource management in the retail channels to rapidly increasing products and services by the breweries to simplify innovate and improve their operations.

Its nonstop achievement and the changing demographics of brewery ownership have recently headed to acquisitions and big transactions involving billions worth of investments. And, noticeably, the entrance of small brewers into the industry and the rising popularity of their products have pushed one of the mega brewers, [BGI Ethiopia](#), to innovate new ways of raising its production volumes. Its latest move was to fully acquire Raya Brewery. Not only that, Castel Group, a parent company of BGI Ethiopia, is also taken over the full ownership of Zebidar Brewery, who is the youngest player in the industry. (Endeshaw, 2018)

The Brewery industry is a multinational business compound that consists of the producers with a large system of suppliers, distributors, wholesalers, and associated businesses, such as hotels, restaurants, bars, and advertisers. The Ethiopian beer production and market pretty much run by the private sector have shown massive uprising for the last couple of years. This explosion of the beer market and advancement in production could lead a hand to other sectors' development.

Through backward and forward economic integration in the future, this in turn would have an impact on the social and environmental aspects of the country (Mohana, 2016).

However, the issue of corporate social responsibility is a confusing one for any business, not the least so for the brewery industry. Alcohol industry performers (producers, distributors, etc.) rely on that a logical merger of CSR into their business carry out can make an optimistic effect on their economic, social, and environmental performance (Juscus and Kondratuk, 2012).

Most technologically sophisticated tools and additional human actions have a larger degree of harming the surroundings and its parts such as water, air, land, and others. With this difficulty, international organizations have been able to set up a system that guarantees that all countries are obeying to the necessity for environmental sustainability. Indeed, the overall public and individual clients could set common model industries' commitment and engagement about keeping the environment. Redesigning of the process; recovery of byproducts or reuse of discharges are looking upon as some of the feasible actions directed for an eco-efficient approach. The most significant environmental issues related to the operation stage of breweries hold water consumption, wastewater, solid waste and by-products, energy use, and emissions to air (Olajire, 2012).

Satisfying customers' needs should be followed by making profits. Making profits is not usually a negative goal, but it is a precondition for satisfying the expectation of shareholders and owners as well as society and the environment. Profits are essential both to prize investors/owners and to make sure business growth is as soon as returns reinvested back into the business (Carrol, 2016). Thus, social responsibility encourages companies to balance social responsibilities and environmental responsibilities with profit. (McWilliams & Siegel, 2001).

One of CSR drive is stakeholder activism, without very good governmental management over the social, ethical, and environmental performance of companies in developing countries, activism by actors have become one more critical driver for CSR (Thomsen, 2004) the study explains this as an outcome of micro-level struggles between companies and communities over

the distribution of social and environmental problems which are created when global political and economic forces interrelate with local contexts all over the globe.

Though, corporate social responsibility is one of the integral factors that are ignored in the literature. CSR contained economic, ethical, legal, and philanthropic responsibilities that are relevant to stakeholders (Arif & Sindhu , 2011) for that reason, brewery firms have to give high responsiveness to the request of various stakeholders who affected by their operations. It is vital to note that, Brewery firms should integrate CSR into their core business strategy with the aim that they can get an advantage out of it.

Several scholars have reflected, along the years, many elements of the CSR concept (Ali, 2010) and (Saxena and Gupta , 2006) in their studies, these authors study CSR activities about their influence on company employees. These study outcomes have revealed that the companies carrying out CSR activities relate better to the employees, clients, shareholders, environment, suppliers, and the local communities. In keeping with the same authors, companies produce added value through proper communication and understanding of the company stakeholders' demand. From country to country, the form of communication and performance of the CSR-type activities is to some extent different in terms of economic development, culture, religion, traditions, government actions, and the severity of the social and environmental problems the country faces (Williams, 1999) and (Al-khatib and Suliman, 2014).

Firms can achieve a competitive advantage through strategies such as cost leadership, marketing differentiation, and innovative differentiation (Porter & Kramer, 2006). These are strategies used by corporations in order to improve their employees' engagement and to include factors such as closer community, better collaboration, employee loyalty and dedication to the company, and more active participation initiatives at the workplace.

In addition to that, the costs companies allow with CSR practices are overcompensated by the benefits they gain as an effect of high morale and increased productivity of the company employees (Kelley and Glavas, 2014); (Igalens;Jacques and El Akremi, 2010). (Post and preston, 2002) Recommended that companies should develop the employees' human capital, this

being a specific action related to the competitive advantage. After that, the same authors show that devoted employees can help to achieve company objectives. Managers and employees determine the quality of the work reflected in the company product and services, which further express the company's competitive advantage (Prusak and Cohen, 2001).

Customers are the chief stakeholder for the company, and they are perceived as the main driver for corporations to take on CSR practices. Client fulfillment can be defined as an overall evaluation regarding the buying practice and the consumer's total consumption, over time, of a certain product or service (Vercic and Coric, 2018); (Gerbing and Anderson, 1988) and (Fornell.) Stated that client satisfaction is an influential factor of company profitability in the long run, and of its market value (Gruca, 2005) these motives are considered to be driving factors for companies executing and applying CSR practices.

(Davenport, Corporate citizenship: A stakeholder approach for defining corporate social performance and identifying measures for assessing it. Bus. Soc., 2000) And (Wood, 1991) proposed forward-looking plans regarding the CSR activities focused on near the concerns of the client, such as: respecting consumers' rights, providing quality products and services, and providing correct information regarding the products and services offered by companies. The particular literature shows that the CSR actions carried out by companies influence market value in so far as client satisfaction is concerned (Mosley; Beathy and Walsh, 2007); (Anderson and Fornell, 2004) The same authors declared, but, that some features of CSR practices have a new behavior, and contribute to improving the quality of the products and/or services offered by the companies through CSR activities, which rises client satisfaction. The studies carried out by (Lee and Heo, 2009) disclosed that buyer satisfaction is influenced by CSR practices, so positively influencing firms' profitability.

Green protection is considered to be of public concern (Mazurkiewicz, 2004) (Mishra & Suar, 2010) Emphasized that performance in the field of environmental responsibility actions is heightened by the improvement of three aspects. These features regard the use of recycled materials and other resource-saving programs in product technology; technological processes such as efficient-production systems; and management systems such as continuous employee-

training programs and environmental auditors. The researchers' evidence suggested that proactive environmental management increases the market value of a company, as well as its reputation and financial performance (Klassen ;Simionescu and McLaughlin., 1996) and (Dumitrescu D. , 2015).

Firms are responsible for protecting the environment. Many organizations do this voluntarily. So, through environment-protection practices, companies must minimize the actions that might harm natural resources. Also, the efficient management of pollutant emission and waste disposal needs to be associated with an expansion of a firm's resource productivity and efficiency. (Davenport, 2000).

Though there are various ways of demonstrating the CSR of business, a common and widely understood mechanism to demonstrate the CSR activities is Triple Bottom Line (TBL) concept developed by (Elkington, 1994) which is commonly known as three Ps and argues for businesses to measure their success according to three perspectives: people, planet, and profits. People refer to how companies carry out their business in regard to the affected labor force, Planet attributes to how the company takes its responsibility towards environmental parameters and Profit refers to how the company's economically generates benefits to society. These three dimensions should properly be evaluated, corporate sustainability and capital growth meet the needs of a company's direct and indirect stakeholders (Dyllick, 2003).

An earlier study showed that targeted on studying the relationship between environmental performance and the firm's profitability highlights a significant point of view regarding the result of such a relation (Elsayed & Paton, 2005) put emphasis on that the "faith of the win-win strategy followers" (Porter, 1991); (Vanderlinde and Porter , 1995) says that the advancement or protection of the environment can benefit not only the company interest but also the company mutual benefit at a wider level" (Elsayed & Paton, 2005) . Yet, (Palmer K. O., 1995) and (Whitehead, 1994) debated that corporations must make a finding the middle ground (at least, in the short term) between environmental act and the firm's profitability. (McWilliams & Siegel, 2001) support the argument of (Elsayed & Paton, 2005), agreeing to which the "optimal level of the CSR investments for a company can be assessed in the same way the other investments are

valued, by taking into account the marginal costs and benefits” (Elsayed & Paton, 2005). Scholars, conversely, indicated that an optimistic relation exists between environmental CSR practices and a firm’s profitability (Elsayed & Paton, 2005) and (McWilliams & Siegel, 2001).

The drive of the study is primarily to gain a first understanding of CSR on a firm’s profitability from B.G.I. brewery perspective to form a baseline for further research.as mentioned in the background.

2.1.1 Stakeholder Theory

Satisfying the requests of stakeholders are a significant aspect for companies to takeoff their CSR strategy. Strengthening the connection among the company and stakeholder is recommended as a basis of competitive advantage to the corporation (Andriof, 2002). Expectations of internal and external stakeholders also are significant factors to deliberate building a trade-off among costs and benefits. For that reason, stakeholder theory offers a decent framework to understand, investigate, and analyze the effect of CSR on profitability.

Likewise, it is essential for the company to meet and balance the needs of those who have direct or indirect effects on the company’s business, also to understand firm’s stakeholders rather than only to focus on generating shareholder’s value, in order to achieve sustainable success in the complex business environment (Freeman and Harrison, 1999).

As stated by (Freeman, 2004), stakeholders are those who have the power to shake the company, have the legitimacy associated with the firm,, and have the urgency of stakeholder's claim on the firm, as well. In terms of the stakeholder theory, while numerous definitions can be found in most literature (Freeman, 1984) definition is the most widely mentioned in the literature (Freeman, 1984) Revealed that if a business examines and recognizes the associations among its business and individual or groups who can be affected by it, and then the company has an enhanced way to tackle with business efficiently. Common stakeholder groups that identified by most corporations are customer, employee, shareholder, local community, and supplier. Besides, further stakeholder groups also can be acknowledged depending on companies’ different business situations.

The diverse stakeholder group has various anticipations on the company. Then again, corporations cannot meet all the anticipations at the same time (Harrison & Freeman, 1999) because of interest conflicts (Rainey, 2006).

2.1.2 Motivation and effects of implementing CSR

(Rainey, 2006) Say's that social, political, environmental, and economic forces are drivers for the business to implement CSR. Social forces, from market, customer, and stakeholders, are direct forces for most companies to make the strategic decisions of carrying out social responsibility. Political forces from national or international laws and regulations involve the corporation to implement CSR strategy.

Environmental forces assist companies to be accountable for their environmental impacts, and take their responsibility to reduce pollution, air emission, produced waste, etc. Economic force is also an additional critical factor to associate social responsibility with the firm's profitability. Mainly, other scholars sustain and also build up the meaning of the economic driving factor. (Aguinis & Glavas, 2012) And (Carroll, 1979) believes that the primary goal that firms involve in CSR is to gain an expected financial outcome, and CSR is observed as a valuable asset in the long-term perspective.

Firm's profitability is closely linked with CSR, and it is essential to associate a firm's concern for society with its financial performance. (Hawkins, 2006) It also holds the view that CSR is more than social regulatory compliance, and the profitability of CSR comes from the awareness that CSR is not only a just sustainability work but also a method that can enhance profit to the business.

Apart from these, globalization also could be an indirect drive for executing CSR strategies. In globalization, firms must increase their fair competency, and the bigger the company is the additional accountabilities the company should take (Rainey, 2006).

Additionally, from (Lynes & Andrachuk, 2008) standpoint, there are 7 motivations to incentivize the company to accept its social responsibilities. They are: (1) to achieve the long-term financial

strategy; (2) to be eco-efficiency and reduce the firm's environmental impacts; (3) to increase the firm's competitive advantage; (4) to be an appropriate social responsible business ; (5) to boost the corporate image; (6) to meet pressures and requirements from the stakeholders; (7) to avoid or delay regulatory burden. Most of these above-mentioned motivations are accomplished after executing CSR strategies. According to (Aras & Crrowther, 2010), (Pava, 2008), and (Kotler, 2008) , a worthy CSR performance gets quite a lot of positive impacts for the company:

- ✓ Generating the profitability.
- ✓ Improving firms' image, brand value, and reputation.
- ✓ Boost the firm's sales and market share.
- ✓ Reducing costs, e.g. maintaining cost, operating costs, etc.
- ✓ Increasing appeal to investors and financial analysts.
- ✓ Providing better relationships with communities and governments.
- ✓ Improving awareness with laws, regulations, and environmentally conscious, etc.
- ✓ Improving equity between employees and the company.
- ✓ Motivating employees and increasing their loyalty.
- ✓ Improving the customer's goodwill.
- ✓ Lowering firms' financial risk.
- ✓ Leading to higher productivity due to efficiency.
- ✓ Consequently lowering recruitment and training costs.
- ✓ Reducing environment costs, through using energy in an efficient way, reducing waste, saving resources, and encouraging eco-innovation of products, etc.
- ✓ Closing relationships with stakeholders and shareholders.
- ✓ Enhancing the ethical discussions between the company and society by ways of aiming at the employee's health and safety, respecting human rights, communicating with NGOs, investing in infrastructure, engaging in charity, etc.

In keeping with the above, lucrateness is the primary drive along with a significant advantage for companies in the process of implementing CSR strategies (Hawkins, 2006). It is shown that most of the other positive influences have direct or indirect positive effects on the firm's profitability at a different degree. On one side, costs reduction in energy saving, waste,

maintenance, operating, etc. have direct impacts on the firm's profitability. On the other side, some intangible assets, e.g. relationship with government, customer loyalty, employees' encouragement, etc., influence profitability indirectly. CSR aids the company to build long-term relationships with customers, employees, investors, and suppliers, and boost sustainable culture. There is no doubt it also can improve companies' reputation and enhance their brand name, which causes sales increase and growth of customer numbers. Then, a powerful viable environment will help to appeal and retain excellent staff and provide a safe working condition for all employees. The rise of employee satisfaction and loyalty has an effect on productivity and then impacts the firm's profitability.

2.1.3 The association between CSR and CFP

The link among CSR and profitability, or a firm's financial performance, has been debated for many years. Numerous empirical studies carried out by different scholars show various findings. In the meantime, most articles do not explain the difference between profitability and financial performance of a company precisely. Also, the link between CSR and profitability has a reciprocal association the researcher not only study how CSR influence the profitability , but also focus on how financial performance has effect on CSR. But, in this mutual linkage, some scholars made more detailed research and pointed out that, the causation between CSR and profitability is in fact unequal. According to the researches from (Scholtens, 2008) and (Peloza, 2009), it is evidenced that profitability has much more positive impacts on CSR than CSR has on profitability. However, this study is going to examine the CSR-profitability relationship and the financial effects of CSR performance.

2.1.4 CSR-profitability association

Favourable Linkage

As stated by (Pava & Krausz, 1996) research, which is based on examining 53 multinationals that are recognized as social-responsible and 21 empirical studies, companies who implement a good CSR performance also has a strong, or even better, financial performance than other firms who do not. (Aupperle; Carroll and Hatfield, 1985). Also debates that social responsibility is a

smart investment for the firm even if there is no sufficient evidence to prove its direct relation with capital markets. Likewise, (Robertson, 2009) rely on that the progress of a firm's CSR has both immediate and continuing positive financial effect on the corporation.

Also, a decent act of CSR gets a better reputation and market opportunities for the company (Pava & Krausz, 1996) mainly in the food industry, since customers are more willing to purchase products from those companies who promote products related to their social responsibilities.

Additionally, (Barnett, 2007) discuss that a firm who does higher-level social responsibility may get less labor problem, faces less financial risks from a bank, investor and government, and reduce costs from monitoring, because of the advantage that the company improves its relationship with its stakeholders on the basis of mutual trust. It is also supported by (Verschoor, 1998) that companies who promise to obey the rules ethically in their annual reports or put emphasis on meeting the terms of code of conduct have healthier financial performance than those who do not.

In general, environmental initiatives, energy consumption, waste reduction, etc., and social initiatives, care for the employee's safety and health, etc., are linked with positive financial performance (Peloza, 2009). In contrast, (Banyte, 2010) concluded that environment protection activities have high costs so they may be negatively related to profitability.

Unfavourable Linkage

Still, (Kolstad, 2007) debates that company's CSR performance cannot constantly go together with profitability, in the meantime; the author relies on implementing CSR with a promoting-profit intention in mind that is narrow and unethical. Yet, a wide number of firms still follow making a profit in their ethical CSR work, and stakeholders in a firm are not willing to loss profit to increase social responsibility performance (Pava & Krausz, 1996). CSR requires a firm understanding of its social responsibilities and then carrying out them, no matter whether they can lead to adding profit or not for the corporation. But, it does not mean that there is no potential room for maximizing profit in ethics since, (Kolstad, 2007) advises that a company should have conditional attention for maximizing profit and profit can be gained through

fulfilling other duties. CSR and profitability can only go together in a systematic way. Also, some scholars also think CSR is only an investment for the company and it will get less contribution on profitability (Rainey, 2006) Various extra costs, such as launching environmental technology, retaining plants and training employee, strengthen the financial burden for the company and bring economic disadvantages (Banerjee, 2001).

Vague or neutral relationship

Unlike from above-mentioned interpretations, the study from (Aupperle; Carroll and Hatfield, 1985) concludes that there is no statistically significant relationship between CSR and profitability. Specific scholars reflect that there is no final agreement in this linkage due to its difficulty and bias (Aguinis & Glavas, 2012) and there is no clear form that could be identified in this relation (Brammer & Millington , 2008). (McWilliams and Siegel, 2000) Also, regenerate that many empirical studies may neglect the financial outcomes from R&D investment in a company, and if bearing in mind, the effect of the CSR on profit is changed from positive to neutral. (Surroca & Waddock, 2009) Similarly point out there is only an indirect relation depends on the association among CSR and profitability through facilitating some intangible resources, e.g. innovation, reputation, human capital, and culture. When CSR cannot improve these features in its performance, neutral or negative relation emerges then.

2.2 Empirical Review

(Sha and Zhang, 2014), analyzed the relation between CSR and firms' financial performance on listed Chinese mineral companies from 2010 to 2013. Their results showed a positive and significant relation between CSR and firms' financial performance. Moreover, the authors' empirical study proves that CSR practices toward shareholders, employees, the environment, suppliers, customers, and consumers increase the Firm's Profitability. Similarly, (Chang and Darcy, 2017) found that listed companies from Taiwan adopting CSR practices enhanced their financial performance. The study of (Senyigit and Shuaibu, 2017) on emerging countries showed mixed results. The authors examined listed banks from Turkey and Nigeria over the period from

2009 until 2014. Their results showed that CSR activities positively influenced listed banks in Nigeria.

Previous related studies have found different results on the effect of sustainability accounting and the financial performance of firms. In the middle of the studies revised are (Olayinka, 2011) who empirically examined the relationship between corporate social responsibility and financial performance in Nigeria. These variables studied are Return on Assets and Return on Equity, community performance, employee relation, and environmental management system. The result shows that CSR has a positive and significant relationship with financial performance measures.

(Yahya, 2014), explored the impact of corporate social responsibility disclosure (CSR D) on the financial performance of companies listed on the Tehran stock exchange, using multiple linear regression analysis. The CSR D was the independent variable as measured by economic, social, and environmental while Return on Assets, Return on Equity and Price Earnings Ratio were used in measuring financial performance. The analysis produces inconsistent results.

(Babalola, 2012), surveyed the effect of corporate social responsibility on firms profitability in Nigeria. The numerical tool used to analyze the data collected was ordinary least square. The result from the firms sampled showed a smaller amount of investment on social responsibility meanwhile less than 10% of their annual profit is accounted for. The scholar, therefore, mentions that CSR has to be forced on firms in Nigeria by the government through the execution of relevant laws and regulations.

2.3 Profitability- CSR linkage

Numerous scholars mention that a better social performance brings a better financial performance and better financial performance also facilitates a better CSR (Sun, 2012); (Orlitzky & Rynes, 2003) & (Waddock and Graves, 1997). Revenue can be a foundation for CSR then only those firms with healthy economic health more often larger companies indicate a better CSR performance, and are more eager to invest in CSR through seeing their social responsibilities in a broad view (Beliveau & Cottrill, 1994) e.g. considering environmental impacts, customer relations and health of employees, etc. (Sun, 2012). Additionally, certain

scholars point that instead of analyzing the following financial performance, firms should pay more attention to the prior financial performances since, they are more significant in showing a firm's corporate social performance (Scholtens, 2008) that is, and firm's profitability has more influences on CSR activities than CSR has on profitability.

2.4 Identifying the association

The link among CSR and profitability is nonlinear and depends on lots of elements (Porter & Kramer, 2006), for instance, type of industry (Griffin & Mahon, 1997); (Porter and Kramer, 2006); (Beliveau & Cottrill, 1994) and (Peloza, 2009). But, (Orlitzky, 2001) study was unsuccessful to validate that the link among CSP and profitability is influenced by the firm's size; both small and large businesses can get profits from CSR.

Plus, the reason why a vast number of empirical studies point to different assessments probably are also because the social-investing term is unclear and vague (Pava & Krausz, 1996); the trials and models that search the link among CSR and profit are different and are used under different hypothesis; various profit measurements lead to different results e.g. market-based measurement shows positive with traditional financial performance but accounting measures lag the performance; various ways used to measure a firm's CSR, e.g. annual report, reputational index, etc. Lacking theoretical foundation; lacking complete measurement of corporate social performance. The most in an unclear and debated issue that delays the analysis about the link between CSR and profitability is the various research methodologies and measures of financial performance (Aupperle; Carroll and Hatfield, 1985); (Beliveau & Cottrill, 1994); (Pava & Krausz, 1996), (Peloza, 2009) It is almost impossible to measure CSR because it is related to both internal and external characteristics of firms on various levels (Van Beurden & Gössling, 2008). There are no consistent metrics for measuring the financial effects of CSR performance (Peloza, 2009).

Finally, earlier studies only emphasis on the functional connection among CSR and profitability, which means too much focus on proving the connection result (positive, negative, neutral), but direct the connection process between them (Peloza, 2009). Mainly those refereeing effects from

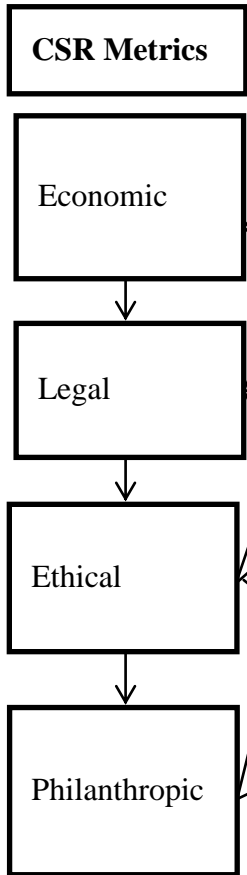
intangible resources, e.g. innovation, human capital, culture, and reputation, are regarded to play vital roles to explain the causality between CSR and profitability (Surroca & Waddock, 2009).

2.5 The Financial effects of CSR

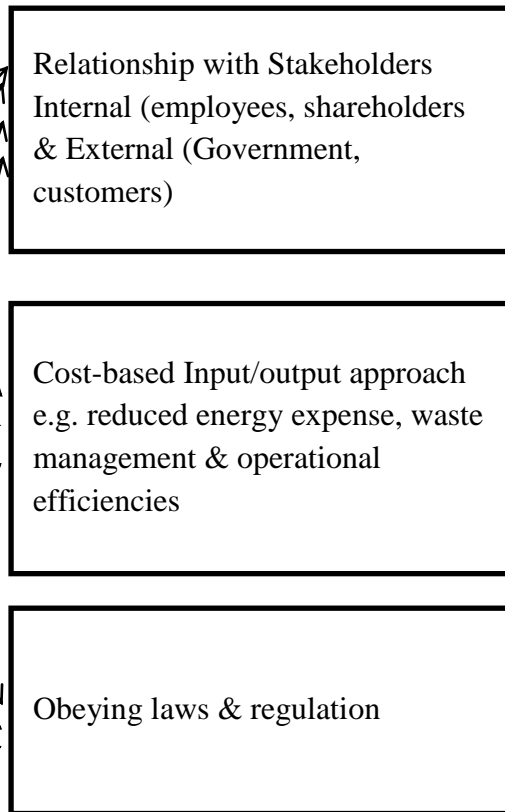
To emphasize the CSR-profitability link clearer, it is crucial to create a logical measure for measuring the financial effects from CSR (Peloza, 2009) and a fundamental way to see how CSR has financial effects on the company. From Peloza's research that focuses on gathering and reviewing CSR measurement methodology from around 159 studies, about 65% of environmental and 55% of the social show a similarly positive link with the firm's financial performance.

But, the findings are not statistically significant but recommend that the environment and social aspects are more likely positively related to the firm's profitability. Additionally, around a total of 36 distinctive measurements for measuring the financial influences of CSR are found by (Peloza, 2009).

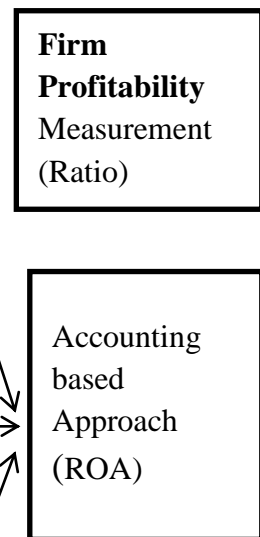
Independent Variable



Mediating Variable



Dependent Variable



3 CHAPTER THREE: RESEARCH METHODS

3.1 Research Design

To attain the objectives of the study, the research takes on a descriptive research method since, descriptive research is too precise, and analytically describes the targeted population, circumstances, or occurrence. It can answer what, when, where and how questions, but not why questions. Also, the researcher does not control or manipulate any of the variables, but only observes and measures them. It is also the right choice when the research intention is to isolate characteristics, frequencies, trends, and categories. It is also valuable when not much is known yet about a certain topic or problem (McCombes, 2020).

Moreover, the study uses a case study method according to (Kothari, 2004) a case study method is a very popular form of qualitative and quantitative analysis and involves a careful and complete observation of an individual, a situation, or an institution is done or even the entire community and it is a way of studying in-depth rather than breadth.

So, this study applied a qualitative research method since, qualitative research is described in words. It is used to understand concepts, thoughts or experiences. It assists to gather in-depth understandings on subjects that are not well understood, it gives meaningful insights, generation of new ideas and flexibility (C.R.Kothari, 2008). It consists of interviews with open-ended questions, observations described in words that search concepts and theories. This approach was selected on the assumption that it helps to gather enough information on the bases of the study.

Furthermore, qualitative research has several advantages like in-depth understanding they allow more detailed questions to be asked and generation of new ideas. Similarly, it has its own disadvantages like subjectivity, limited generalizability and labor-intensive.

3.2 Data Collection

The source of data ultimately determines the validity of the research. The data collection method employed in this study was primary & secondary data collection technique. primary data often reliable, authentic, and objective also, it is collected to address a particular research problem but, it has its own disadvantages like bias and dishonesty (Saunders, 2012).

The qualitative data was collected through a semi-structured interview. To collect the necessary data audio and notes were included. Focused group discussion, key informants, and managerial recommendations were also requested to assess the views of participants through discussion.

Since, interviews are a suitable method to examine issues in a depth way plus, discover how individuals think and feel about a certain topic and why they hold certain opinions as well. They are useful to get complete information. So, they allow more detailed questions to be asked therefore, ambiguities can be cleared up with an interview. one of the main advantages of the interview method is more information in greater depth can be obtained, samples are measured more effectively as there arises no trouble of the missing returns; non-response generally remains very low.

Moreover, FGD (Focused Group Discussion) helps to inform decision-making, strategic planning, and resource allocation. on top of that it also helps to expand understanding and explain statistical data which enables to answer the study's research question and objective.

Secondary data is a type of data that has already been collected in the past. For instance, books published and unpublished sources, journals, a government record, etc. since, secondary data has its own advantage especially in generating new insights, time-saving, and inexpensiveness. But, it has its disadvantages also like the quality of the data and so on (Saunders, 2012). So based on the research questions and objectives the brewery's annual financial reports were considered as a secondary data. Also, ratio analysis was carried out. Moreover, when measuring the ratio analysis for any firm, the data has to be collected from the audited annual financial report which is extracted from the balance sheets, and income statements, and cash flow statement.

The choice of this design is a basis on the fact that the study involves participants in B.G.I Ethiopia. This study focused on the effect of CSR on the Firms Profitability perspective at a specific time. That is from March 2019 – November 2020.

3.3 Reliability and Validity

To ensure the validity of this study the researcher used a strong research design, selecting appropriate methods, samples & conducted the research carefully (i.e.) by consistently applying the following steps.

1. Choosing appropriate methods of measurement: using measurement techniques that are high quality and aiming to measure exactly what the researcher wants to achieve based on the existing knowledge for instance:
 - a) Ensuring the produced interview questions is reliable and standardized.
 - b) Making sure the interview questions are valid and based on established theory or findings of previous studies.
2. By using appropriate sampling methods: the researcher produced valid generalizable results, by clearly defining the population.

Ensuring reliability: when data collection technique is used, the results must be exact, constant, and reproducible hence, the researcher considered those throughout the data collection by applying the following steps:

- By applying methods consistently: by planning carefully to make sure the same steps in the same way for each measurement are applied. Also in this study, the researcher makes sure interview questions are phrased and questioned the same way each time.
- By standardize the condition of the study: during data collection keeping the conditions as consistent as possible to minimizing the influence of external factors that might create variation in the results. So, to ensure the study produces a reliable and valid conclusion the researcher followed these steps.

3.4 Target population

The targeted population was BGI Ethiopia's brewery management team, stakeholders (internal & external) a total of 24 participants.

3.5 Sampling Size

Due to resource, time constraints, and data availability, the sample size was focused only on B.G.I Ethiopia. The choice of the B.G.I Ethiopia Brewery was because of its domination in the brewery sector over the years which ensure data availability for the covered period (2013-2018). The study must, indicate that the sampling method adopted does not lead to the problem of bias because the sampled firm is considered to have a better reflection of the Ethiopian brewery industry and is dealing with different customers basis on the country.

3.6 Sampling Method

Non-probability sampling method was applied for the qualitative data because not every member of the population has a chance of being selected (Kothari, 2004), and to achieve that sample was selected using convenience sampling. This was applied for individuals who happen to be most accessible to the needed information were selected to answer the research question those are the brewery's management, stakeholders & beneficiaries.

For the quantitative data (secondary data) non-probability sampling method was used, and samples are selected by purposively because the financial data taken was the most recent data (2013-2018) 6 years of data ROA (Return on Asset). Not using the recent data can hinder results because it can also reduce the chances other researchers will be able to reproduce their results. According to (Alexander, David; Nobes and Christopher, 2004) to evaluate a firm's financial profitability, it is sound to review 5-10 years of the firm's financial statements.

3.7 Sampling frame

The sampling frames were the brewery manager, human-resource manager, marketing & sales manager, finance manager, successor of labor union chairman, CSR manager, brewery site manager, public-relation manager, distributors (Agent), BGI customer services manager, production manager, former labor union chairman, farmers, community participants from (Hawassa, Dessie, Harbu, and Gerba), ranchers, students, employees, 3 charity organization (Macedonia, Gergesenon and Africa service project) and 5 other CSR beneficiaries.

3.8 Research approach

The study used a narrative research approach in which the researcher examines how stories are told to understand how participants perceive and make sense of their experience. (Kothari, 2008)

The collected data were triangulated by using qualitative and quantitative methods of data collection and analysis to improve the reliability and validity of the received information.

3.9 Method of data analysis

The collected primary data was analyzed through theme analysis through the help of (ATLAS) software. Since thematic analysis is the most widely used qualitative approach to analyze interviews. According to (Caulfield, 2019) it is appropriate to use thematic approach where the researcher is trying to find out something about people's views, opinions, knowledge, experiences or values from a set of qualitative data. A thematic analysis strives to identify patterns of themes in the interview data. And one of the advantages of thematic analysis is that it is a flexible method where the researcher doesn't have a clear idea of what patterns are searching for. The study tried to replicate the data with the methodology used by most similar previous studies to ensure whether CSR have an effect on profitability or not.

The secondary data that is extracted from financial statements of the brewery such as balance sheet, income statement, and cash flow statement analyzed using profitability ratio analysis method to investigate the profitability of BGI Ethiopia brewery related to its CSR activities. To make a correct conclusion on ratio analysis for this study, trend analysis method was used.

Trend Analysis (Time-series Analysis): in trend analysis, ratios are related over periods, typically years. Year-to-year comparisons can highlight trends and put emphasis on possible need for action. Trend analysis works best with 3 to 6 years of ratios. The theory behind time-series examination is that the business must be assessed in relation to its past performance, developing trends must be quarantined, and proper action must be taken to direct the business towards immediate long term goals. Time-series analysis is often helpful in checking the rationality of a company's projected financial statements (Creswel, 2009).

3.10 Ethical Consideration

The ethical issues are considered in the study. With the consent of the respondents regarding about background of the study, including the importance of data collection also (issues of confidentiality) was also considered by ensuring all the information will be solely used for the academic purpose only.

4 CHAPTER FOUR: RESULT AND DISCUSSION

4.1 The CSR activities of BGI Brewery Share Company

The study engaged a qualitative research design where a case study and descriptive survey research designs were combined. Despite the fact that case study research design was employed to narrate some qualitative aspects of the study through focus group discussion and key informant interview, descriptive survey design was employed in conducting employees and stakeholder's survey in October 2019 to evaluate the effect of corporate social responsibility in profitability in the case of BGI Ethiopia Share Company. The firm's staffs and local communities (stakeholders) were the sources of data to carry out the study. The data were triangulated by using qualitative and quantitative methods of data collection and analysis to boost the reliability and validity of the generated facts.

Participants of the qualitative methods of data collection were carefully chosen using purposive sampling techniques. (FGD) with the local community members to explore their insights on the company's CSR in relative to environmental protection, philanthropic activities, the establishment of social services. Key informant interviews were administered with managers of the company Administration Manager, Production & Sales Director, Brewery Site Manager, Former labor Union Chairman and Marketing and Sales Director were interviewed.

The interviewees were selected purposively because these individuals were supposed to provide detailed information as they are experts and well-informed about the issue under analysis. Quantitative data collected through an audited financial statement of the brewery, the breweries key CSR metrics expenses are provided but the company didn't officially offer the financial statements (balance sheet, income statement & cash flow statement) however the firm provided the return on asset data (ROA) for the past six years (2013-2018).

Even though, primary data collected through focus group discussion and key informant interviews were analyzed through thematic analysis and narrative analysis. The key criteria behind the collective use of the above-mentioned two qualitative methods of data analysis were: transparency, maximizing validity, maximizing reliability, comparative analysis, and reflexive approach in the process of analysis. The major steps involved in the process including reading and interpreting records; classifying themes; developing a coding order, and coding the data.

4.1.1 Practice in environmental protection

Corporations get the raw material from the society for their productions. Greenhouse gasses on air, water, and land are unavoidable during the route of production and processing of their goods. With the increasing significance of environmentally friendly products, processes, and services, firms are recognizing the value of adopting environmental standards for their sustainability in the long run.

In this study, respondents were asked about the corporate social responsibility of their organization towards environmental protection or organizational practice of protecting the environment from pollutions.

The survey respondents reported that the technology BGI deployed is free of causing any pollution in noise, smell, or other. The wastewater treatment plant is deployed to prevent the direct release of the waste matter from the brewery. The brewery is committed to this; and the system ensures that the waste product is treated before it is discharged in a way that does not harm the environment. Moreover, the results of the key informant interviews made with company management indicate that BGI premises are equipped with appropriate and modern facilities for factory waste management. Also, the product delivery system employs a combined (coordinated) approach where many deliveries are arranged in bulk, thus reducing vehicle use, and thereby reducing the carbon footprint.

Recent trends also show that similar business firms are spending more resources on environmental protection practices and are seeking proactive actions to reduce the environmental effects of their actions (Banerjee, 2001) ; (King, 2009) and (Marrewijk & Werre, 2003).

Again, the result of focus group discussions (FGDs) held with local communities (elders and youths) indicates that the main input they use to raise cattle now is by receiving BGI Eth's by product (spent grade). About 8000 ranchers are benefited from the animal feed. Distributing feed in Dessie, Harbu, and Gerba also in other places "...one stakeholder respondent concluded that BGI produces beer and this by-product brings milk. Whenever one plans to build a factory, one should observe some standards including those of the environmental protection..."

This indicates that the company did execute its environmental impact assessment policy as the local communities evidence that, the local environment is according to the regulation proper management of wastes and relating to the operation of the company in the local environment.

4.1.2 Practice in creating employment opportunities

The social responsibility of a firm is also measured in terms of employment opportunities created for local communities. Respondents were requested to express their feeling on whether B.G.I Ethiopia has created employment opportunities for the local communities or not.

The respondents replied that the establishment of the brewery in the region has created more employment opportunities for the local communities (FGD participant). Respondents were further asked to tell about the type of employment opportunity created for local communities after the establishment of the corporation in the area. According to the (Key Informant) "when the company establishes its brewery in Kombolcha, there were no more than 170 employees. Today, the firm created tens of thousands of jobs". Another (FGD respondent) responded that the brewery aimed at creating a decentralized market. Instead of doing it by one individual, the structure is organized in a way that helps first to increase the number of beneficiaries from as many places, regions, and towns as possible. According to the feedback received from Hawassa stakeholders (FGD), "in the earlier period the place was just an empty field which has a little use. After the building of the factory, it has brought several benefits unemployed youth got jobs and their lives have changed for a better". Moreover, a large number of farmers highly benefited from the agricultural inputs (improved seeds) and technical support supplied by the company.

Along with that another (Key informant) which was a former BGI labor union declared... “The establishment of the share company was unlike any other share company. where all have to buy shares by reaching to their pockets each employee contributed half of the money the company gave out on holidays, for instance, if a thousand birr was payable to the worker, he would take 500 & pay the rest to buy shares we did that for two consecutive holidays and with that, we set up the union”.

According to the respondents besides, there is annual salary increment and bonus where the worker benefits from a timely system that helps to ease the effect of inflation which is BGI's Zembil (basket) system.

In relation to this response made with brewery management also confirmed that... “If the purchasing power of money declined and the cost of a basketful of groceries increased Say 100 birr; we have a mechanism to subsidize the workers to the extent of the increased cost. If you asked me how I'd say we do a survey every four months. If we notice increases in the price of Teff, Electricity, Water, Fuel, and Foreign Currency – in those six items. If the price of these six items increases from the last survey four months ago, we make increments of 3% to 9% on employee salaries.” says the key informant.

Also, the FGDs revealed that BGI Ethiopia which regards the safety of the employees as the foundation of its success has put in place a system to ensure the protection of their health & availability of adequate medical services.

The result of the study complies with the assertion of (Johnson, 1971) who emphasizes that instead of striving for bigger profits, a liable enterprise should also take into account employees, local communities, and the nation at large.

This indicates that the company created employment opportunities as the local communities' evidence that stakeholders are benefiting. As a result, local communities perceived the company positively also have hope of benefiting from the employment opportunities in the future as well.

4.1.3 Ethical & legal compliance

In this study, respondents were asked about the corporate social responsibility of their organization towards ethical responsibilities or organizational practice of conducting ethical business.

The (Key Informant) made with management respondents replied that BGI Ethiopia operates within a framework of ethical principles and good corporate citizenship is rooted in the way the company thinks and acts in every part of the business. thus, the management is dedicated to confirming that using only those resources required to achieve the firms genuine business goals, while doing all, to protect main natural resources (e.g. ensuring that there will be sufficient resources for future generations), at the same time by contributing in the communities in which the firm and the customers exist.

The responses of the (Key Informant) illustrate this ... “Throughout BGI Ethiopia’s business activities all over the country, consideration of our staff, the impact we have on local environments and communities, and a responsible approach to alcohol use are the greatest worth and dominance in our business code.”

According to (Carroll, 1991) ethical responsibilities overcome the limitations of law concerning the difficulty to establish standards. Although the two first categories shall always stand for ethical behavior, there are activities and practices that are expected by the society but not covered by regulation (Carroll, 1991) emphasized society keeps expectations of business over and above the legal requirements.

4.1.4 Legal compliance

In this study, respondents were asked about the corporate social responsibility of their organization towards legal responsibilities.

(Key Informant) reveled that BGI Ethiopia meets the terms with all relevant legislation of the Ethiopian Government regarding the manufacture of a food product. The staff receives continuous training and certification in food hygiene and management, health & safety

procedures. Staff awareness is continuously updated to reflect working practices and change in production methods as skill and technology evolve.

According to Ethiopia's Constitution of 1994 preserves the protection of certain worker rights. It focuses and guards the freedom of association and collective bargaining for workers and firms are informed about their rights and responsibilities for the safety of employees. BGI Ethiopia (FGD) participant expressed that proclamations on labor served as a reference to act responsibly with respect to Labor and as a foundation for more employee welfare practices but the firm does have their own guidelines which are negotiated with the employee through representatives and offer better condition for employees.

The finding of the study comply with the assertion of (Carroll, 1991) for the reason that society has allowed corporations to assume the productive role, they must always keep in mind that expectation exists for them to fulfill their economic mission within the framework of legal requirements (Carroll, 1991) Concluded that this was part of the social contract between business and society.

4.1.5 Responsible drinking

The result indicates that the firm did execute ethical & Legal responsibilities the firm adheres to all recommendations and regulations (issued by the relevant Ethiopian authorities) in relation to responsible drinking; and sales of the products are governed by the terms and provisions issued by the relevant authority. The product labeling contains information regarding units of alcohol, and promotional material includes warnings for underage (< 21) youth.

Although the result of the study indicates that as is committed to providing products of uncompromising quality to meet the needs and expectations of customers, the company believes its products should be advertised and promoted in an honest and ethical manner that respects the values of the community.

4.1.6 Philanthropic activities

The social responsibility of a firm is also measured in terms of its Philanthropic activities. Respondents were asked to express their feeling on whether BGI Ethiopia has participated in charitable activities or not. The respondents responded that the establishment of the factory in the area has brought more support for the local communities.

Respondents were further asked to tell about the type of charitable activities that have been done for local communities after the establishment of the company in that area?

The results of the key informant interviews (KIIs) made with company managers indicate that the firm participated in so many philanthropic activities like Education, Health (people Living with HIV), Exemplary Citizens, Farmers, art & culture, Sport and Emergency, and Humanitarians assistance. In relation to this, one of the FGD stakeholder states ...“when BGI came here I was hired as a daily laborer when the brewery was being constructed. Then, I become employed as a forklift operator. The company clinic physicians checked me up. As they examined they told me that I am diagnosed with blood cancer. And within 9 days, the company did everything that is necessary and sent me to Bangkok. I started chemotherapy.it was heavy and so was the cost. A daily fee of \$360 was being paid for a bed. I was 100% certain that there would be no cure for me. And one of the reasons was the expense. When you think of it, birr 7.5 million is a huge amount to spend locally let alone abroad. The job I took as a daily laborer in BGI with a daily wage of 250 birr has now become big insurance and a source of hope for my life today”.

The FGD participant made with brewery management also confirmed that... “At a time when HIV/AIDS was widespread in Ethiopia, efforts were made to help protect our sisters working in bars and to offer medication to the victims. BGI formed a close partnership with the institution engaged in supporting the elderly. Such as Macedonia and Gergesenon, this shaped the foundation for their success today. According to the FGD Participant (stakeholder), Gergesenon founder declared that... “We honor BGI as our right hand.”

To this end, one of the FGD participants has revealed that... “I was registered for Ph.D. in abroad. However, during the years 2014, 15 &16, there was no way I could get financial support. I prepared my proposal & approached more than 15 organizations with my request, explaining the situation I was in. of all the organization, the only one who gave me a positive response was BGI Ethiopia. The travel and other expenses necessary to do my thesis were all sponsored by B.G.I Ethiopia”.

4.2 The management perception towards CSR investment

BGI Ethiopia makes every effort to be a good social citizen in the judgment of both local communities and a global region. On one side, the brewery inspires all employees to contribute to social activities such as planting trees, blood donation, and children’s education projects, supporting underprivileged areas, and so on. On the other side, the brewery contributes to global sustainable development in its business by concerning employees’ health, enabling cutting-edge technology, minimize environmental effects, actively working on the philanthropic platform, and supporting HIV/AIDS program.

Rather, the corporate intends to fund several projects that belong to, and will be driven by, the community and become sustainable. However, before the corporation commits itself to projects it intends to ensure that skills will be transferred, communities are involved and the projects will be able to become self-sustaining. Community involvement is central as participatory projects are the key to express interests of the community. BGI Ethiopia has a long history of supporting the local charity through sales of certain products and the provision of facilities at community events.

Besides, producing quality products and participating in gigantic national projects, BGI has been involved in development activities that cannot be covered in this brief thesis. The company has demonstrated its partnership to the community by participating in the development parks, timely supply of farm tools to farmers, cobble-stone and bridge construction, donation of vehicles including ambulances and so much more.

The finding of the study comply with the assertion of (Carroll, 1991) the last obligation concern responsibilities that society has no clear-cut message for business, it is up to the individual company's judgment and choice. From this perspective, business is expected to contribute to an enhanced quality of life in society.

This indicates that the company did execute Multidimensional and all-rounded social service and support as the local communities' evidence that stakeholders are benefiting. In relation to settling in CSR, the company complies with the testimony of the above-mentioned scholar. As a result, local communities perceived the company positively also have hope of benefiting from the philanthropic activities and support in the future as well.

Participants were also asked if CSR practices create additional costs for the brewery, or if the only responsibility a company has is to increase shareholders.

Participants noted that the cost of environmental protection systems to ensure the safety and health of workers and environmental protection demands a huge investment. They also noted that the investment is necessary to avoid incidents causing huge consequential damage costing the brewery more if accidents occur.

Considering the excessive cost of such protective schemes and activities, the investment in such systems affects business performance in the short-run period but it becomes beneficiary in the long run as it avoids possible damage and accidents which needs substantial consequential damage in the absence of such protective systems. They also noted that the cost of engagement in social activities is not a huge investment as compared to the cost of environmental protection but offers the company visibility within the society. Another Key Informant expressed that the company is expending on safety and protective measures which involve a huge cost but the investment is made in such a way that it pays off in the long run.

Most participants believe that investments in the CSR program are essential and once implemented would have a positive impact on the company's financial performance in the middle and long terms and agreed that the company's engagement in CSR activities helps boost society and the enterprises as well.

4.3 Challenges encountered in the implementation of CSR in BGI Ethiopia Brewery

Respondents were asked to tell the challenge the firm faced in implementing corporate social responsibility (Faulkner, 1995), Indicates that the designing and implementation of corporate social responsibility requires long-term commitment and vision from managers.

In regard to BGI Ethiopia Share Company and the interview findings in the field study shown other factors limiting when implementing CSR include “lack of community involvement in CSR activities, issues of transparency, non-availability of well-organized governmental bodies, visibility factor, narrow insight towards CSR initiatives, non-availability of clear CSR guidelines, follow up and lack of governmental commitment, and the lack of agreement on implementing CSR issues. Enormous social problems that exist in the local setting are also another challenge. In addition, lack of strong CSR programs putting into practice at the domestic level based on close follow-up by the rivals companies in the local context.

Businesses in Ethiopia cannot function if employees are affected by different problems or if the infrastructure is unavailable and so philanthropic motives and business motives are closely interconnected. Likewise, almost many national companies and government organizations have not developed CSR policy and a strategy since CSR is not operated on a formal basis other factors limiting when implementing CSR include “ lack of community participation in CSR activities, need to build local capacities, issues of transparency, non-availability of well-organized NGOs, visibility factor, narrow perception towards CSR initiatives, non-availability of clear CSR guidelines, and the lack of agreement on implementing CSR issues.

4.4 Data presentation

The whole drive in this thesis is to examine how CSR does have an effect on the firm’s profitability in the case company, BGI Ethiopia. The results in this study are organized as described in the below sections. Brief stakeholder identification and an introduction of CSR performance of BGI Ethiopia are described and reviewed.

Along with those gathered qualitative data, the paper focus on defining the connection between CSR and profitability. In this process, the environment, health, and safety (EHS) are considered as the key CSR performance so that the core EHS indicators, e.g. energy use, water consumption, emission of carbon dioxide and injury number of employees are related for six years with the firm's financial performance.

4.5 Stakeholders in BGI Ethiopia

The CSR initiatives are launched along with the expectations from different stakeholders, e.g. internal shareholders and customers etc. So, defining the significant stakeholder groups is essential for beginning CSR projects and receiving the idea of what the company should take care of in its sustainable works.

Significant aspects of CSR in BGI Ethiopia are talked with stakeholders through the firm's annual reports, sustainability reports, and official website.

- Shareholders: For shareholders of BGI Ethiopia they don't only expect reliable financial performance with a high-profit return, but also do in advance ethical governance of the company's business actions with the lowest risks. The association with shareholders is conducted through the board and the annual meeting.
- Employees: Employee is an important foundation for BGI Ethiopia to attain viable achievement. Employee's prerequisite a healthy and safe work environment, and equal management in terms of salary, opportunity and human rights, etc.
- Society: BGI Ethiopia is required to have high participation with the adjoining communities through supporting occasions organized projects.

To recap, three distinctive partners that recommend differing needs are categorized from the knowledge of BGI Ethiopia. So, CSR approaches and activities, i.e. environment, wellbeing & security, representatives and community inclusion are made and propelled to meet those needs. The next part will clarify the component of how BGI Ethiopia works with these activities.

Environmental health and safety

Environmental and social attentions are crucial for the brewery. The brewery aims to deliver clients eco-friendly products with less environmental effects and tries to create additional value for its clients by improving the firm's competitiveness, productivity, and profitability.

That's to say, the brewery does its best to play down the negative natural effects and give a secure and sound work environment for their workers. The brewery formed the Environment, Health, and Safety (EHS) body in arrange to guarantee the completion of staff move forward to the vision of "Zero-harm".

Environment

Hence, the heavy industrial type and other operating characteristics in the business of BGI Ethiopia environment protection is the main side for the firm to handle from the raw material to the final products. According to CSR Report of BGI Ethiopia key direct environmental factors are distinguished: (1) utilization and use of energy, water, and raw material; (2) generation of Co2 emission and waste, which are produced by the company in combination with production and beer transportation processes; (3) Produced waste. Those are the key indicators of environmental performance in BGI Ethiopia from the year 2013 till 2018.

| Environmental Performance Indicator | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|--|-------|-------|-------|-------|-------|-------|
| Water consumption (Thousand m3) | 6,500 | 7,110 | 8,800 | 8,300 | 8,300 | 7,190 |
| Energy consumption (TJ) | 8,899 | 7,520 | 9,110 | 9,110 | 8,120 | 7,740 |
| Raw material consumption (Thousand metric ton) | 450 | 352 | 459 | 452 | 418 | 387 |
| Carbon dioxide emission (Thousand metric ton) | 256 | 179 | 259 | 238 | 223 | 182 |
| Produced waste (Thousand metric ton) | 226 | 380 | 517 | 533 | 452 | 410 |

Table 1. 1 Main indicator of BGI Environmental performance (Source: BGI, 2019)

Health and Safety

Safety every time goes to the importance that BGI Ethiopia would pay attention according to the gathered qualitative data, the brewery does not want injured employees. Therefore, the firm put efforts on minimizing the rate of injuries, near misses, incidents and improving the health and welfare of employees. Moreover, Employees also give a high assessment level to the brewery's work related to health and safety.

The key indicators for health & safety were the amount of (LTI) Lost Time Injuries and the Lost Time Injury Frequency Rate (LTIFR).

| <i>Health & safety indicators</i> | <i>2013</i> | <i>2014</i> | <i>2015</i> | <i>2016</i> | <i>2017</i> | <i>2018</i> |
|---|-------------|-------------|-------------|-------------|-------------|-------------|
| Number of lost time Injuries (LTI) | <i>61</i> | <i>25</i> | <i>59</i> | <i>92</i> | <i>22</i> | <i>10</i> |
| Lost Time Injury Incidence Rate (LTIFR) | <i>5.1</i> | <i>3.0</i> | <i>2.8</i> | <i>2.6</i> | <i>1.3</i> | <i>1.1</i> |

1. Lost time injury is a type of injury related work resulting in minimum one day' absence from work.
2. Lost time injury frequency rate: - as the number of lost assumption: Employees are assumed to work 2,000 hours a year.

Table 1. 2 Health & safety indicators in BGI Ethiopia (Source: BGI, 2013-2018).

Employees

BGI Ethiopia brewery not only emphasized creating a healthy and secure operational environment with fewer injuries and equal human rights but, it also encourages expansion opportunities for abilities and setups different strategies to appeal and retain the best employees.

Therefore, BGI Ethiopia enables employees with more choice and accountabilities for their work and attempts to form an equal environment for all employees who are in diverse religions and different nationalities.

4.6 CSR and profitability association

Once getting a summary of the BGI Ethiopia's CSR performance, this segment is going to explain the association between CSR and profitability in BGI Ethiopia Share Company. To identify the link and make the relationship easier to observe, some tables are formed based on the statistical data, which was collected from the secondary data (company's annual reports and sustainability reports).

To begin with, the table of the company's productivity performance will be revealed in conjunction with the evaluation of financial performance by using the accounting-based approach. At that point, the charts of key CSR performances will be displayed. Environment, health, and safety (EHS) were watched as the key markers for CSR execution in BGI Ethiopia Share Company because the information critical to other CSR activities, e.g. anti-corruption, and making a diversity of working environment, are not accessible; environment incorporates a critical effect on the firm's activities and has coordinate effects on the firm's productivity.

Therefore, this section is about presenting the results from a statistical point of view. Because, of that investigating the statistical correlation between a number of variables is too complex, and it is not very expressive to explain the accurate association among CSR and profitability in this study, the researcher only takes the visual comparison to match the results.

4.6.1 Financial performance data

The examination in this study selects an accounting-based approach to measure the final financial effects of CSR performance, specifically, the profitability in BGI Ethiopia Share Company. As stated by (Pelozo, 2009), the accounting-based metric contains calculating the results of ROA, ROE, and ROS, and these three financial indicators are used to measure the profitability from CSR. However, ROA verified to be a better predictor of CSR according (Alexander, David; Nobes and Christopher, 2004) calculating results and the table of trend of the profitability in last six years are shown below; the reasons of choosing the accounting-based measurement have been stated in the previous section.

| Sampled year | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|-------------------------|------|------|------|------|------|------|
| Return on Asset (ROA) % | 7.6 | 2.8 | 6.7 | 5.3 | 7.7 | 9.33 |

Table 1. 3 Profitability of BGI 2013-2018 Financial statement

Please note that there are few calculating results that are slightly different from the results published in the firm’s annual report.

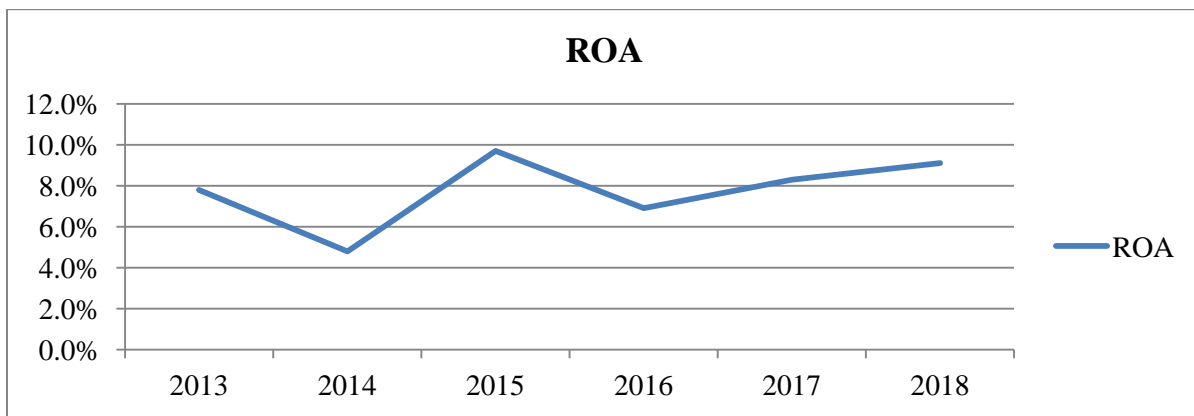


Figure 1. 1 The data of financial performance of BGI Ethiopia 2013-2018.

The overall point of view the profitability of BGI Ethiopia is obviously in ups and falls in the last six years. Related with 2013 under the big influence of new entrants to the market and state economy recession the profitability went down in 2014 and comparatively financial performance was quite low. However in 2015 the brewery recovered and the profitability gotten a upper level. After a small drop in the year 2016 the profitability performance reached a new high level in 2017 & 2018.

4.6.2 Key CSR performance data

Based on the gathered data for the environment, health, and safety (EHS) in the earlier section, the figures are generated to indicate the data for the CSR performance of BGI Ethiopia in the last six years. Because, of the various measurable units, those EHS indicators are graphed in different figures.

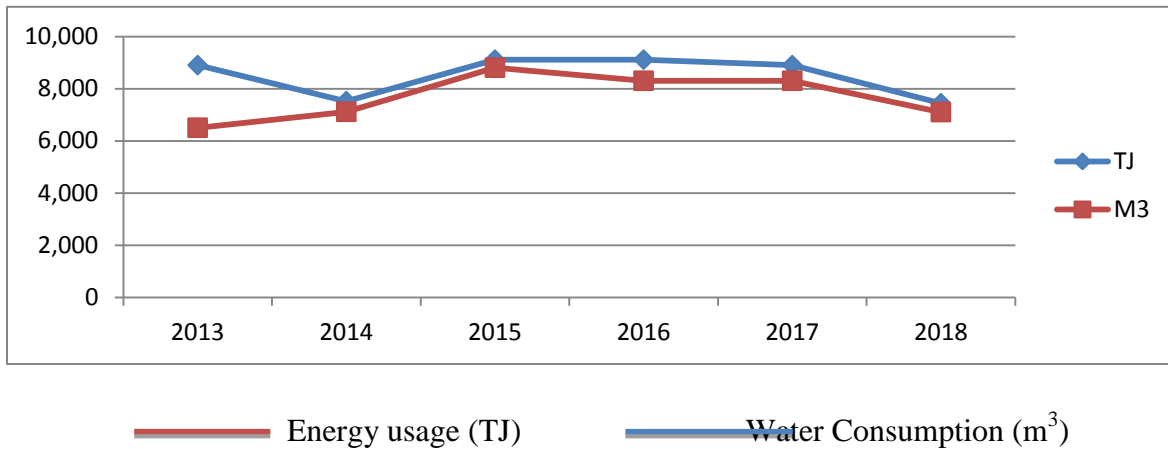


Figure 1. 2 The data of energy usage and water consumption from 2013-2018

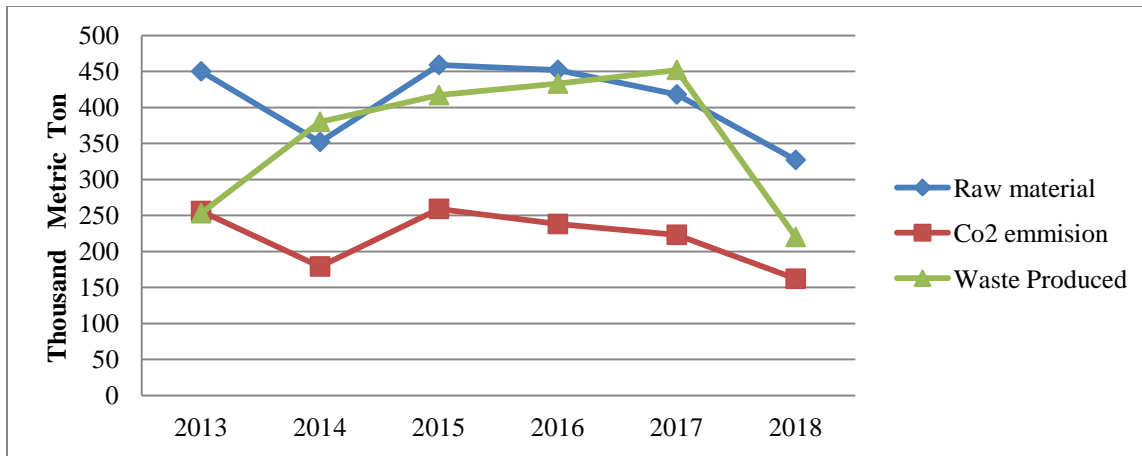


Figure 1. 3 The data of raw material consumption, carbon dioxide emission from 2013-2018

On the subject of (Peloza, 2009) study as a basis, the lower utilization energy/water, a decline of produced wastes, a decline of the number of injuries, etc. can straight forwardly be transferred as

the cost-saving for the brewery when analysing the financial effects from CSR. Also, companies can get benefits from expanding customer loyalty, making new markets which are critical to the company's CSR activities.

So, those key CSR metrics from the EHS are practical to see their money related effect on the firm's productivity. For instance, higher energy usage leads to an expanded cost for the company, so that it can decline productivity and negatively affect the efficiency & vice versa. Also, when describing the entire financial effects from all indicators' viewpoint in a year, the actual effects from each key sign are left out. This implies that the actual financial effect (the sum of cash of increase or decrease) from each pointer is observed as the same. At that point, it is difficult to see the complete effect on the productivity in those CSR activities since, the accurate financial related effect of each CSR indicators are not accessible to researchers.

The above figures shows that related to the year 2013, the indicators of water consumption and produced wastes are increased in a smaller amount in 2014. On the other hand, other key environmental indicators, such as energy use, consumption of raw material, carbon dioxide emissions, and main health & safety indicators, specifically, the injury number and incidence rate, are reduced in the year 2014. Regardless of, some other causes for the decrease are: (1) as energy-efficiency programs strengthened the energy management, the energy use, and CO2 emission are declined moderately; (2) due to a series of engagements to ensure employees' health and safety, the injury number and incidence rate are reduced in BGI Ethiopia. In 2014 except from water consumption all CSR indicators are decreased related to 2013 so that the reduced costs should have positive effect on the profitability.

After the rough year in 2014, all key CSR indicators are relatively increased in a certain amount in 2015, for instance; the energy use increase from 7520 TJ to 9110 TJ, the water consumption is increased from 7110 to 8800 thousand m³, etc. That is because the brewery recovered from the financial crisis, and the sales volume increased in 2015 related to the year 2014. So extra costs spent on CSR initiatives of environment, health, and safety this year, which foretells that CSR performance, has negative effects on the profitability and the profitability should be decreased.

In 2016, almost every signs are decreased or almost unchanged apart from the produced waste increased to some extent. Compared with 2016, besides the increased LTI and unchanged water consumption, the other indicators are decreased in the year 2017 & 2018. These decreases in both year 2016 and 2017 and 2018 bring out to those activities of maximizing the CSR performance by continually focusing on employees' health and safety, environmental protection, energy efficiency, well-organized training in production, mitigating risk, etc.

But, the produced waste in 2016 and LTI in 2017 were high as sales volume increases. So, in both years, the overall costs for CSR metrics are assumed to be lower than in the final year 2018, which foretells a positive influence on the efficiency of the brewery and the productivity has to stay greater than before.

4.7 How does CSR influence a firm's profitability?

Before comparing the results presented in the earlier section, Tables 1.4 and 1.5 are arranged to show the trends of the financial performance and all environments, health, and safety (EHS) signs, to understand easily the compared results in Table 1.6.

| <i>Sampled year</i> | <i>2013</i> | <i>2014</i> | <i>2015</i> | <i>2016</i> | <i>2017</i> | <i>2018</i> |
|--------------------------------|---------------|----------------------|------------------------|----------------------|---------------|---------------|
| <i>Return on Asset (ROA) %</i> | <i>Strong</i> | <i>Strongly week</i> | <i>Slightly strong</i> | <i>Slightly week</i> | <i>Strong</i> | <i>Strong</i> |

Note: Increase: + Decrease: -

Table 1. 4 The trends of the financial performance from 2013-2018

| Trends of financial performance 2013-2018 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|--|------|------|------|------|------|------|
| Energy usage (TJ) | + | - | + | = | - | - |
| Water consumption (m3) | + | + | + | - | = | + |
| Raw material consumption (Thousand metric ton) | + | - | + | = | - | - |
| Co2 emission (Thousand metric ton) | + | - | + | - | - | - |
| Produced waste (Thousand metric ton) | + | + | + | + | - | - |
| Number of lost time injuries (LTI)/hours | + | - | + | - | + | - |
| Lost time injury frequency rate (LTIFR) (%) | + | - | + | - | - | - |

Note: Increase: +; Decrease: - ; Unchanged =

Table 1. 5 Trends of (EHS) performance from 2013-2018

After that relating the trends of profitability from EHS indicators (Table 1.4) and the actual trends of profitability of CSR (Table 1.5) of BGI Ethiopia in the last six years, the comparison results are accessible in Table 1.6 Along with the result, the study finds that the association among CSR and profitability is not clear to be identified because the brewery's data shows a negative relationship between CSR performance and firm's profitability in certain typical years, 2014 and 2015. After that, the CSR-profitability link is slightly negative in 2016 & 2018 and positive in 2017 & 2013.

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|--------|--------|--------|--------|--------|--------|
| Trends of profitability (financial performance) based on accounting-based approach | Strong | Weak | Strong | Slight | Strong | Strong |
| Trends of profitability (financial performance) that supposed to have based on the trend of main CSR indicators | Slight | Strong | Weak | Strong | Strong | Strong |

Table 1. 6 The visual comparison results

In 2014, productivity is found within the lowest level during the six-year, whereas the decline of 5/7 of the pointers (e.g. utilize of energy, utilization of raw material, etc.) show a lower in cost, and only 2/7 of increased sign (e.g. water utilization & produced waste) showed a rise within the cost. In this case, the overall costs for the CSR performance of these key indicators must decline in 2014. But, the low level of profitability in 2014 is hypothetical to estimate the high costs of CSR performance. So, the low costs of CSR in 2014 cannot clarify the decline in profitability. CSR performance is negatively related to the firm's productivity this year.

Within the year 2015, where the firm's financial performance reached a high level in the last six years, the expenditures for CSR activities are high since all main CSR indicators increased in BGI Ethiopia. But, the rise is assumed to lower productivity. So, this year, CSR performance is negatively related to profitability. But, the research also finds out that those key CSR indicators are increased, the change isn't as understandable as the financial performance, compared with the year 2014.

But, the negative link among CSR execution and productivity, in both year 2014 and 2015, cannot be taken into consideration because of the specific reason for new entrants to the market. Because, within the situation of new entrants to the market, the financial influences from big market fluctuation and sale-volume variation are much greater than the financial effects from

CSR execution e.g. compared with the new entrants market and sales change in 2014 the sales volume increments quicker than the CSR related costs increment in 2015. In this circumstance, the costs for those CSR activities are so insignificant that to have huge effects on efficiency. Hence, it is difficult to tell the normal linkage between CSR and productivity at a specific time.

In 2016, the reduced cost from key CSR activities is thought to estimate an increased yield. On the other hand, the actual efficiency is to some degree declined related to the last year so; CSR performance is to some degree negatively related to profitability. In 2017 & 2018, the reduced costs from CSR have a positive effect on productivity. Genuinely productivity shows growth compared with 2016. So, in 2017& 2018, CSR is to some extent positive with the profitability.

In the meantime the changes of the profitability are insignificant in the years 2016 and 2017, it is possibly not enough to explain the clear linkage among CSR and profitability according to the small variation since the financial influences from additional initiatives are not taken into consideration in this dissertation their effects are unidentified and ambiguous.

As a result, the compared results illustrate that the CSR-profitability association in BGI Ethiopia from 2013 till 2018 is not clear to be well-defined as the CSR in the brewery sometimes indicates both negative and positive links with the firm's profitability.

4.7.1 Does CSR influences profitability in a negative way?

While speaking about the negative financial effects that CSR brings to the corporation, the main cause is the high investment in CSR actions or initiatives.

Each initiative that the brewery launched has a heavy cost investment in the beginning. For instance, the wastewater treatment plant is a big cost for buying and installing, but the brewery persists that the saving amount of environmental pollution costs by preventing the direct release of the waste matter from the brewery is more than the initial costs in the long-term perspective. That is how CSR influences the profitability from the short-time perspective when it comes to the investments.

Also, the costs for investing a study on environmental friendly operation and other improvements on health and safety, etc. are very also high in the brewery, based on the conducted interview & observation.

Each year, BGI Ethiopia allocates nearly 2 billion birrs in Research & Development. Most investments are used in emerging advanced solutions to minimizing energy use, cost saving, advanced healthy working environment, and improving production competence, etc.

4.7.2 Does CSR affect profitability in a positive way?

Although, the high investment costs of launching those CSR initiatives, mainly in eco-friendly features, uses financial burden on BGI Ethiopia, According to the conducted interview with the key Informant, the firm always see the financial returns overtimes, within one year or more than that, for the reason that “ the return on the profitability of CSR is a long-term thing ” Still, the association among CSR and profitability depends on what projects the brewery is involving, and the time of profit return depends on the different projects. “If we talk about installing a wastewater treatment plant, it takes a minimum of five years or something, but if we talk about participating in philanthropic activities, that is a fast decision, the company can see the profitability within a year. So it depends on what initiative we are talking about” says (key informant).

In terms of the query, in what way does CSR influence BGI Ethiopia’s profitability? According to the collected qualitative data, “It is so hard to describe the factor how CSR really connected with profitability because CSR is associated with so many things”. Yet, certain cases can be used to clarify this query: (1) Company’s profitability can develop profits from environmental initiatives. Those initiatives aid to minimize energy usage and water consumption, reduction of waste, and cut air emissions. That is the direct cost saving for the brewery the less energy the brewery uses the fewer costs it pays. (2) CSR benefits BGI Ethiopia enhancing or building its brand value through respecting human rights, labor rights and guidelines then additional clients will purchase the products to increase sales. That is the direct effect. (3) BGI Ethiopia works well in making a variety and comfortable environment for their employees. The BGI Ethiopia

attempts to appeal to talents from all over the nation and keep them in the brewery. This saves money and increases the intangible welfares for the firm. (4) The injury number is decreased and the safety condition is enhanced, which means that workers feel well, and work more safely. As a result, the low amount of people gets hurt, the low amount of money spent on it.

Moreover, productivity and work efficiency are upgraded, which leads to time-saving and cost-saving. On the other hand, the brewery cannot be one hundred percent productive in CSR and get benefit from CSR activities, but at the slightest, ninety-five percent of CSR activities succeed, says the key informant. Also, the key informant highlights the remaining positive association kept by the company is built on a great overseeing plan to degree the costs and productivity for each CSR activity, i.e. cost for waste control, costs for injuries, etc. information about every CSR indicator make things clear for decision-makers to see whether the action is going way better or worse.

Based on the collected qualitative data the aim of doing this is that BGI Ethiopia must make sure that everything the brewery doing is correct for the business but; the researchers are not allowed to gain this type of commercially sensitive information due to some limitation.

Generally, BGI Ethiopia is a multinational corporation that has brewery in several areas in Ethiopia and a long history of working on social responsibilities and CSR concept. In the brewery; five stakeholder groups are clearly defined, customer, employee, supplier, shareholder, and the society. These beneficiaries have different expectations on the corporation, i.e. consumers want BGI Ethiopia not only to deliver high-quality products but also to protect the environment, etc. With those expectations, some aspects, e.g. environment, health, and safety (EHS), etc., are chosen by the brewery so as to highlight the practice of working with CSR.

Meanwhile, this study is arranged to look at how CSR has financial effects on the firm's productivity; the researcher primarily characterized the link between CSR and profitability within the exemplified entity BGI Ethiopia. At that point, the trend of both CSR and profitability performance is related and coordinated to see if they have a favorable, unfavorable, or vague relationship. The accounting-based approach (ROA) is chosen to measure the financial

performance of BGI Ethiopia. EHS (Environmental health and safety) is regarded as the key CSR performance with crucial indicators to measure the CSR performance of the BGI. Afterward corresponding both the CSR performance and actual profitability performance in BGI Ethiopia, and relating with the perspectives almost how CSR influence the brewery's profitability from the conducted interview & observation, the main summary is made as below:

- (1) From the measurement point of view, the result appears the link between CSR and productivity isn't clear, and CSR performance is indeed strong-negatively related to profitability in certain years, at least with the most EHS execution, of BGI Ethiopia in last six years.
- (2) Even if, CSR really has both positive and negative effects on the firm's profitability in numerous ways, e.g. dropping energy costs, enhancing brand value, investing in innovation and R&D, etc. From the key informant point of view, BGI Ethiopia brewery always can see a positive association among CSR initiatives and the firm's profitability in the Long term. But, the profit return depends on the projects.

So, the results unexpectedly show an unsure variation among the quantitative data analysis and qualitative information. This will be discussed in the next section.

4.7.3 Intangible & Tangible factors

From the suggestion of (Peloza, 2009) , the researcher forms a shape to describe the effect and association between CSR and profitability (Figure1.3). Three sides, profitability, corporate social responsibility (CSR), and tangible & intangible factors are put in a shape. The researcher developed a model to explain the effect of CSR on profitability in case of BGI brewery.

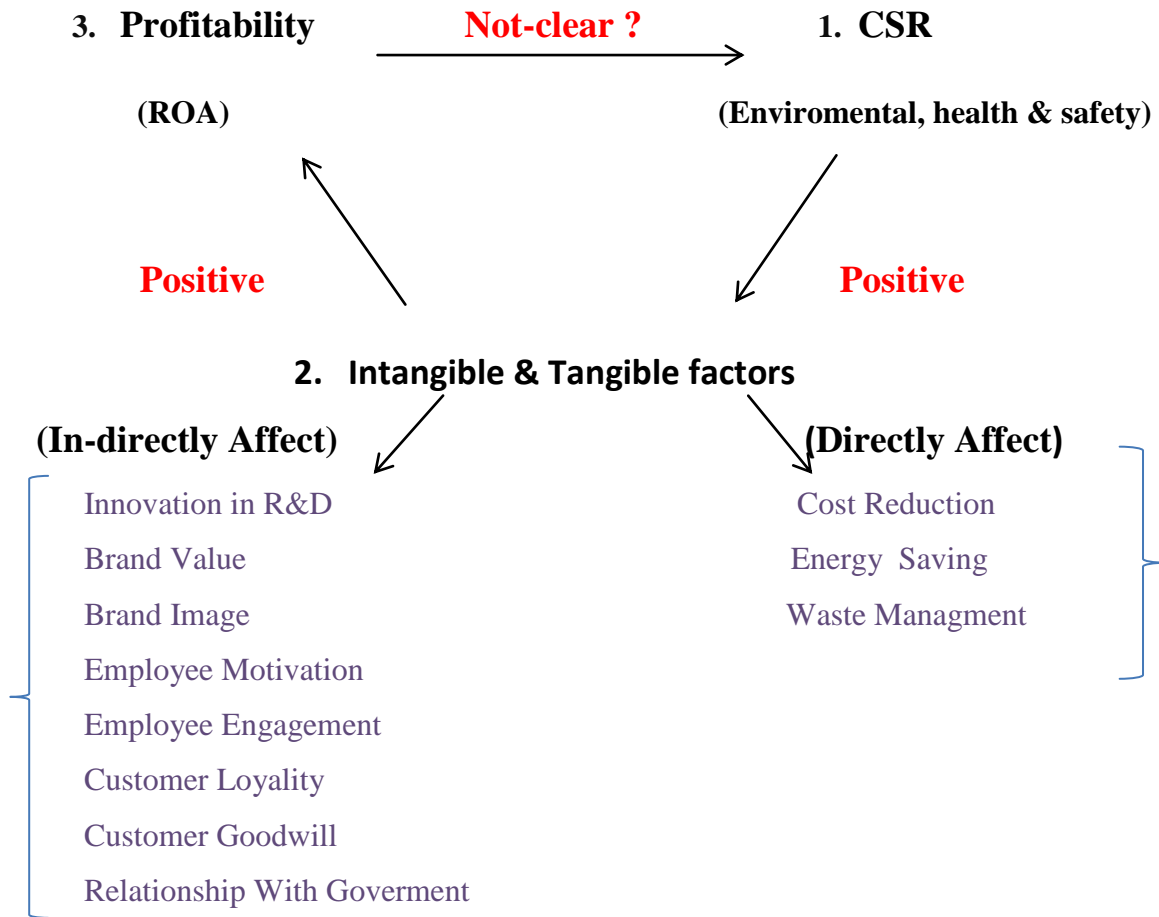


Figure 1.3 A Model which illustrate the effect of CSR and Profitability

It is clear to see that the association between BGI Ethiopia CSR and profitability is related significantly to the tangible & intangible factors. Specifically, CSR is entirely related to the brewery plus profitability through the effects of the tangible & intangible factors. The tangible & intangible factors involve resources and factors that used to describe this linkage. Those

resources might be environmental costs, brand value, innovation, motivation, employees, and so on. So, whether the ring is a favorable enabling or unfavorable depends on those tangible & intangible factors. On one hand, that tangible & intangible factor side can be used to clarify the connection between the profitability and the CSR on the other hand, the tangible & intangible factors have effect on BGI Ethiopia.

In terms of the tangible & intangible factors, it helps to explain the association between CSR and profitability. Still, those tangible & intangible factors connection are too complicated to figure out their effects on profitability. obviously, as they are directly or indirectly correlated to all business performance in the brewery from intangible organizational culture to tangible costs of energy use. So, the researcher explains the process that how CSR has a financial effect on profitability through the tangible & intangible factors by giving some examples (Figure.1.4).

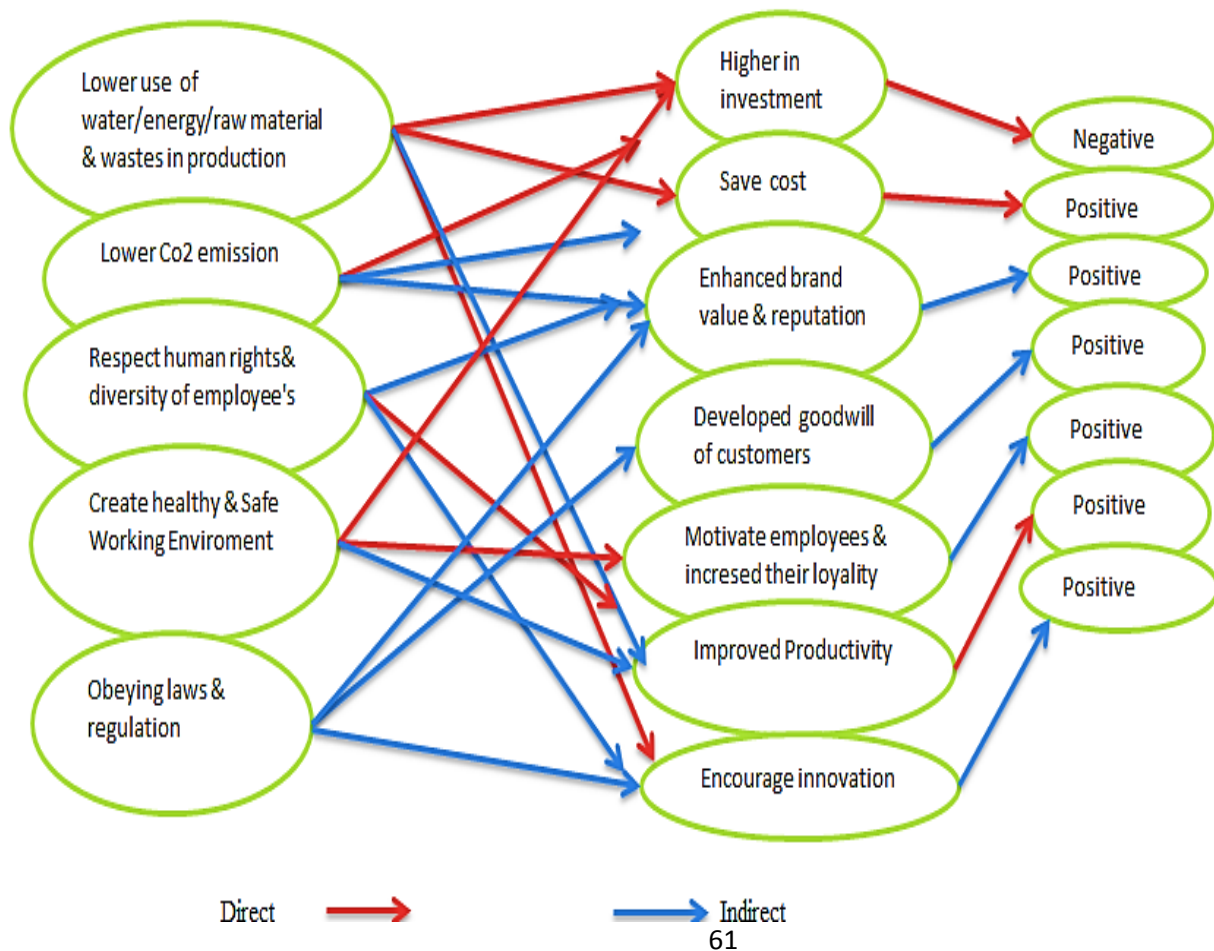


Figure 1.4. In what way does CSR affect firms' profitability? (Pelozo, 2009)

5 Conclusion

So far, companies are not just required to do the profitable needs from shareholders, but also have to pay more care to the natural and social duties suitable to other stakeholders, for instance: clients, employees, etc. Still, both profitability and corporate social responsibility (CSR) play important roles within the company's growth. It is energizing to study the effect of these two factors and getting the picture how CSR affects profitability in BGI Ethiopia brewery.

As a result of the qualitative study, some judgments are found: (1) The CSR-profitability association of BGI Ethiopia is not clear; (2) The quantitative data analysis result is differing from the qualitative result.

Expressing the association between CSR, (tangible and intangible factors) and profitability by many examples, the researcher reason that one of the key reasoning is the difficulty of the tangible and intangible factors, which is used to describe and define the CSR-profitability linkage in BGI Ethiopia brewery. Also, lacking a complete measurement system to measure both direct and indirect financial effects also is capable to describe the variation. Following, some other causes, for instance, the difficulty of only selecting the accounting-based approach, the effects from the financial crisis, etc., which may cause an unpredictable result, are pointed out.

Finally, the study concludes: (1) the link among CSR and profitability is not understandable, and CSR has a non-statistically significant association with profitability based on the tested variables. (2) Normally, it is tough to measure the financial outcomes from the entire CSR performance in BGI Ethiopia. (3) In separation, the financial effect and profitability from CSR initiatives are probable to be measured project by project. (4) But, even for the single project, intangible aspects and resources that connected to CSR cannot be measured to see their financial effects on the firm's profitability in the case of BGI brewery.

Still, whatsoever the CSR performance has a positive, negative, or even non-clear relationship with the BGI Ethiopia brewery profitability; corporations need to constantly make a promise of

applying the CSR. Because only by doing that, a company can attain viable success from an economic, social, and environmental perspective in the long term.

To finalize the study, on one hand, to indicate the perspectives that there is no conclusive, clear and statistically significant unity in the effect of CSR in profitability in case of BGI Ethiopia due to its complication and subjective, from many scholars, for instance. (Aupperle; Carroll and Hatfield, 1985), (Orlitzky;Schmidt and Rynes, 2003) , (Griffin & Mahon, 1997) , (Aguinis & Glavas, 2012), (Sun, 2012) and (Brammer & Millington , 2008), this study similarly sees the facts about the CSR effect in profitability in the case of a BGI Ethiopia corporation and develops the know-how of how CSR has financial effects on profitability through exploring the tangible factors.

5.1 Recommendation

The based on the findings of the study the following recommendation were forwarded:

- The sample size of this study was concentrated in a single firm. Additional studies should be carried at the higher level with larger sample size than this study. which includes customers,employee, shareholder and government bodies.
- More demographics factors must be added in the study. It should expand the future study to examine the effect of corporate social responsibility on profitability, using all tangible and intangible variables of profitability beside this study.
- It is recommended for future researchers to expand the study in investigating the effect of CSR on profitability in other private and public sector organizations besides alcoholic beverage industry.
- The variation of the result is possibly due to the constraint of only choosing the accounting-based method to measure the profitability within BGI Ethiopia brewery. As stated by (Peloza, 2009) there are three methods to choose: market-based, accounting-based, and perceptual method. But, in this thesis, only the accounting-based method is used. The last answer is possible that would be different if the researcher uses other estimation metrics, e.g. market-based, a perceptual method since some experimental

studies show the difference. For instance: (Pava & Krausz, 1996) said that accounting-based measurement manifest that CSR is negatively linked to profit, but, the market-based method conveys positive linkage. Besides, as the accounting-based approach (ROA) demonstrates the total financial performance of BGI Ethiopia, and it is affected by both CSR performance and many other factors, so that it may not be satisfactory for precisely measuring the CSR effects from financial performance.

- Various earlier assumptions possibly are limitations for examining the CSR-profitability effect and influencing the results. In this study, the environment, health, and safety (EHS) are carefully chosen as key signs for relating the association among the BGI Ethiopia CSR performance and profitability because of some reasons stated before, for instance: limitation of collecting data, etc. But, depending on EHS might be inadequate. While the brewery emphasizes the EHS and notes that the EHS is seriously fundamental for the company, there is also a chance that the EHS have less financial effects than other initiatives do. Therefore, the result of this paper does not show an evident and pure effect.
- According to the collected qualitative data profit return, for the brewery's CSR initiatives, is a long-term thing. But, it is difficult to define the timescale. The finding in this study concentrates on the last six years from 2013 till 2018. This variation can be due to the reason that the time of profit return for CSR in BGI Ethiopia is more than six years or the investments on the environment and other initiatives are too large to get the return within six years. So, the financial effects of CSR performance are not clear and show a little influence on the firm's profitability. Finally lacking a logical and inclusive system to measure both CSR performance and the financial effects from CSR in BGI Ethiopia. It is really hard to get a clear result of this study.

Recommendation for policy makers

- ✓ There is a narrow perception towards CSR initiatives. The current awareness in CSR is inadequate from mutual side (society, corporates and governmental bodies). So, the government and responsible body should create an opportunity in building capacity and creating awareness to the stakeholders.
- ✓ There should be a clear CSR guideline, follow-up, agreement on implementing CSR issues and governmental commitment in order to implement CSR in its full extent in Ethiopia.

Recommendation for the management

- ✓ The researcher recommended companies should need to have website where they can disclose/post all the CSR activities and also expose annual financial reports timely. This will ease the gap in data collection period and minimize the bias that could hinder unreliable findings for further studies.
- ✓ Managers shouldn't been left out to manage themselves when it comes to tracking financial effects from their CSR investment.

Recommendation for the stakeholders

- ✓ There is a lack of community participation in CSR activities so the society have to take part & involve on CSR activities.
- ✓ Since, the execution of CSR benefit everyone (stakeholders, responsible bodies and corporates) have to be transparent in implementing CSR.

5.2 Limitation of the study

Apart from those constraints, for instance: limitation of the study method that lacks the capability to generalize the results, a constraint of data gathering that trusting on firm's official reports causes some uncertain problems, etc., that have stated in earlier sections, this study is limited by

time to do more in-depth researches, for instance, not only discovering the effect of CSR and profitability but also clarifying the profitability-CSR linkage, etc. Moreover, the constraint to access the information or data linked to the study topic is also an underlined problem that delays the researcher to have a detailed study. The topic of this paper is associated with financial performance. But, the researcher is not able to trace more about the financial part of BGI Ethiopia.

5.3 Direction for further studies

In this study, a single-case design is used to exploring the effect of CSR on profitability in BGI Ethiopia brewery. So, the more studies can be made to study the CSR-profitability association by using multi-case research strategy, to relate the CSR-profitability connection through diverse industries, to study the two-way connection among CSR and profitability in a specific industry, or to create the direction about how to measure those indirect financial effects interrelated to CSR.

- Each and every stakeholder group wasn't emphasized well in this review. Employees and customers have received some research attention, but there are still huge gaps in terms of policymakers, community leaders, suppliers, media, and rivals.
- Another obvious gap of this study is that the policymakers and academic communities need to cooperate with each other much more than they do now. There is a gap between the work being done to develop the business case for CSR at a multinational level (e.g. being good "pays") and the research needed to train managers with proper measurement for evaluating the effects of CSR within their firms. Almost more than four decades of research and more than a dozen studies should be given us insights into the whole link between CSR and financial performance, but managers have been left to manage themselves when it comes to tracking financial effects from their CSR investment.

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APPENDIX 1 CALCULATION OF FINANCIAL RATIO

In the calculation of return on asset (ROA) financial statistical data is collected from income statement in the annual reports in BGI Ethiopia (2013, 2014, 2015, 2016, 2017, and 2018) and the calculating methods were based on the formula provided in the financial accounting book written by (Alexander, David; Nobes and Christopher, 2004).

- ✓ Return on Asset (ROA) is another variance in estimating how well the assets of the business are used. It tells shareholders how efficient a company's management is in generating earnings from their assets on their balance sheet. Therefore, relating the ROA calculating number, the higher ROA, the better firm's profitability is, because the company is making more money on fewer assets.

Calculating Formula: *Net Income /Average Total Asset*

ROA in BGI Ethiopia from the year 2013-2018:

| Sampled year | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|--------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Return on Asset (ROA) % | 7.6 | 2.8 | 6.7 | 5.3 | 7.7 | 9.33 |

APPENDIX 2 INTERVIEW QUESTIONS

1. What is the understanding of CSR in your company? What are the drivers for CSR implementation in BGI brewery? Is it to create profitability for the firm's shareholders? If not, what is that?
2. What has been your commitment to CSR? What initiatives have you included in your firm's CSR program? What performance indicators have helped you to measure CSR effectiveness?
3. What is the corporate social responsibility of their organization towards environmental protection or organizational practice of protecting the environment from pollutions?
4. Does the brewery created employment opportunities for the local communities?
5. What are the corporate social responsibility of the brewery towards ethical responsibilities and conducting legal practice of the business?
6. Do CSR practices create additional costs for the brewery? Or if the only responsibility a company has is to maximize shareholders wealth?
7. What types of barriers have you faced during the CSR program implementation? What processes/systems have you implemented to manage CSR programs? What Optimal Resources have you leveraged to implement CSR programs?
8. What are your companies/organizations' activities with stakeholders for CSR implementation in the brewery? What approaches have you used to build an organizational culture that supports CSR?
9. How about the cost of doing CSR activities? Do you think about whether they can influence the costs of the company or not? And how? Could you give some examples that positively or negatively influence the company's cost or profitability?
10. In terms of the costs for environmental strategy, is it possible to measure the costs saving from reducing wastes, energy-saving, etc.?
11. What tangible (cost-saving) and intangible benefits (facilitate innovation, motivate employees, increase employee loyalty) does BGI get from its CSR strategies? Could you give some examples?

12. Do you think these intangible assets have any indirect financial effects on the firm's profitability? And how? Could you give some examples?