INNOVATION, CORPORATE SOCIAL RESPONSIBILITY, AND FINANCIAL PERFORMANCE: A STUDY OF CANADIAN BUSINESSES

by

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Abstract

The relationship between Corporate Social Responsibility (CSR) and financial performance has been studied extensively since the 1960s. CSR evolved to become a legal requirement within the European Union trading region. Canadian companies who were looking to expand into nondomestic markets want to understand the potential revenue opportunity of a strategic sustainable business model investment. The study was an exploratory, quantitative longitudinal correlational design. Sustainalyics, an industry leading ESG research firm, provided the CSR rankings in total score, governance, social justice, and environment. SEDAR was the financial data repository of all Canadian companies. It was the source of nondomestic sales revenue by geography. Secondary data was gathered and entered into Excel 2013 to run multiple linear regressions on 61 observations from fiscal years 2009-2017. The study included all publicly traded companies headquartered in Canada, which had a CSR ranking as measured by Sustainalytics and published nondomestic sales revenue in their annual reports. Four scenarios outline the relationships. The first scenario outlines all companies with a Sustainalytics ranking and nondomestic sales revenue. The next scenario focused on the mining sector. The third scenario focused on the analysis of EU nondomestic sales revenue. The final scenario also focused on the analysis of EU nondomestic sales revenue but excluded the retail sector. The scenarios outline the relationship between core sectors of the TSX and their relationship between CSR and nondomestic sales revenues. The findings revealed a statistically significant relationship between CSR strategic adoption and nondomestic sales revenue. The findings of the study indicated that there was a positive relationship between CSR adoption and financial performance. The study may be of benefit to Canadian business and policy leaders who were evaluating the Canada-EU Free Trade Agreement opportunity.

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Dedication

This dissertation is dedicated to my best friend, life partner, and husband, David. You are my champion, and you keep me strong and laughing through this and every journey. Thank you. Thank you to our children, Cole and Tess. You are our gifts from God, and I cherish the fact that you are truly good and interesting people. Your constant encouragement and support made this a truly enjoyable journey.

Finally, this dissertation is dedicated to my adoptive mother, Bette. You were small but mighty. You believed in excellence. When I was 10 and said I wanted to be a nurse, you said, "No, you want to be a doctor." You grounded me when I said, "I just want a job." You said, "No, you want a career; you want your passion!" You were stubborn and determined that I would be a leader. You refused to let me take a typing class. You called my guidance counselor an idiot, and when I repeated that to her, I got detention for a week. Your answer, "If you want to reach for the stars, you need to offend some idiots." You sang me "The Impossible Dream" at bedtime. I remember the spelling tests every morning on summer vacation – who asks a 7-year-old to spell *antidisestablishmentarianism*? Your last words to me were, "Go make a difference in this world." If you can read this paper on the other side, I hope you like it. Love you, Mom.

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Table of Contents

Abstract iii
Dedication iv
Acknowledgments v
Table of Contents vi
List of Tables ix
List of Figures x
CHAPTER 1. INTRODUCTION 1
Introduction 1
Background 4
Business Problem 7
Research Purpose 9
Research Question 10
Rationale 10
Theoretical Framework 11
Significance 16
Definition of Terms 16
Assumptions and Limitations 17
Organization for Remainder of Study 19
CHAPTER 2. LITERATURE REVIEW 21
Introduction 21
CSR Theory 22
Blue Ocean 26

للاستشارات المنارة
www.manaraa.com

Competitive Advantage Theory 27
Innovation 32
Business Model Innovation 36
Stakeholder Engagement 43
Financial Performance 47
Carbon Finance 48
Financial Ratios 49
Revenues 50
Theoretical Foundation 52
Variables 62
Ethical Considerations 68
Strategic Fit of the Proposed Study 69
Summary 70
CHAPTER 3. METHODOLOGY 73
Introduction 73
Design and Methodology 73
Population and Sampling 75
Setting 78
Data Collection 78
Instrumentation 79
Hypotheses 80
Data Analyses 81
Validity and Reliability 82

المنارة للاستشارات
www.manaraa.com

Ethical Considerations 84
CHAPTER 4. RESULTS 86
Introduction....86
Data Collection Results....86
Descriptive Analysis 87
Analyses of Hypotheses....89
Summary....95
CHAPTER 5. CONCLUSIONS 97
Introduction....97
Evaluation of Research Questions 97
Fulfillment of Research Purpose....100
Contribution to Business Problem 101
Recommendations for Further Research....102
Conclusions....104
REFERENCES 107
المنارة للاستشارات
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List of Tables

Table 1. ESG Rankings for Canadian Companies and Nondomestic Revenues 88

Table 2. Linear Regression 90

Table 3. Linear Regression (Mining) 91

Table 4. ESG and EU Revenue Linear Regression 93

Table 5. EU Revenues (nonretail) Linear Regression 94

المنارة للاستشارات
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List of Figures

Figure 1. Theoretical Framework: The interdependent relationship between innovation, CSR and financial performance in the era of climate change............................14

Figure 2. All Canadian Sectors with 61 observations of ESG Ranking and Nondomestic sales revenue between 2009-2018 90

Figure 2. Canadian Mining Sector with 26 observations of ESG Ranking and Nondomestic sales revenues between 2009-2018 91

Figure 4. ESG and EU Revenue with 47 observations of ESG Ranking and Nondomestic sales revenue between 2009-2018 92

Figure 5. ESG and EU Revenues (nonretail) with 39 observations of ESG Ranking and Nondomestic sales revenue between 2009-2018. 94

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CHAPTER 1. INTRODUCTION

Introduction

Canadian business leaders are looking for new trade partners to grow business. The Canada-European Union (EU) trade relationship is strong and ready to grow. The EU requires regulatory compliance with nonfinancial environmental, social, and good governance objectives. Canadian companies are asking what financial impact (if any) Corporate Social Responsibility (CSR) strategic adoption will have financial performance as measured by nondomestic sales revenue. The reality for many businesses who face emerging compliance issues regarding environmental reporting is a need to know the potential revenue impact of an investment in CSR. Companies need to understand the potential risks of the strategic adoption of a CSR innovation might have on nondomestic sales. Canadian companies are looking for revenue growth opportunities in free trade markets. The EU demands that trading partners adopt a CSR business model innovation, so Canadian companies need to understand the relationship (if any) of CSR innovation and financial performance (Dunlap et al., 2017). CSR is a business model innovation that can lead to positive financial performance (Bocquet, Le Bas, Mothe, & Poussing, 2017). Companies who invest in CSR have traditionally been perceived to be acting honorably, but a CSR investment did not always deliver profitable performance (Tang, Hull, & Rothenberg, 2012).

The purpose of Chapter 1 is to introduce the study. The elements of Chapter 1 set the stage for the background of the relationship between CSR, innovation, and financial

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performance. Peters and Mullen (2009) found a positive relationship between the adoption of a CSR strategy and financial performance. Other research concluded that an investment in CSR negatively affected corporate financial performance (Nakashima & Ota, 2016). Marom (2006) found an inclusive relationship between CSR and financial performance. Despite inconclusive research, companies continue to pursue the adoption of CSR.

Businesses trading in certain geographical trading areas are responding to the increasing regulatory pressure by international communities to adopt a CSR strategy as a mandatory requirement to do business (Vigneau, Humphreys, & Moon, 2015). In an era of climate change, companies have an increased responsibility to create value, profitability, and ensure stewardship of society and the earth (Laszlo, Laszlo, & Dunsky, 2010). Company leadership is facing increased pricing pressure because globalization has opened many sectors to new competition. Many firms are dealing with this pricing pressure by cutting prices and service levels to survive rather than choosing to operate with a focus on ethics (Kim & Mauborgne, 2015).

The reality of the business environment is that many companies are adopting a strategy of CSR to differentiate themselves from their peers. CSR investment was considered a blue ocean strategy that allows a firm to innovate its business model and industry (Kim & Mauborgne, 2004). The research in the field of CSR as a business model innovation tense was nascent. CSR, as a business model innovation requires a systemic change to support implementation. The values of management are also a critical success factor (Pedersen, Gwozdz, & Hvass, 2018). In other words, companies that have innovated with CSR are able to enter the market by serving an underserved customer segment and then grow to market dominance. CSR, as a strategic advantage, is an opportunity for Canadian firms to grow (Dunlap et al., 2017).

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Taneja, Taneja, and Gupta (2011) were proponents of the stakeholder theory as a foundational pillar of CSR; societal justice, environmental stewardship, and ethical governance. Corporate business leaders approach projects and CSR activities from a stakeholder perspective. The voluntary reporting on CSR in response to changing societal expectations of corporations' responsibilities was allowing companies to differentiate themselves in a highly competitive landscape (Yuan, Bao, & Verbeke, 2011). The implementation of CSR was the integration of its values across every element of the business model (Baden-Fuller, Giudici, Haefliger, & Morgan, 2017). CSR integrates stakeholders' demand for value with business objectives. The implementation of CSR within the business model delivers similar positive financial outcomes for larger firms (Tang et al., 2012). The gap in the research was the adoption of CSR and its impact on small, medium, and emerging businesses (SME), which make up the majority of businesses in Canada.

SMEs will be the economic foundation for Canada in the next century (Canada, 2018). SME strategy and business model adoption are the critical success factor for business survival (Mulovic, Hunjet, & Kozina, 2015). One way that a business can create reputational value is by delivering consistently on a CSR strategy (MacGregor & Fontrodona, 2011). The proposed study will explore connections between innovation, a CSR investment, profitability, and shareholder value for small, medium, and large businesses in Canada.

The research may build on the existing research that suggests a relationship between positive financial performance and the consistent implementation of a CSR strategy by large firms. The focus will be on publicly traded businesses that also publish their CSR reports. The research will explore the link between market valuation, and CSR strategy and tense compare it to profitability relative to peer firms that do not publish CSR data. Privately held firms that had

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adopted CSR as a strategic advantage were exempt from this study. This research may be of interest to scholars and practitioners who specialize in CSR and innovation.

Chapter 1 includes background research for this study of CSR and business model innovation. The business problem of the potential financial implications of CSR strategic adoption and purpose of the research aligns with existing research. The research questions query the potential financial performance of CSR performance. The rationale, theoretical framework, and the significance of the study outline the intersections of CSR, innovation, and financial performance. The definition of terms and the organization of the study conclude the first chapter.

Background

A business model is a roadmap of the resources, processes, and organization of a firm. Companies adopt a business model or a roadmap on how to operate to create value (Dmitriev, Simmons, Truong, Palmer, & Schneckenberg, 2014). Every business model has a limited lifespan. Business models are designed to meet customers' needs. When a customer needs to evolve with trends, technology, and economic change, then the supplier must reassess and potentially innovate its business model (Giesen, Riddleberger, Chrwastner, & Bell, 2010). Business model innovation requires leadership, hope, and vision. Critical success factors include effective decision making, the courage to consistently correct the course with transparency, flexibility, and a focus on technology (Giesen et al., 2010).

The beginning of the twenty-first century, scholarly research increased exponentially in CSR. Many quantitative studies have focused on the relationship between CSR and financial performance to explain the emerging business paradigm that societies expect businesses to be profitable, ethical, respectful of the environment as well as designed to promote social justice (Taneja et al., 2011). Innovative firms also had a consistent investment in CSR (Mishra, 2017).

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Adoption of CSR is a complex topic. The Dow Jones Sustainability Index (DJSI) included the top-ranked companies that have a published CSR commitment to corporate governance, society, and the environment. DJSI also evaluated firms on the best in sector approach (Robinson, Kleffner, & Bertels, 2011). Companies listed on the DJSI had seen an increase in the share price of 2.1% relative to their peers. This increase in share price lends credibility to the idea that large-cap companies, when recognized as a CSR leader, will have higher access to capital, through share appreciation (Tang et al., 2012).

Arouri and Pijourlet (2017) identified that shareholders assigned a higher value to a firm's cash holdings when the firm also has a high CSR rating. The researchers linked the efficient use of financial resources to superior governance. The efficiency translated to an opportunity for a management team that can increase efficiencies to maximize shareholder value. Collaboration with stakeholders can lead to higher engagement and an increase in financial performance (Mishra, 2017). Investors were attributing higher valuations to highly ranked CSR firms. Shareholders perceived CSR management teams to be trustworthy and transparent (Tang et al., 2012). Firms with superior CSR had improved access to capital. Investors and banks assigned scarce capital resources more often to CSR firms than to firms that did not participate in CSR activities (Mishra, 2017). CEOs were investing in transparency and ethics to establish trustworthiness as a competitive advantage. The investment in financial transparency increased investors' confidence (Cheng, Ioannou, & Serafeim, 2014).

A company that can create a strategy and business model that creates value for customers attracts both customers and capital. Both customers and capital were critical success factors for a sustainable business. As small business owners begin to create their business plan, research that can mitigate risk in access to capital will help small business owners overcome the challenges of

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execution. Failure for first and second entrepreneurial endeavors was common. The chances of a small business thriving improved almost 21% for the entrepreneur's third attempt. After two previous business failures by an entrepreneurial management team, the current business has more than a 50:50 chance of survival (Lafontaine & Shaw, 2016).

SMEs are an integral part of the local, national, and international economy. SMEs face a very complex environment. Advances in technology, globalization, social media, branding demand a solid and consistent competitive advantage. SMEs must create value and differentiate themselves to mitigate the risk of failure (Mulovic et al., 2015). One way that an SME can enhance its reputation was through the adoption of a CSR strategy. CSR can be a risk-averse strategy to improve a business' reputation within its industry (MacGregor & Fontrodona, 2011).

The objective of every business is to thrive, create value, and differentiate itself (M. Porter, 2008). The gap in the research was that the adoption of a CSR strategy might increase a business' reputation for transparency and trust, which may result in increased access to capital. CSR and sustainability were examples of evolutionary system design (Laszlo et al., 2010). The vision of the company integrates profit with stewardship both for people and the earth. The integration of financial and nonfinancial goals within the mission statement was not altruistic; it was a reality as climate change was threatening the survival of the human species.

Porter (2008) had viewed that CSR may or may not relate or had a positive impact on a firm's performance. Further research identified that the effectiveness of CSR strategy implementation aligned with successful performance. A consistent focused and relational approach to CSR and sustainability had delivered financial performance (Tang et al., 2012).

CSR is the result of innovation and contributes to the value of a firm in both reputational and financial value. Analyses of firms that had innovated and adopted CSR demonstrated higher

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valuations. These higher valuations encourage innovative firms to continue to develop CSR as an ongoing strategy for reputational investment and cost mitigation tactics. Innovation in CSR has delivered higher valuation, so the firm chooses to build on the success of innovation strategy (Mishra, 2017).

The reputational strength, which results from a CSR investment is an intangible return (Robinson et al., 2011). A reputation for leadership in CSR resulted in higher revenues and profitability performance (Giallonardo & Mulino, 2016). The current research has focused on large companies. The connection between a CSR investment and financial performance is an opportunity for further research. Companies need to understand the potential return on their investment in CSR activities. Emerging companies need to understand if the adoption of CSR as an innovation strategy will improve their chances of profitable growth and a higher valuation.

Stakeholder engagement theory explains the increase in reputational trust and transparency for large firms (Robinson et al., 2011). Consumers had put bottoms-up pressure on firms to increase their strategic investment in CSR. After the global 2008 financial crisis, firms found their assets significantly devalued and access to capital thin. Consumers put a premium price on products produced with CSR guidelines. The premium increased sales revenues and improved corporate financial performance (Giallonardo & Mulino, 2016). The opportunity for small, medium, and emerging business is only beginning to be researched and applied.

Business Problem

Canadian business leaders are looking for new trading partners. The Canada-EU free trade agreement is an emerging opportunity. Canadian firms who are evaluating the adoption of a CSR strategy need to understand the potential impact on financial performance (Wang, Li, & Gao, 2014). The United States has been Canada's greatest trading partner for over a century.

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Consistently, Canada has experienced a significant trade imbalance with the United States, and in 2018, the deficit exceeded $US 7 billion (Canada, 2019). The Trump Administration introduced protectionist tariffs (Globerman, 2018). The political instability was a wakeup call for Canadian business leaders. Canadians were looking at the EU as a potential new market. The EU demands all trading partners commit CSR (Dunlap et al., 2017). Canadian companies of all sizes need to know the links (if any) to a CSR commitment and shareholder value. Simply put, was there a business case for CSR in Canada?

Small and medium-sized businesses resist an investment into CSR. In the pregrowth corporate life cycle stage, a firm must choose strategies that attract capital to ensure ongoing growth (Mulovic, et al., 2015). Strategic investments must link directly to revenue growth. The links between CSR and financial performance resulted in positive financial performance for larger firms (Tang et al., 2012). Stakeholders had viewed investment in CSR as a measure of trustworthiness, and both consumers and investors had placed a premium price on these firms (Giallonardo & Mulino, 2016). Firms with high growth potential increase the likelihood of financial success by investing in CSR (Mishra, 2017).

Existing research on the links between the adoption of a CSR strategy and access to capital had focused on large firms. Research explored the relationship between CSR and financial performance. Accounting-based financial metrics will aid business executives to determine the potential consequences of adopting an innovative CSR strategy. This research is an opportunity for researchers and practitioners working with Canadian firms to create value and opportunity in the EU trading region. This research may be beneficial in the quantification of financial risks and benefits of CSR for business leaders of different business sizes and sectors.

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Research Purpose

The purpose of this exploratory quantitative correlational study was to analyze the relationship (if any) between the adoption of an innovative CSR strategy and corporate financial performance of Canada's companies. Canadian companies who were planning to expand to the EU were required to adopt CSR (Dunlap et al., 2017). The investment may or may not lead to nondomestic sales in the region. A longitudinal study of the top performing and low performing CSR Canadian companies will be conducted to determine if a relationship existed between CSR and nondomestic sales in Canadian businesses. The independent variable is CSR as measured by the Sustainalytics ESG database.

The ESG database measures company performance on all CSR metrics. The dependent variable was nondomestic sales revenue. Nondomestic sales revenue measures a firm's ability to sell into international markets. The variable connects a firm's CSR strategic adoption with international sales. The scope of the study is TSX.listed companies to ensure statistical validity and uniform financial reporting of Generally Accepted Accounting Principles (GAAP). The research may contribute to the understanding of business leaders of the potential results of the adoption of an innovative CSR strategy to open new markets for their businesses.

Climate change was affecting business and the survival of people (Laszlo et al., 2010). Responsible entrepreneurship demands that companies align evolutionary system design with SME strategy to include CSR tools and methodologies which support value creation and growth (Szczanowicz & Saniuk, 2016). The adoption of a CSR strategy that was consistent in approach has increased investor confidence in the firm's transparency and trustworthiness (Tang et al., 2012). Large U.S. firms that invested in CSR innovation enjoyed a higher valuation post innovation (Mishra, 2017). Climate change mitigation by companies is an emerging trend and

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opportunity (Dunlap et al., 2017). The opportunity for Canadian companies and SMEs is growth through nondomestic sales. With the changing political environment in the United States, Canadian companies are looking to leveraging the Canada-EU Free Trade Agreement for growth. To leverage this opportunity, Canadian companies must understand the potential business case for CSR strategic adoption.

Research Question

The exploratory quantitative correlational study is designed to facilitate the analysis of the empirical data regarding profitability and CSR strategic adoption by Canadian businesses. The methodological choice offers the most accurate link between investment in CSR and profitability to international and innovation revenue growth by Canadian firms. Audited or CSR certified evaluation by independent firms leads to a valid representation of the firms' CSR performance. Revenues, sales, and CSR performance are the preferred measures.

Research Question (RQ): To what extent did a commitment to CSR relate to sales revenue in nondomestic markets?

A commitment to CSR has demonstrated higher valuations (Mishra, 2017). The dependent variable was nondomestic sales revenue. The independent variable is CSR as measured by Sustainalytics ESG ranking. Stakeholders perceive a commitment to CSR as a measure of trustworthiness and reward engaged innovative firms with the payment of higher prices (Giallonardo & Mulino, 2016).

Rationale

Shareholder value is a key measurement of executive leadership. Shareholder value links trust and the ability to access capital (Dunlap et al, 2017). Shareholders rewarded international

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companies who had invested in a CSR strategy and had increased profitability. Strategic CSR adopters enjoyed higher share price valuations (Mishra, 2017).

Canadian companies are evaluating the EU as a market opportunity. The EU required regulatory compliance with nonfinancial measures. Canadian companies need a business case to understand the potential profit impact of a CSR investment on nondomestic sales. The reality is with the emerging compliance issues regarding environmental reporting; companies need to know the potential revenue impact of an investment in CSR. The CSR compliance requirement by the EU opens business opportunities for Canadian CSR companies (Dunlap et al., 2017).

The research sought to address current literature and knowledge gaps about the relationships, if any, between CSR strategic adoption and nondomestic sales revenues for Canadian companies. The research is valuable for corporate leaders who are looking to adopt a CSR strategy and need to understand how doing so will impact future international revenues (Tang et al., 2012). Measurable, quantifiable data explains the extent of the relationship between the adoption of a CSR strategy and corporate financial performance. The research may contribute to the body of knowledge for both scholars and practitioners on how business leaders, investors, and entrepreneurs create and sustain both profitable as well as responsible corporations.

Theoretical Framework

Innovation is about creativity and newness. Companies that invested in CSR were finding new and disruptive business models. These business models deliver a focus on reductions in greenhouse gas emissions, water reduction, and social justice. CSR theory is the framework for the study.

Porter (2008) first introduced a definition of strategy that explained how strategy once effectively introduced and adapted could lead to superior performance, and it can set a company

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apart and ahead of its rivals. The ability to create, articulate, and implement strategy is important to successful value creation (Collis & Rukstad, 2008). A CSR strategy is a commitment to environmental stewardship, social justice, ethical governance, and financial transparency (Sheehy, 2015). Society is evolving. Climate change is a macro-environmental risk that affects the survival of businesses and people (Laszlo et al., 2010). Climate change has become a driving force that impacts how customers value products. Responsible business is adopting methodologies and tools that create value (Szczanowicz & Saniuk, 2016).

Business model innovation creates value across the value chain. It often focuses on business processes. CSR activities were not always innovative. CSR can be innovative when it creates value for the customer, which translates to improved financial performance. Canadian companies are re-engineering and innovating their existing processes to meet the EU compliance requirements. Limited research exists in this area. Business model innovation to meet increasing sustainability standards requires more than new technology; it demands re-architecting the business model (Pedersen et al., 2018).

Kim and Mauborgne (2004) developed the blue ocean strategy to explain the emergence of disruptors who dominated their sector by changing the way the industry operates. The new business model permanently changed the industry. A blue ocean strategy requires significant innovation. Innovation is critical to a business leader's ability to create new business models that will disrupt traditional models and create profitable opportunities. The objective of a blue ocean strategy is to create new value. In an era of climate change, a blue ocean strategy creates societal, environmental, and financial value (Laszlo et al., 2010). Innovation is not the sole proprietorship of blue ocean strategies (Barwwase & Meehan, 2012). Corporate leaders who choose not to adopt a blue ocean strategy, they can also choose to improve the first mover blue ocean strategy

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and become a fast second (Buisson & Silberzahn, 2010). The seminal blue ocean strategy research and its application to CSR theory is part of this study's theoretical framework.

CSR adoption is the second element of the theoretical framework. Bowen first introduced the concept of business' social responsibility in 1953 (Bowen, Bowen & Gond, 2013). Social responsibility is the foundation of CSR. Firms invested in strategies for value creation. Canadian companies are at a crossroads. They need to find new trading partners. The EU is an opportunity, but the market requires a commitment to CSR (Canada, 2018). Canadian companies tended to have higher CSR scores and commit to CSR strategic alliances (Thorne, Mahoney, Gregory, & Convery, 2017). CSR strategic adoption provides new opportunities in green product development, process, and technology innovation. A higher standard of CSR strategy integrated the strategic principles of the business (Yuan et al., 2011). The adoption of a CSR strategy that was consistent in its approach has increased investor confidence in the firm's transparency and trustworthiness (Tang et al., 2012). Capital constraints and demand for transparency among stakeholders has allowed companies that adopt a CSR strategy to have increased access to capital (Mishra, 2017).

Business models needed to integrate CSR. Customers value societal, ethical, and environmental stewardship. This valuation has created an opportunity to integrate these values into the business model. Business model innovation is the re-inventing of the business model to create value for customers. When there is the integration of energy management, fair wages, and ethical governance, there is an alignment of the critical customer requirement to the business model innovation (Giesen et al., 2010). Customers who value CSRchoose to purchase products that are designed to respect societal and environmental values. Business model innovation is a fundamental component of the theoretical framework.

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The third element of the theoretical framework is the concept of financial performance. The expected outcome of all business strategy is financial performance. The relationship between CSR strategic adoption, innovation, and financial performance is a subset of stakeholder theory. An investment in CSR is to create the reputational value of transparency and trust, which had minimized capital constraints for large firms (Giallonardo & Mulino, 2016). Shareholders value transparency and trust (Lewwas & Juravle, 2010). The trust valuation explains how CSR could increase access to capital generation (Tang et al., 2012). The industry standard GAAP and CSR performance are key measures. The metrics are revenues (Dupire & M'Zali, 2018).

CSR strategic adoption set the groundwork for innovation and improved financial performance (see Figure 1). The research analyzes how CSR innovation drives financial performance. The interconnection of innovation, CSR, and financial performance is the theoretical framework for this research.

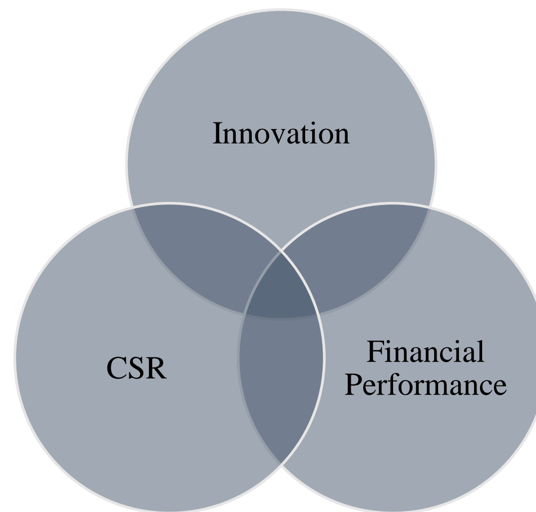

Figure 1. Theoretical Framework: The interdependent relationship between innovation, CSR, and financial performance in the era of climate change (Pedersen et al., 2018).

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The theoretical framework includes intersections between the three elements: CSR (CSR reporting), innovation (processes and products), and financial performance (revenues and sales). CSR and financial performance is the primary dependent and independent variables. The other contributing factors include the adoption of CSR and innovation in implementing either a blue ocean or fast second strategy (Buisson & Silberzahn, 2010). CSR also intersects with innovation by creating the opportunity to align the values of business leaders to the business model (Pedersen et al., 2018). CSR demands ethical governance. This intersection creates a higher standard by which firms must adhere. Ethical behavior that ensured societal good facilitates process innovation (Torres, 2015). The ethical values of a company align with the CSR business model. A business model creates value for customers. A business model grounded in CSR values can lead to financial performance (Osterwalder, Pigneur, & Guppta, 2016).

Innovation and CSR intersect with financial performance. The adoption of CSR is also a risk mitigation strategy (Cheng et al., 2014). Companies that committed to a higher standard of ethics have a lower chance of litigation. CSR companies committed to fair wages, responsible waste management, and transparency in reporting are less likely to be sued (Phillips, Freeman, & Wicks, 2003). Businesses adopt CSR and innovation with the expectation that it will generate improved financial performance.

An investment in CSR could lead to both innovation and improved financial performance (Bocquet et al., 2017). The critical success factor is a combination of strategic management theory and profitability to fund growth. Innovation influenced these relationships when a company adopted CSR as a strategic choice. The CSR engagement strategy influences the potential benefits that a business receives concerning innovation and financial performance (Tang et al., 2012).

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Significance

The significance of this exploratory quantitative correlational study is the exploration of the relationship between CSR innovation and nondomestic sales revenues. Research linked a CSR strategy to improved financial performance (Peters & Mullen, 2009). Canadian companies need to assess and analyze CSR as a strategic opportunity. The EU is demanding the reporting of non-financial information as a prerequisite to doing business within the trading region. Canadian businesses want access to the EU market; therefore, they need to adopt a CSR strategy. The focus on trade in new markets can be risky. Companies need to understand the potential returns on their CSR strategy to ensure that they have the profitability to fund their expansion and growth.

Definition of Terms

Access to capital. Access to capital was shareholder market valuation (Mishra, 2017).

Corporate financial performance. Corporate financial performance was the measure of the change in the financial outcomes of the GAAP (Tang et al., 2012).

CSR. CSR was international private business self-regulation. It accepts the complex elements of CSR that included governance, transparency, environmental, and social justice (Sheehy, 2015).

Innovation. Innovation was the creation and application of new processes, products, and services (Mishra, 2017).

Net income. Net income was the number of monies that remained after the subtraction of cost of goods sold, operating expenses, interest expenses, and taxes from a corporation's total revenues (Brigham & Houston, 2010).

Nondomestic sales. Nondomestic sales were revenue from export sales (Brigham & Houston, 2010).

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Profit margin. Profit margin was the percent ratio of the return on sales (revenue). A higher profit margin ratio meant that the company had more monies to invest in growth (Brigham & Houston, 2010).

Return on Assets (ROA). Return on Assets (ROA) was the GAAP measure of financial performance in CSR and was the quotient of net income divided by total assets (Pencle & Malaescu, 2016).

SME (Small, medium, emerging). SME (Small, medium, emerging) was defined as a firm with a market valuation of less than 50 million (Taneja et al., 2011).

Total Assets. Total assets were the equivalent monetary value of the corporation's cash, cash equivalents, inventory, prepaid expenses, accounts receivable, short-term investments and physical assets such as property, plants or equipment (Brigham & Houston, 2010).

Assumptions and Limitations

Assumptions are theoretical, topical, and methodological. Limitations include boundaries and shortcomings. This section further refines and explains how the research may be of benefit to the body of knowledge (Cooper & Schindler, 2014).

Assumptions

This section includes theoretical, topical, and methodological assumptions. A theoretical assumption is self-evident foundational truths that are grounded in the body of knowledge. A topical assumption is self-evident and the foundation of the CSR and financial performance topic. Methodological assumptions are the foundation of the methodological choice. These sets of assumptions ae the underpinnings of this study.

Theoretical Assumptions

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The first theoretical assumption is that strategy, once effectively introduced and adapted, can lead to superior performance, and it can set a company apart and ahead of its rivals (M. Porter, 2008). The next theoretical assumption is that companies do invest in both strategic creation and the implementation of value creation (Kim & Mauborgne, 2015). Another theoretical assumption is that companies have an increased responsibility to create value to fund profitability, and they must ensure the stewardship of the earth and society (Laszlo et al., 2010).

Topical Assumptions

The first topical assumption is that CSR is a strategy that commits to profit, environmental stewardship, societal justice, and ethical governance (Sheehy, 2015). The next topical assumption is that the measurement of financial performance is GAAP. The third topical assumption is that CSR is a strategic choice for innovation. (Mishra, 2017). The last assumption is that Canadian companies are considering strategic options for growth into new international markets and one requirement for market entry is the adoption of CSR to compete in the EU (Vigneau et al., 2015).

Methodological Assumptions

Publicly published financial and CSR reports are how the data will be collected (Cooper & Schindler, 2014). The second methodological assumption is that CSR and financial reports are accurate and valid sources of information (Kim & Mauborgne, 2015). Secondary data sources collected financial and CSR strategic adoption data. The research was conducted in a controlled manner to ensure credibility. The researcher ensured the privacy, confidentiality, and security of data. The researcher followed ethical standards for research collection.

Limitations

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Limitations of this study are elements over which the researcher has no control. The first limitation of the evaluation is that only firms that disclose financially audited reports. The sample size may not have been representative and applicable to other regions. The study did not include privately held firms for which there is no publicly available financial performance. The subsequent limitation is that this study could only include companies that trade on the TSX and the TSX-V. The next limitation was that companies would be Canadian based firms. The final limitation is the use of profitability ratios that may not be representative of the potential for long-term growth. An ongoing focus on the clarification of the problem statement throughout the study, literature review, rationale, significance, and results occurs. The opportunity is to quantify the value of CSR adoption as an innovation strategy by GAAP measurements. Externally audited and validated CSR reports are the datasets. Some unintentional error made by external auditors of the corporations' audited CSR reports may occur but will be minimal. The sixth limitation is the undue influence of limited research skills, experience, and time constraints of the researcher.

Organization for Remainder of Study

The remainder of the study includes Chapter 2 through Chapter 5. Chapter 2 includes an extensive literature review. This review covers strategy, innovation, CSR, ethical governance, challenges of businesses of varying sizes and sectors including SMEs, financial performance as measured by GAAP and nonfinancial CSR reporting requirements of the EU. The research includes how climate change is negatively impacting business and the survival of people (Laszlo et al., 2010). The pioneering research seeks to understand the established link between financial performance and CSR strategic adoption (Porter, 2008). Chapter 3 of this dissertation explains the research design.

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The study is an exploratory quantitative correlational design. The research presents both a current view and a potential trend emerging over time. The sampling size includes publicly traded companies of varying sizes and sectors. Canadian headquartered firms are the top criterion. A cluster sample is chosen. Sustainalytics ranked Canadian companies' ESG, which are the foundation for the homogenous cluster. The research includes propositions and hypotheses. The third chapter includes the data collection process, analyses, and hypothesis testing. The research includes validity and reliability and addresses ethical considerations. Chapter 4 began with an introduction of the results. The data collection results are in tabular form. This chapter includes a descriptive analysis of the results and an analysis of the hypotheses. The study included a summary of the results.Chapter 5 concludes this dissertation. This chapter includes an evaluation of the research questions and an assessment of the success of the fulfillment of the research purpose. The study includes a contribution to the business problem and recommendations for further research. The final section will be the conclusion. The conclusion summarizes the dissertation.

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CHAPTER 2. LITERATURE REVIEW

Introduction

Canada has an opportunity to leverage its Canada-EU Free Trade agreement. Compliance with CSR is mandatory within the EU (Dunlap et al., 2017). The goal for successful Canadian SMEs is to export products for growth. CSR entrepreneurship demands alignment of evolutionary system design, SME strategy, and CSR tools and methodologies to support value creation and growth (Szczanowicz & Saniuk, 2016). The adoption of a CSR strategy that was consistent in its approach had increased investor confidence in the firm's transparency and trustworthiness (Tang et al., 2012). Large U.S. firms that invested in CSR innovation enjoyed a higher valuation post innovation (Mishra, 2017). The growth engine in the Canadian economy is SME. Leaders have an opportunity to determine if the adoption of a CSR strategy by Canadian companies increases nondomestic sales revenues. The purpose of the exploratory quantitative, correlational study was to analyze the relationship (if any) between the adoption if an innovative CSR strategy and corporate financial performance.

Chapter 2 reviews and synthesizes key literature, theories, themes, and the strategic fit of the proposed study. Chapter 2 covers an overview of theoretical, seminal, and core research. Chapter 2 includes a discussion of innovation, CSR, and financial performance. CSR theory is the foundation of the study. The research question queries the extent to which a commitment to CSR would impact revenues as measured by nondomestic sales revenues (Mishra, 2017). Canada has a free trade agreement with the EU. The challenge for Canadian businesses is that the EU requires compliance with nonfinancial ESG reporting. If SMEs in Canada want to develop international opportunities with the EU, then SMEs in Canada need to know if there is a business case for CSR strategic adoption. This literature analyzed both seminal and core theories. The

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theories were synthesized and summarized. The conclusion summarizes the elements of the literature review of CSR, innovation, and financial performance, which was the backbone of the theoretical framework.

CSR Theory

Sheehy (2015) defined CSR as private business self-regulation. The definition accepted the complex elements of CSR that included governance, transparency, environmental, and social justice. It also gave a baseline definition from which research expanded. CSR and financial performance links proved positive. The adoption of a CSR strategy resulted in positive financial performance. Stakeholder engagement linked to access to financial capital (Garcia-Castro & Francoeur, 2016). Stakeholders viewed investment in CSR as a measure of trustworthiness, and both consumers and investors placed a premium price on these firms (Giallonardo & Mulino, 2016). Companies who invested in the adoption of CSR and stakeholder engagement activities increased access to capital to finance innovation (Garcia-Castro & Francoeur, 2016).

CSR included these three elements: economic; ethics; and stakeholder theories. The economic theory focused on the maximization of profits. CSR related to ethics and the requirement of companies to be held accountable to a moral standard (Sheehy, 2015). The final category was the concept of stakeholder theory, which aligned to ensure that the corporation defined its responsibilities beyond financial targets.

Porter (2008) first introduced a definition of strategy that explained how strategy once effectively introduced and adapted could lead to superior performance. The effective strategy could set a company apart and ahead of its rivals. The ability to create, articulate, and implement strategy was important to successful value creation (Collwas & Rukstad, 2008). A CSR strategy was a strategic commitment to integrating CSR throughout a business. CSR was a commitment

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to environmental stewardship, social justice, ethical governance and financial transparency (Sheehy, 2015). Early CSR research linked a commitment to CSR as an expense and in some cases, even a waste of a company's resources (Schreck, 2011). CSR was a requirement for compliance, but there was also a business case that explained how a CSR investment could be profitable (Thorne et al., 2017).

Initial research regarding CSR disagreed with Friedman's early work that explained a company's only responsibility to shareholders was to maximize profits (Jahn, & Brühl, 2018). The focus was on the shareholder as the only stakeholder. Friedman prioritized individual freedom and liberty above stakeholders collective rights. Shareholder theory was consistent with stakeholder theory. Both theories assigned a moral obligation to businesses.

In some cases, CSR linked stakeholder theory, which means that shareholders valued non-financial reporting. Society was evolving. Climate change was a societal risk that affected the survival of businesses and people (Laszlo et al., 2010). Climate change has become a driving force that impacted how customers valued products. The responsible business was adopting methodologies and tools that created value (Szczanowicz & Saniuk, 2016). Value included the societal value of social justice, environmental stewardship, and ethical governance.

A firm's resources included all assets, capabilities, and intellectual property that enabled the creation of strategy. Resources included organizational processes, information, knowledge, culture, and critical skills or attributes (Barney, 1991). The resource-based view (RBV) explained how leveraging a company's resources generated a competitive advantage for a firm (Galunic & Rodan, 1998). Resource recombination was a strategy that exploited existing resources and combined to create robust and novel combinations that enhanced the value chain

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(Galunic & Rodan, 1998). The strategy focused on resources and was successful in a traditional business model, but it did not adapt to social technologies.

Access to capital was critical to sustaining corporate performance. International companies who had invested in a CSR strategy had increased access to capital (Cheng et al., 2014). Post innovation strategic CSR adopters also had higher valuations (Mishra, 2017). A gap in the research was to determine if CSR strategic adoption increased access to capital for medium-sized businesses. The proposed study used a quantitative design of exploratory data analysis. The research was valuable for firms who were looking to adopt a CSR strategy to understand how it impacted their future access to capital (Tang et al., 2012).

The objective of a companie's investment in CSR was to implement a strategic business model. Traditional companies adopted CSR to promote brand awareness. These companies integrated environmental, social justice, community, and ethical governance. The objective of CSR activities was to promote the brand to consumers and to attract and retain top talent (Rufat-Latre et al., 2010).

Canadian culture aligned with the values of CSR. Policy in Canada aligned with CSR, which, as reflected in institutions like national healthcare. Canadian companies tended to have higher ESG scores than American companies. Canadian companies tended to integrate CSR into the process. American companies preferred to create strategic alliances and engage in voluntary CSR reporting as a signal of stakeholder engagement. The values of stakeholders in Canada and the USA differ, which was reflected in how CSR was viewed in each country (Thorne et al., 2017).

CSR rankings were not standardized. Stakeholders and investors valued the rankings. Bloomberg RobecoSAM and Sustainalytics were three reputable ESG ranking firms. The firms

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used different scales. Sustainalytics showed a positive correlation between ESG rankings and ROE. Bloomberg and RobecoSAM showed a positive correlation between ESG rankings and EV (enterprise value). The consistency in ESG scores across the three research rating organizations gave a level of confidence, but the issue of ambiguity remained (Romero, Jeffers, Lin, Aquilino, & DeGaetano (2018).

Porter (2008) described the strategy as what makes a firm unique and special. The uniqueness was the reason that consumers chose to purchase the product, investors want to own the company, and employees want to work for them. The strategy was the competitive advantage of a firm that drove opportunity (Porter, 1996). Strategic growth was the development of a distinct and distinguishing offer that facilitated sustainable growth (Porter, 2008). The strategy must include an understanding of the five forces acting and interacting with industry to facilitate successful strategic implementation drove sustainable profitability for a firm (Porter, 1996).

Porter's (2008) seminal work on the Five Forces became the building block of strategy. The Five forces framework model was a process for strategists to identify and understand the competitive forces within an industry. These forces allowed a strategist practitioner to determine how to create value. The Five Forces were buying power; supplier bargaining power; alternative products or services; new entrants and the threat of existing competitors.

The seminal literature on a strategy that was the foundation of the paper was Porter (1996) who first defined and introduced the corporate strategy. Corporate strategy created the uniqueness of a business. This uniqueness was the reason that consumers, investors, and employees chose to be involved with the company. Porter introduced the concept of Five Forces. The five forces were: the consumer's buying power; the suppliers' bargaining power; alternative products or services; new entrants and existing competitive threats. Value creation was the goal

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of strategy and value depended on both internal and external forces. A balanced approach to the five forces allowed a company to create and maintain a profitable business.

The requirement of strategy to create shared value was emerging as global governance was introducing a policy to require companies to expand the stakeholder model to include future generations. Stakeholder theory was evolving to include altruistic motives into strategy was not seen as overhead but as a means to adapt to increasing compliance requirements. The focus was to include socioeconomic links into a corporate strategy to ensure the long-term viability of the company (Dupire & M'Zali, 2018). This adaption was a logical adaptation based on the use of Porter's (1996) five forces model as companies sought to adapt to both increasing competitive, legislative, and customer trends.

Blue Ocean

Kim and Mauborgne's (2004) research introduced the concept of a blue ocean. A blue ocean was a strategy that created demand. Its unique value proposition sparked opportunity and growth. A blue ocean strategy aligned the company with value creation, and the least cost operation that was so unique that the typical competitive benchmark was irrelevant. A red ocean strategy occurred when a firm competed in a saturated market with a focus on cost/value trade-off to ensure profitability. A red ocean strategy was one of little differentiation or value creation. Firms needed to apply the five forces model to their industry, but the choice to adopt a blue ocean strategy enabled companies to grow and to be profitable by changing the way industry operated. A blue ocean strategy created a new product, or it could create opportunity within a saturated market. Both strategic choices positioned a company for brand dominance. In other words, the two theories created and delivered value as perceived by the customer who associated positively with the brand. A blue ocean strategy opened an SME to market dominance.

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A blue ocean strategy exploited technology and understood how a consumer used the product to create a new business model. The exciting aspect of a blue ocean strategy was that it changed the industry and created a new way of doing business (Kim & Mauborgne, 2004). This strategy applied to companies who leveraged artificial intelligence throughout the supply chain to decrease their environmental footprint and to enhance their ability to create value. Traditionally, a blue ocean strategy adopted technology to change the way a sector operated. In the case of CSR, a blue ocean strategy aligned with a product lifecycle offer that considered the product from birth to grave. The lifecycle offer aligned with the idea that companies created a competitive advantage with the inclusion of business model innovation (Pedersen et al., 2018).

Leaders created a blue ocean strategy by adopting a unique technological value proposition. The effect of blue ocean strategy decreased over time as did technology time to market. The speed of technological change negatively impacted the dominance of the blue ocean strategy. Buisson and Silberzahn (2010) reviewed twenty-four companies and found that the emerging theory of blue ocean strategies displaced the speed to market. Companies that adopted the first mover strategy to address a market opportunity lost the advantage to a fast second strategy. The fast second strategy developed more features to the product that expanded on their original first mover advantage. The findings concluded that technology had been able to create a blue ocean strategy, but with the speed of replication, companies required more than simply a blue ocean strategy to dominate the market.

Competitive Advantage Theory

A firm's resources include all assets, capabilities, and intellectual property that enabled the creation of strategy. Resources include organizational processes, information, knowledge, culture, and critical skills or attributes (Barney, 1991). The resource-based view (RBV)

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explained that a company's resources were leveraged to generate a competitive advantage for a firm (Galunic & Rodan, 1998). Resource recombination was a strategy that exploits existing resources and combines to create robust and novel combinations that enhanced the value chain. The strategy focused on resources and can be successful in a traditional business model, but it cannot adapt to social technologies.

The model also lent itself to technology companies whose resources were primarily knowledge-based. Technology companies span every sector and industry. The model of resource recombination and reuse is a measure of sustainable competitive advantage (Tung-Shan Liao & Duy, 2017). Product innovation is primary to a competitive advantage. A unique product that could not be imitated by the competition gives a firm a competitive advantage (Barney, 1991). Firms need to innovate their business model to meet the challenges of the high speed of technological change and globalization. The ability to innovate their business model allowed firms to sustain both profitability and competitive advantage (Bashir & Verma, 2017). Some of the dominant new entrant players in traditional businesses had jettisoned to market dominance with an innovative business model. Emerging research illustrated how companies which focused on business model innovation and leveraged social technology advancements were dominating (Zott & Amit, 2017).

Morrow (2016) explained that companies were more ready to accept a riskier and bold strategy when they were in a position of weakness. A willingness to explore and to adopt an innovation was critical. Hunt (2009) argued that the clarity of strategy development was critical in times of challenge whereas not as relevant during periods of strong performance. Acquisition, alliance, or recombination strategies were options for weak performing players to achieve market dominance again. Iansiti and Levien (2004) introduced the concept of business as an ecosystem.

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This concept explained the roles of stakeholders and the alignment of various needs throughout the value chain to ensure the successful implementation of business strategy. Competitive advantage theory had evolved from resource-based analysis to business model innovation.

Barney (1991) first introduced the concept that strategy required the use of all of a firm's resources. These resources were not simply traditional hard assets, but it also included soft assets such as capabilities and intellectual property. Capabilities included the organizational processes, big data and information, the knowledge management and content, the unique corporate culture and employee skill sets. Competitive advantage allowed a firm to leverage its internal strengths to create value in its offer to customers; therefore, the exploitation of all assets, tangible and intangible, created value that was more compelling than the competition's offer.

Galunic and Rodan (1998) first introduced the concept of a resource-based view (RBV) of a company's resources. RBV meant that a company's resources could be leveraged and recombined to create new value chains. The RBV strategy focused on repositioning existing resources to adapt to existing industry evolutions. RBV theory was especially valid for technology and knowledge-based process companies. Technology and artificial intelligence had touched every sector.

The resource-based view (RBV) explains that a company leveraged resources in new combinations to create a sustainable advantage (Tung-Shan Liao & Duy, 2017). The reality of climate change and severe weather demands that firms adapt. The ability to innovate the business model with resource recombination that included the tenets of CSR within the supply chain and production had leveraged the recombination of assets to create business model innovation and subsequent competitive advantage (Bashir & Verma, 2017). Emerging research has substantiated the theory that companies who had leveraged resource recombination through business model

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innovation and social technology advancements created industry-leading value (Zott & Amit, 2017).

Leadership was more willing to adopt riskier and bolder strategies when a company or industry was in a position of weakness (Morrow, 2016). With the threats to free trade within the Americas, Canadian companies may be more willing to take advantage of resource recombination and implement a CSR strategy which would give them a competitive advantage to trade within the European Union. Hunt (2009) argued that this external threat of American protectionism could lead to clarity of strategy development, which was critical in challenging times. Leaders had strategic options like acquisition, alliance, or recombination strategies for a return to market dominance.

Iansiti and Levien (2004) explained that businesses were ecosystems which outlined the roles of stakeholders. Stakeholders had become a major player in the global company. The value chain included the representation of stakeholder needs. Competitive advantage theory has continued to evolve. The resource-based analyses were evolving to be business model innovation. Resources within the ecosystem worked interdependently to deliver strategy as defined by the stakeholders.

The strategy was a living process. Trends were a movement in a general direction. As trends emerged, corporations assessed the trend to determine how they would adapt or not (Ofek & Wathieu, 2007). Trends emerged in demographics, regulatory compliance, and technology (Hall & Lundberg, 2010). A trend was a societal change that could affect how the business performed. When a company identified a trend, it evaluated the trend's potential impact on its business model.

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Ofek and Wathieu (2007) identified the four required steps to understand and address the potential impacts of a trend were: the identification of trends; two exploratory types of research on the trends; compare and contrast trends; identification of strategic options. An emerging trend was the establishment of a benefit corporation. A benefit corporation was a blend of a corporation that also has the mission of social good as well as profits (Rawhouser, Cummings, & Crane, 2015). The industry had no consistent legal definition of a benefit corporation, but the requirement for a company to respect the environment, the local community, human rights, ethical leadership and transparency in financial reporting was creating value. Companies who wanted to expand into Europe and India – both of whom had adopted policies to integrate Corporate Social Responsibility (CSR) into their free trade agreements were investigating CSR strategic adoption. EU announced the mandatory inclusion of nonfinancial reporting data disclosures. Leaders must disclose audited reports on their activities related to addressing environmental concerns, employee and societal concerns, human rights, and ethical governance, including a commitment to combat bribery (Dunlap et al., 2017).

Management employed various tools to spark innovation. Workflows and processes supported innovation. A critical success factor of an innovative culture was a trust (Hamel, 2009). Innovation was creativity and implementation. Fast paced markets created a short lifespan for products (Hall & Lundberg, 2010). These markets were short. Strategic success depended on an understanding of product launch timing on the potential impact of product success. Calantone et al. (2010) identified that new products and incumbents had unique challenges. The impact of the submarket was important. For example, strategists needed to understand if the product launched into the same or a related submarket for the product launch. Incumbents had the

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advantage over new entrants because of their established sales distribution. The importance of innovation was that it must deliver value in a fast-paced consumer market.

Three respected theories of innovation existed. Buisson and Silberzahn (2010) expanded the blue ocean strategy to explain the requirements of a faster-moving river of technology. Raynor (2011) discussed how a small company used disruption to meet a small unmet customer need. Skarzynski and Rufat-Latre (2011) supported this concept with a focus on market segmentation. Semadeni and Anderson (2010) discussed the benefit of an organization to follow the previously introduced disruptive innovation within its segment. Each of these theories drove companies to assess their innovation strategies in the pursuit of customer value delivery.

Innovation

Innovation was the ability to create and implement. The foundation of innovation theory discussed the various best practices of leadership, process, and culture required to innovate successfully. Seminal research indicated that innovation requires both process and leadership support to create an environment that facilitated innovation. Hamel (2009) introduced the concept of *moon shots,* which illustrated that companies were striving to have a higher purpose than simply financial performance. The link of innovation to CSR explained how companies were looking to innovate to deliver more than simply financial value. Wilson and Doz (2011) explained that innovation required structure and knowledge management to engage stakeholders in the organizational design that fostered innovation. As companies, reach for a higher purpose, the need for an organizational design that facilitated innovation was a critical success factor.

Innovation was the result of creativity or invention and implementation (Portnova & Peiseniece, 2017). The focus on what were the competencies for successful innovation was the focus of the research. Wilson and Doz (2011) discussed how a project management focus aided

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the ability to attract and retain strong talent. Barreto (2010) discussed the critical need for processes to support creativity and implementation. Sebestová and Rylková (2011) identified communication as a critical competency required for the development and implementation of innovation. Interpersonal skills that facilitated communication throughout the process and cross-functionally enabled teams to create value.

Organizations initiated innovation. A need to focus on the leadership competencies of innovation leaders was required. The first competency was the ability to develop and communicate a strategic view. The view was clear and implementable. The next competency was the ability to implement the strategy. Innovation leaders had both a business and a results orientation. They were strong team builders, inventors, and implementers. Innovation leaders also had strong interpersonal skills (Portnova & Peiseniece, 2017). These competencies for innovation were foundational building blocks for success.

Innovation required both the ability to create and to implement. The ability to come up with an idea was the easier step. The skill, budget, and focus to implement stages were truly challenging the most rewarding step yet. A project network was best suited to knowledge-intensive sectors (Rawhouser et al., 2015). A project network worked best when the scope of the project was beyond the skills of the functional core team. The requirement for noncore team skills resulted when the tasks were either complex or not easily defined. Project networks were a means to manage costs of high-cost skills. These high-cost skills must be for an interim period. New entrants also adopted this approach as new businesses often faced many unknown costs. The scope of the project might be complex or beyond the skills of the SME. The project network enabled knowledge sharing and risk mitigation at a lower cost (Rawhouser et al., 2015).

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Tuulenmaki and Valikangas, (2011) explained how execution innovation was a process that facilitated the creation and implementation of innovation. The focus of this process was to foster and cultivate new thinking with five approaches to execution innovation. The first approach was to hire someone who has already delivered a similar innovation. The subsequent approach was to build a prototype and request feedback from stakeholders. The third approach was to simulate changing business processes to understand the impact of potential changes. The final approach was to create a collaborative space where people created and experimented with ideas and concepts. The fifth approach was to create a virtual reality playground where innovators simulated how the idea integrated and operated. Both a project network and execution innovation was dependent on a diversity of backgrounds and skills. The noncore team people influenced innovation. Traditional software products that required feature upgrades would not benefit from execution innovation, but the more traditional flash development met the need for a closely defined scope.

Delivering innovative ideas is challenging. Two theories can be applied to guide a project to successful implementation. A project network is the best choice for complex knowledge intensive programs (Rawhouser et al., 2015). Execution innovation facilitates the delivery of innovation. Both are well suited for start-ups in traditional sectors or technology projects. CSR innovation is often dependent on the input of diverse stakeholders who guided businesses in the potential outcomes and implementations of various innovations.

The center for innovation (COI) is a theory that explains how an innovation cluster can bring together stakeholders to spark new ideas. A COI was best suited for the spontaneous creation or the initial nurturing of innovative entrepreneurial start-ups. The objective of the innovation cluster was to work together through a project network structure to challenge, create,

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and develop truly innovative and implementable business ideas. In Canada, COI were incubators, and many academic institutions had an incubator with which academic, business, venture capital, and government partners with to support startup companies and SMEs to achieve successful commercialization (Canada, 2018). The goal of innovation hubs was to leverage international and diverse skill sets.

Skarzynski and Rufat-Latre (2011) researched open innovation theories. Open innovation focused on the core knowledge and core competencies of the organization; Open innovation provided SMEs with a framework to create, assess, and implement innovation. A critical success factor of open innovation was the creation by the SME leadership of innovation culture that sparked, created, and supported innovative processes. SMEs can then develop a globalized market innovation opportunity. Skarzynski and Rufat-Latre (2011), as well as Engel and del-Palacio (2011), explained how to create an innovation support environment. An innovative support environment explained how to implement the incubation idea of the COI. A company structured a framework that built and promoted an innovative culture.

Innovation is the result of creativity or invention and implementation (Portnova & Peiseniece, 2017). The research explained the competencies for successful innovation. Wilson and Doz (2011) discussed how a project management focus on the ability to attract and retain strong talent was two critical elements. Barreto (2010) discussed the critical need for processes to support creativity and implementation. Sebestová and Rylková (2011) identified that a critical competency required for the development and implementation of innovation was communication. Interpersonal skills that facilitated communication throughout the process and cross-functionally enabled teams to create value.

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Successful organizations moved to innovation. There was a need to focus on the leadership competencies of innovation leaders. The first competency was the ability to develop and communicate a strategic view. The view was clear and implementable. The next competency was the ability to implement the strategy. Innovation leaders had both a business and a results orientation. They were strong team builders, inventors, and implementers. Innovation leaders also had strong interpersonal skills (Portnova & Peiseniece, 2017). These competencies for innovation were primary building blocks for success.

Business Model Innovation

A business model is how a corporation conducts business. A business model requires three critical success factors: customer value proposition; resource processes and finances. The factors each contribute to strategic success.The customer value proposition created value for a specific customer. The importance of job model theory is its explanation of how to create value. The value offering did a job that the customer wanted to have fulfilled. Strategists must first define the job or feature, and then the offer was created. The second critical success factor was resources. Resources were all elements required for the delivery of the defined job. Resources included tangible and intangible assets. Every resource must align to deliver the customer's job or value successfully. The final critical success factor was concerning finances. Cost structure, revenues model, and margins were well defined. The forecast for revenue generation, risk management, and margin forecasts aligned with the forecasted numbers (Johnson, Martin, & Saini, 2011).

Innovation is the ability to initiate and to implement business creation (Phelps, 2010). In a fast-moving era of change, innovation could be the lifeblood of an organization. Innovation is the result of a company's response to a trend or societal development. All managers have the

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responsibility to be aware of and to take the initiative to integrate trends into the strategy. Tools analyze trends. M. Porter (2008) introduced the seminal work of the five competitive forces which was used by management to assess and predict the competition. This process fell short as managers failed to predict customers' emotions, actions, and goals (Ofek & Wathieu, 2007). Hall and Lundberg (2010) identified that a company could leverage and grow its current competitive knowledge as a means to assess trends for innovation.

The trend analysis techniques applied various ways to help identify possible sources of disruptive innovation. The techniques used in a consumer environment helped to identify their consumer's present and future needs and wants. The competitor's knowledge would indicate some of their competitor's weaknesses (Ofek & Wathieu, 2007). The process to identify the weaknesses of a competitor aided in the development of products and services to fill the gaps of consumers.

Chesbrough and Appleyard (2007) built on Porter's seminal work in strategy. The inclusion of a knowledge-based economy demanded a newer, more open model that allowed for innovation within the business model itself. The focus became more ecosystem driven. An understanding of the underlying needs for open rather than proprietary systems sparked the introduction of shared knowledge and open technologies. This advancement increased the ability for companies to develop process driven applications, which were the required precursor to understanding how a firm could innovate its business model. The critical success factor for business model innovation was knowledge and data. The discovery marked the initial identification of the impact of how, with the innovation of knowledge management, the innovation of the business model begins. The ecosystem included both tangible and intangible resources used creatively to deliver customer value.

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Three important organizational design tools facilitate innovation. Tools for creating an innovative organizational design include alliances, external networks, and joint ventures. Companies must also develop innovation competencies and culture to spark creativity, to nurture innovation, and to implement these ideas. The process, discipline was required to sustain both the firm and the innovative culture. Management innovation was the ability to create and implement customer value. Hamel (2009) introduced the concept of moon shots, which was the alignment of management's actions to a higher purpose. The higher purpose aligned with the foundational requirement of strategic stakeholder engagement. Three organizational models promoted collaboration; external networks; alliances and joint ventures.

An external network is the development of formal and informal relationships. The objective of these relationships was to share ideas, opportunities, and to collaborate. The efficacy of external networks in the creation of innovation was dependent on the extent or breadth of the network and the efficiency with which a firm worked with networked partners (Shenggang, Longwei, Wei, & Feng, 2013). Strategic alliances were a way to access and develop knowledge in a noncore or emerging area (Phelps, 2010). Network diversity was the extent of differences in skills and abilities within the network. The challenge was that simply announcing a strategic alliance did not guarantee the delivery of knowledge transfer and increased opportunity. Trust and reciprocity were critical success factors of any alliance. Both alliance partners must see profitability. The realization of business needs was a priority. The third organizational design was a joint venture. The joint venture was a separate and distinct corporate entity. The two organizations funded the required resources.

Leadership set the tone for an organization. Isaksen and Ekvall (2010) discussed how leaders could establish the right balance of tension that can create a profitable innovation.

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Capozzi, Dye, and Howe (2011) challenged the leaders to make their teams uncomfortable to experience new ideas and perspectives. McGrath (2011) introduced the concept of filling the product design funnel. The funnel process ensures only the best products or features get to market. McCreary (2010) discussed empowering front-line employees who were closest to the customer to deliver value and to feed knowledge back to the organization. Each innovation researcher discussed different points along the innovation process to ensure cumulative success. Leaders need to set the strategic vision of how the company should operate and align people and resources to deliver their vision (McCreary, 2010). The design funnel required numerous ideas. Many ideas were sufficiently funded to ensure that failures or pre-market designs can be kept and promoted to ensure ongoing customer value (McGrath, 2011). Employees should be encouraged to play. Firms that played together in the workplace were better able to use all aspects of their brain to ensure that the most creative designs were introduced (Issaksen & Ekvall, 2010). Leaders needed to cut losses quickly. When the customer did not value the innovation, the project should be cut to minimize financial loss (McGrath, 2011). Teams who had a respectful conflict culture delivered more creativity. The conflict/competition must be respectful to maintain a trusting culture (Issaksen & Ekvall, 2010).

A strategic alliance is an agreement between two or more companies to pursue opportunities together, but both companies remain independent. The challenge with strategic alliances is it is difficult to create a common culture and identity. Phelps (2010) discussed how strategic alliances could strengthen innovation by opening employees to new experiences and opportunities. The employees retained loyalty and identity with their firm but had the opportunity to work alongside new processes, cultures, and skills development. The challenge with strategic alliances is the autonomy of the two groups. Alliances need to create a vision,

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mission, objectives, and processes to ensure a single customer value proposition. Strong alliances allow sharing of best practices and intellectual property to promote innovation and flexibility.

A joint venture is the creation of a separate company (Phelps, 2010). Both firms invested resources (financial, people, and intangible assets) — a separate new business form. International joint ventures were created in less developed economies to access new markets. Traditionally established businesses brought intellectual property, processes, and innovation transferred to invest in knowledge transfer to the emerging economy. The emerging business brought cultural and logistical knowledge to the established form to open a new market at lesser financial risk.

Each of these innovative organizational designs and systems was transformations. The transformation required five stops: aspiration; assessment; architecture; action, and advancement (Keller & Price, 2011). Each organizational design required a vision. It formed in the aspiration step. The assessment established the baseline of operation. The future outlined the architecture phase and once financed or approved, the next step was the implementation of the action step of culture, process, and strategy creation. The difference was each organizational design lay in its connection to the firm. An external network was an unofficial relationship, whereas a joint venture was an official new company. A strategic alliance was a combination where two companies leveraged their external network to create a go to the market to share technology, skills, intellectual property, and processes.

Some companies were innovative, and others were not. Researchers have been able to isolate the corporate competencies of innovation. These competencies were critical in the development of a culture that can both create and implement innovation.

Innovation competencies the strengths required for a firm to be successful in innovation. Wilson and Doz (2011) have defined project management as a key competency for innovation.

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Project management was a disciplined process for managing projects that require the discipline of focus, quality, scope management, and budget management. The process included lessons learned and the discipline of recording information for the knowledge management system. A knowledge management system allowed future projects to leverage synergies. Barreto (2010) supported the competency as the focus on the process to support creativity and innovation was a top priority. Management needed to create and support agility. Modeling was beneficial to predict the value created by innovation.

People skills were highlighted by researchers as well. Wilson and Doz (2011) further discussed the need for an innovative firm to attract and retain collaborative and creative people. People must be open, trustworthy, and collaborative to innovate consistently. Sebestová and Rylková (2011) developed the critical success factor explaining the need to attract people with both strong interpersonal collaboration skills. Communication was critical to the creation of value. Portnova and Peisseniece, (2017) focused on the competency of innovation leadership. Innovative leaders had the natural ability to develop and communicate strategy. Innovative leaders developed and implemented creativity. The focus of an innovative leader was on results and the link of those results to business performance. Innovative leaders had superior interpersonal skills. They were strong team builders, strong motivators, and results focused.

Business models were the guide maps of why, what, where, and how a company operated. Business models included all the elements of business operation: resources; finances; products, distribution channels, and the brand of a company (Byerly, 2015). Successful business models delivered results in both profits from value creation for customers. The purpose of a business model was to map how a company operated. The guidebook included all the elements of the strategy and operations. It incorporated financial goals, implementation plans, product

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development plans and processes as well as current revenues. The business model's objective was to identify the ideal and prospective customer of products to understand the potential value proposition. Customers were always the final decision maker concerning the success of the business model (Dmitriev et al., 2014).

The objective of every business model was to create value. Core business model research was not consistent with its recommendations on how to create value. Osterwalder, Pigneur, and Guppta (2016) suggested that the creation of value occurred when the business model focused on customers, their unique needs, and their value proposition. The business model must align its resources, processes, and products by meeting the customer's critical need.

Byerly (2015) introduced the evolution of the business model innovation that included social and economic factors that drove social innovation within the business model. The new social business model innovation focused on resources, mission, and values as the differentiation of the business. Social business model innovation was the commitment of the business to live its values of environmental stewardship, social justice, and transparency within its business model as a force for societal good. The innovative business model was grounded in the tenets of CSR.

The studies explored the potential relationship between CSR, business model innovation, and financial performance. Previous research focused on market sustainability or the brand potential of adopting CSR. Although innovation was considered positive, it can also be capital intensive as it included research and development investment. One success factor in the implementation of business model innovation was in alignment with corporate values. CSR can be a successful blue ocean business model innovation when management commits and aligned the culture to the values of CSR (Pedersen et al., 2018).

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Stakeholder Engagement

Stakeholder engagement was the active inclusion of stakeholders who had an interest in the ongoing business of the firm, and the operations and strategy of the organization. Stakeholder engagement differed from shareholder engagement. Stakeholders did not necessarily have a financial interest in the company. Shareholders had a financial investment in the firm. Companies that followed stakeholder theory gave a voice to stakeholders and shareholders (Phillips et al., 2003). Herremans, Nazari, and Mahmoudian, (2016) found that stakeholder engagement laid the groundwork for CSR when companies included those with a broader view that shareholders, there was a reason to adopt CSR innovation.

Stakeholder theory was a theory that described the strategic management of an organization. It included the perspectives of various players who had a connection to the business. Stakeholder theory included the moral and ethical requirements of a corporation (Phillips et al., 2003). The important aspect of stakeholder theory was the expected attention paid to nonshareholders to ensure a balanced view of a strategic choice. Nonshareholders could have an impact either reputational or with consumer preference, and their impact could improve business viability. Traditionally, the voice of the shareholder was the priority, but because shareholders tended to have a short-term focus, the preference competed with the longer term sustained financial profitability. The critical success factor concerning stakeholder theory was stakeholder engagement.

Stakeholder engagement referred to the quality and transparency of the reporting by stakeholders within the engagement (Herremans et al. 2016). The traditional assumption that stakeholders provided trustworthy data had not always proven to be valid and gave credence to the argument that there was little to no financial value to the integration of stakeholders into

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strategic and operational processes by a firm. The problem was the timing and reason for stakeholders' engagement. Usually, leaders responded to either crises or reputational risks by including various stakeholders in their processes for the sole purpose of appearances. The engagement was a public relations effort rather than a true focus on stakeholder engagement. The focus of a successful stakeholder engagement included a community of stakeholders who potentially had competing interests, but they did share ethical values and wanted the corporation to be both financially and ethically (Phillips, Freeman, & Wicks, 2003).

Herremans et al. (2016) identified success factors concerning stakeholder engagement. Financial pressure by both shareholders and Boards created a willingness to report on CSR. The reports were varying in impact because there was little to no industry compliance standards. NGOs reviewed and audited reports to ensure credibility. CSR firms had discussed how they could attract and retain a higher quality of skilled people. Operationally, firms demonstrated lean management improvements. The consensus among researchers validated that engaging shareholders had offered an opportunity to see an ROI from a CSR investment.

Schreck (2011) enhanced the research into the business case for CSR. A solution was to regard CSR as for profit rather than for expense, then the existing disagreements within the research community would dissipate. Executives were more willing to adopt CSR strategic initiatives if the adoption of that strategy linked to value creation and increased profits. The empirical research proposed statistical analysis of the relationship between CSR and financial performance. The links illustrated bidirectional causality between the variables of CSR and financial performance. A critical success factor was a requirement to find the dataset that represented CSR data. The dataset requirement enabled researchers to identify areas of future research.

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Sustainalytics researched the index for Canadian companies. The index aligned with other research that focused on the KLD index. The Sustainalytics benchmark was used (Thorne et al., 2017). Schreck, (2011) introduced the concept of CSR measures and the link to CFP The links identified which CSR factors could potentially have the greatest impact on financial performance. A similar study using different CSR industry standard datasets would be of benefit.

An area for future research was the exploration of the adoption of a CSR strategy and shareholder valuation. The area of focus for traditional CSR research was the impact on traditional accounting measures when a CSR strategy was adopted. Shareholder valuation goes beyond financial numbers. Ideology, values, and education played a role in how shareholders value CSR. Future research should expand the business ethics to understand how a shareholder groups' ideological bias impacted valuation. Another potential area of research was the impact of CSR or stakeholder theory education on financial analysis and valuation (Bento, Mertins, & White, 2017). These opportunities for future research aligned with the emerging research area of behavioral finance.

Arouri and Pijourlet (2017) identified future research opportunities in the area of CSR and cash holdings. First, they suggested that a longitudinal study during a period of both market volatility and stability might bring a more comprehensive view. The second area for exploration was the impact of local legal institutions on both cash holdings and CSR strategic adoption. Institutional investor's perception of CSR and cash holdings would be of value to understanding a complete perspective.

Mishra (2017) demonstrated that innovative CSR firms do measure higher on financial performance. A clearer understanding of how the strategy of CSR linked the innovation culture was an area for future research. Patents measured innovation. Patents were unique to specific

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sectors; therefore, it would be of benefit to determine if the innovation and CSR link were consistent in sectors that did not define innovation with patents. The longitudinal study ended in 2006.

A CSR strategy was a commitment to environmental stewardship, social justice, ethical governance, and financial transparency (Sheehy, 2015). Society was evolving. Climate change was a macro-environmental risk that affected the survival of businesses and people (Laszlo et al., 2010). Climate change had become a driving force that impacted how customers valued products. The responsible business was adopting methodologies and tools that created value (Szczanowicz & Saniuk, 2016).

CSR theory was the second element of the theoretical framework. Firms invested in strategies for value creation. Canadian companies were at a crossroads. They needed to find new trading partners. The EU was an opportunity, but the market required a commitment to CSR. Canadian companies tended to have higher CSR scores, and they committed to CSR strategic alliances (Thorne et al., 2017). CSR commitment resulted in new opportunities in green product development, process, and technology innovation. A higher standard of CSR strategy integrated the strategic principles of the business (Yuan et al., 2011). The adoption of a CSR strategy that was consistent in its approach had increased investor confidence in the firm's transparency and trustworthiness (Tang et al., 2012). Capital constraints and a demand for transparency among stakeholders had allowed companies that adopt a CSR strategy to have increased access to capital (Mishra, 2017).

CSR integrated into the business model. Customers value societal, ethical, and environmental stewardship. The valuation created an opportunity to integrate these values into the business model. Business model innovation was the re-inventing of the business model to

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create value for customers. When there was the integration of energy management, fair wages, and ethical governance, there was an alignment of the critical customer requirement to the business model innovation (Giesen et al., 2010). Customers valued CSR, and they chose to purchase CSR products. The design and manufacturing of CSR products respected societal and environmental values. Business model innovation was a primary component of the theoretical framework.

Financial Performance

Shareholder value is the net present value of future cash flows (Fabozzi & Drake, 2009). Shareholder value translated to how the owners or shareholders valued the company as an asset. Environmental policy and governance threats of the financial crisis of 2008 had sparked an interest in financial theory research to understand metrics for shareholder value (Fernando, Sharfman, & Uysal, 2017). Solid corporate governance best serves shareholder value, solid capital management, and earnings quality, which delivered a long-term return on investment (Bistrova, Titko, & Lace, 2014).

Shareholders chose to invest in publicly traded firms for a return on the investment (ROI). The research was grounded in the belief that financial return was the primary expectation of a shareholder. The shareholder invested and measured the success of that investment solely on the profit gained or lost from the investment. CSR was a strategy that many companies were adopting to increase shareholder value. Research showed that CSR was an expense that did not necessarily lead to profit (Schreck, 2011). Stakeholder theory also questioned the financial value of CSR and stakeholder engagement. The perception was that CSR was a marketing tool. CSR’s financial contribution was unproven across all sectors. European companies had not shared this

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experience. Some European companies that had built strong relationships with their stakeholders had also seen a stronger financial performance (Phillips et al., 2003).

Carbon Finance

Carbon finance is the integration of climate change as a financial value. The merging field of carbon accounting included climate change related expenses and revenues. Marketing functions chose to leverage a low carbon strategy to facilitate a premium pricing model. The corporate operations transformed from an expense center to a profit center when it adopted low carbon technologies. These low carbon technologies increased carbon financial assets (Ratnatunga & Balachandran, 2009).

Carbon pricing uncertainty was a barrier to market entry for new companies (Kettunen, Bunn, & Blythe, 2011). Companies were less likely to invest in carbon finance when there was uncertainty concerning markets. In other words, where markets had adopted carbon finance, there was more likely to be innovation and new entrants.

An alternative view concerning carbon pricing was uncertainty. Companies argued that there was a requirement for policy, but other companies saw the emerging trend and took the opportunity for business model innovation. These companies leveraged policy uncertainty to become dominant players in the emerging trend. Early adopter companies of carbon finance created a strategic financial advantage. The advantage will grow when the policy followed the carbon finance trend (Kolk & Mulder, 2011).

Carbon finance contributed to revenues. The industry grew beyond theory. Carbon assets quickly became financial assets on a company’s balance sheets. The inclusion was the result of the availability of carbon finance trading vehicles. Carbon financial assets included derivatives, direct investment, index trading, as well as options and futures. Carbon finance evolved to

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include all financial activities that result in the reduction of carbon dioxide. Companies and banks generated revenues from carbon finance (Dawei & Peng, 2018).

Financial Ratios

Ratios are a simple and favored method of financial analysts. Ratios compare performance over time and across competitors. The challenge with ratios was that they had more than one way to be expressed (Mankin, Jewell, & Rivas, 2017). For example, ROA computes as

1. Net Income / Assets
2. Net Income / Average Assets
3. Earnings Before Taxes / Average Total Assets
4. Earnings Before Interest and Taxes / Average Assets
5. Earnings Before Interest and Taxes / Assets
6. Earnings Before Taxes / Assets
7. Operating Profit / Assets
8. Net Income + Interest Expense / Average Assets
9. EACS (Net Income – Preferred Dividends / Assets
10. Continuing Operations / Average Assets

The variation in the computation of ROA links the business and its operations. For example, companies that were asset-intensive required confirmation that the assets were contributing to profitability. The other challenge was that the variability of the ratio also depended on the preference of the author (Mankin et al., 2017). Standardization could only occur if there were a consensus within the industry and among leading experts.

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Ratios provided an analysis of tangible and intangible resources. Ratios gave a more, yet not complete view of a firm's performance. Financial theory has stood steadfast that financial performance measured the industry standards of GAAP. GAAP was an international standard. It measured the past financial performance of a company. The proposed standard of shareholder value measured the trailing 12-ROA Tobin's Q was also a preferred measurement of shareholder value (Tang et al., 2012). Tobin's Q was a ratio of the stock market capitalization divided by the price of the stock. Tobin's Q was a forward-looking measure that allowed firms to predict shareholder value (Tower, 2012).

Revenues

Mishra (2017) demonstrated that innovative CSR firms do measure higher on financial performance. The traditional focus of research linked CSR to shareholder value. Blundel, Monaghan, and Thomas (2013) discussed the need to adopt a CSR business model innovation to open new markets. The compliance requirement of the EU demanded that companies which plan to trade in the region invest in the CSR business model innovation to increase sales.

Schreck (2011) consolidated many works to research the potential of a link between CSR and CFP (corporate financial performance). The method employed consisted of a regression analysis of CSR ranked companies as consolidated in the industry standard KLD datasets. The comparison of CSR values with CFP to determine if there were any relationships highlighted that there was not a definitive link. These values connected to various CSR values.

Gregory and Whittaker (2013) studied the various research methods of shareholder valuation concerning CSR. The traditional view of profitability was to determine the impact on assets. If profitability grew greater than the cost of capital invested in delivering the CSR strategy, the CSR strategy investment increased shareholder valuation. The second method was

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to determine Tobin's Q. The ratio measured momentum returns on investment. Regression testing completed on secondary data was available through KLD datasets. KLD was recognized and accepted within the industry as the dataset which represented companies that measure and improve environmental, societal, and good governance. These three elements were the tenets of CSR. Regression testing of the values of the KLD index showed that shareholder value investment in CSR. Tobin's Q found a positive relationship indicating how shareholders valued a CSR investment.

Shareholders rewarded CSR adoption with a higher valuation. Exploratory work on how increased valuation translated to bonuses and rewards for management was needed (Bento et al. (2017). Evaluators reviewed a case study to assess if bonuses and rewards distributed when CSR and financial metrics affected CSR performance. The exploratory study supported a reward for managers who achieved both measures. The study also showed that there was a bias toward financial performance because when a team met CSR metrics but not financial, there was no reward, however, if the team met financial but not CSR metrics, there was still a reward or bonus.

Arouri and Pijourlet (2017) explored the impact of a CSR strategy on cash holdings within the firm. The impact of cash holdings on CSR was a different view of the financial impacts of CSR. They chose the IVA (Intangible Value Assessment) provided MCSI ESG secondary data within a longitudinal study between 2005 and 2009. Numerical values for the IVA were assigned and compared across trading geographies. The results were inconclusive but did infer that shareholders value cash holdings in CSR firms. Trading platforms with high ethical standards valued CSR. Countries with the protection of shareholder rights also had higher

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valuations for cash holdings. The perception of the value of CSR firms and their cash holdings were also affected by the geography and the ethics of the local government.

Mishra (2017) did an extensive review of all CSR ranked companies within the KLD dataset and linked it to variables like patents from the NBER dataset, to understand if there was a link between CSR, innovation, and valuation. The longitudinal regression analysis reviewed performance between 1991 and 2006. The exploratory study presented both univariable and multivariable analyses.

Dupire and M'Zali (2018) did a longitudinal explanatory causal study to understand the impact of CSR strategic adoption and competitive pressure. The longitudinal study was inconclusive. In the limitations of the study, the investment into CSR was focused more on core stakeholders. The study did not address the potential to increase sales.

The research method has been consistent in the study of the links between CSR and shareholder valuation. Traditionally longitudinal studies of secondary industry standard CSR datasets like the KLD dataset had been used. Regression testing with traditional financial ratios was evident in the early work (Schreck, 2011). Momentum ratios like Tobin's Q were used to determine future profitability, and shareholder valuation (Gregory & Whittaker, 2013). Bento et al. (2017) studied the potential impact of CSR and financial metrics on rewards through a mixed study. Arouri and Pijourlet (2017) explored the CSR strategy and cash holding link through a longitudinal study. Mishra (2017) followed a similar regression analysis longitudinal study. The methodology for future research was recommended to follow a similar structure.

Theoretical Foundation

The framework for this study was CSR. Climate change demands that we create a strategy that respects societal, financial, and environmental value (Laszlo et al., 2010). Buisson

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and Silberzahn (2010) stated that innovation goes beyond technology. The potential relationship between innovative CSR and financial performance, as measured by nondomestic sales, is studied.

The seminal work by Porter (2008) on strategy and its link to value creation was further developed to explain how strategic implementation was critical to value creation (Collis & Rukstad, 2008). A CSR strategy was not new. CSR was the addition of a societal, financial, and environmental focus throughout strategic implementation. Sheehy (2015) reviewed the existing literature on CSR strategic implementation to further define and potentially find consistency. The trend of climate change was included in Porter's five forces model as customers, and governmental compliance demanded a commitment to environmental stewardship, social justice, ethical governance, and financial transparency.

Society is evolving. The macro-environmental risk of climate change affected the survival of businesses and people (Laszlo et al., 2010). CSR was a driving force that affected how customers value products. CSR was a strategic choice for businesses as they adopt methodologies and tools to create value (Szczanowicz & Saniuk, 2016). The strategy was an action plan designed to meet corporate goals. The theory and research of strategy evolved based on empirical data (Elms, Brammer, Harris, & Phillips, 2010). The purpose of every business is to create value. Ethics are values; therefore, strategy and ethics must work together. Corporations defined their corporate values. Organizational tools were available to reflect, practice, and teach the values to employees. Tools exist that are designed to deliver consequences to employees and partners who choose not to align with corporate ethics. The strategy is an action, which is implemented by operational management (Elms et al., 2010). Behavioral science continues to increase the available research in the area of management's free will. The reality was that as long

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as corporations were a combination of performance-based measurements and rewards, deontological reflection, practice and teaching of corporate ethics was left to the discretion of the operations management team.

CSR and innovation intersected with business model innovation. Sustainability and social justice integration within the business processes to create value could be innovative. Both business model innovation and CSR required a clear view of corporate values and ethics. Corporate values and ethics also affected corporate financial performance. Business leaders who valued adaptability rather than rigidity tended to outperform (Pedersen et al., 2018).

The important elements of innovation are to design disruption, create a culture, and to implement strategy and processes that facilitated value creation by leveraging gaps in the consumer market. Hall and Lundberg (2010), as well as Ofek and Wathieu (2007), identified an organization's current knowledge of its competitor as methods for assessing trends. The knowledge and insights gained from an organization's competitors helped to develop innovations, disruptions, and assessed their trajectory.

A culture that supported innovation is a critical success factor for an innovative firm. Researchers had worked to identify how to create a successful innovative culture. Isaksen and Ekvall (2010) stated that the first step to innovation was creativity. The professional environment must be conducive to creativity. Respectful and professional conflict can promote innovation. The task conflict must include a variety of views and perspectives which empowered participants to see a holistic perspective. Task conflict drove the debate. Leaders must encourage open, respectful debate to give voice to diverse experiences and perspectives. Innovation flourished when a culture included a challenge or the opportunity to develop and grow as individuals, teams, and organizations. The process for innovation must support financial fiduciary

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responsibility. For example, an innovative project that did not have a potential market for which it created value ended but the learning and invention retained for future potential investments (McGrath, 2011). From a people perspective, people should feel secure. CSR illustrated that trustworthiness was valued and CSR ennobled employees.

Innovation and CSR intersect with financial performance. The adoption of CSR was a risk mitigation strategy (Cheng, Ioannou, & Serafeim, 2014). Companies that committed to a higher standard of ethics had a lower chance of litigation. CSR companies committed to fair wages, responsible waste management, and transparency in reporting (Elms, Brammer, Harris & Phillips, 2010). Businesses adopted CSR strategy and had to differentiate with innovation. Innovations were in operations; energy management, water management, carbon neutrality, and waste management. These investments, when grounded with a solid business case, decreased the cost of goods sold (COGS) and improved profitability. The improvement in expense reduction delivered on the business case expectation that CSR generated improved financial performance.

An investment in CSR can lead to both innovation and improved financial performance (Bocquet et al., 2017). The critical success factors of innovation and improved financial performance were the combination of strategic management theory and profitability to fund growth. Innovation influenced these relationships when CSR was a strategic choice. The CSR engagement strategy influenced the potential benefits that the business received concerning innovation and financial performance (Tang et al., 2012). CSR improved financial performance when adopted with best in class strategic transformation practices.

Stakeholders were demanding that environmental sustainability became a value of the integrated social contract. Consumers were joining the demand for environmental sustainability as value created by the business. For environmental and social justice ethics to become

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integrated into the strategy, it aligned with empirical data. This research was beginning to demonstrate the connection. The links between financial performance and the adoption of a CSR strategy was considered to result in positive financial performance for larger firms (Tang et al., 2012)). Stakeholders had viewed investment in CSR as a measure of trustworthiness, and both consumers and investors had placed a premium price on these firms (Giallonardo & Mulino, 2016).

Buisson and Silberzahn (2010) identified how a company could create a sub-market to deliver innovation. One submarket was CSR. Raynor (2011) discussed how CSR would meet a need that was not met by larger competitors. Semadeni and Anderson (2010) discussed the ease of following innovations when there was alignment with business processes within the sector. Innovation was about doing something that was known but with a twist to deliver customer value.

Skarzynski and Rufat-Latre (2011) reviewed three critical success factors for disruptive innovation. The first was to pinpoint an unmet customer need. The next was to continue to incrementally and revolutionarily deliver innovation, and the third was to keep an expectant mindset for disruptive innovation. Buissson and Silberzahn (2010) introduced the concept of the fast second. The fast second referred to the technology as moving so quickly that a blue ocean strategy might not have the same lifespan as in previous markets. A fast second usurped market dominance quickly with an increased focus on customer needs.

The second element of the theoretical framework was CSR. To continue to grow through exports, Canada focused on opportunities in Europe. The EU was an opportunity because Canada and the EU shared cultural heritage, and both were committed to CSR. The EU extended the CSR requirement into policy within the Canada-EU free trade agreement. The adoption of a CSR

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strategy resulted in new and innovative opportunities in green product development, green processes, and technology innovation. A higher standard of CSR compliance and strategic implementation by a business integrated the CSR strategic principles across the company (Yuan et al., 2011). Investor confidence was increased when a CSR strategy was consistently implemented and adopted (Tang et al., 2012). Mishra (2017) affirmed that access to capital could be improved, which would minimize capital constraints for firms with a CSR strategy.

Porter (2008) first introduced a definition of strategy that explained how strategy once effectively introduced and adapted could lead to superior performance, and it can set a company apart and ahead of its rivals. The ability to create, articulate, and implement the strategy is important to successful value creation (Collis & Rukstad, 2008). A CSR strategy was defined as a strategic commitment to integrating CSR throughout a business.CSR is a commitment to environmental stewardship, social justice, ethical governance, and financial transparency (Sheehy, 2015). Early CSR research linked a commitment to CSR as an expense, and in some cases, even a waste of a company's resources (Schreck, 2011). CSR was a requirement for compliance, but there was also a profitable business case for CSR integration (Tang et al., 2012).

CSR aligned with stakeholder theory, which means that shareholders value the non-financial reporting. Society was evolving. Climate change was a societal risk that affected the survival of businesses and people (Laszlo et al., 2010). Climate change has become a driving force that impacts how customers value products. The responsible business was adopting methodologies and tools that created value (Szczanowicz & Saniuk, 2016). Value included the societal value of social justice, environmental stewardship, and ethical governance.

A firm's resources include all assets, capabilities, and intellectual property that enable the creation of strategy. Resources included organizational processes, information, knowledge,

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culture, and critical skills or attributes (Barney, 1991). The resource-based view (RBV) explained that a company's resources could be leveraged to generate a competitive advantage for a firm (Galunic & Rodan, 1998). Resource recombination was a strategy that exploited existing resources and combined to create robust and novel combinations that enhanced the value chain (Galunic & Rodan, 1998). This strategy focused on resources and was successful in a traditional business model, but it was unable to adapt to social technologies.

The RBV model also lent itself to technology companies whose resources were knowledge-based. Technology companies span every sector. The model of resource recombination and reuse as a measure of sustainable competitive advantage was an opportunity for strategists (Tung-Shan Liao & Duy, 2017). Product innovation was primary to competitive advantage. A unique and not easily imitated product gave a firm a competitive advantage (Barney, 1991). The high speed of technological change and improvement with globalization drove firms to innovate their business model. The ability to innovate their business model allowed firms to sustain profitability and competitive advantage (Bashir & Verma, 2017). Some of the dominant new entrant players in traditional businesses had jettisoned to market dominance with an innovative business model. The research illustrated that companies which focused on business model innovation and leveraged social technology advancements were dominating (Zott & Amit, 2017).

Morrow (2016) explained that companies were more ready to accept a riskier and bold strategy when they were in a position of weakness. Hunt (2009) argued that clarity of strategy development was critical in times of challenge whereas not as relevant during periods of strong performance. Acquisition, alliance, or recombination strategies were options for weak performing players to achieve market dominance. The focus of strategy development was to

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understand a business' baseline and then leverage its resources in creative combinations to achieve its goals.

Iansiti and Levien (2004) introduced the concept of business as an ecosystem. This concept explains the roles of stakeholders and the alignment of various needs throughout the value chain to ensure the successful implementation of business strategy. Competitive advantage theory evolved from resource-based analysis to business model innovation. An evaluation of a strategy's success was the review of profitability and value creation for consumers and shareholders.

The adoption of a CSR strategy was either viewed as an expense, which decreased the value or a mitigated risk compliance strategy (Schreck, 2011). The focus was not that CSR could be a strategy integrated throughout the business to create value. CSR strategy and profitability were linked, but the gap in the research was the sample size. A larger sample size across sectors with a publicly audited CSR dataset linked to the performance data would be an opportunity for further research.

The re-invention of the business model to create value was a critical success factor of any strategy. Concerning CSR, it included a societal, environmental, and financial value for customers and stakeholders to create opportunity. A market valuation can be increased when there was the integration of energy management, fair wages, and ethical governance (Giesen et al., 2010).

Mishra (2017) demonstrated that innovative CSR firms do measure higher on financial performance. A clearer understanding of whether the strategy of CSR linked the innovation culture was an area for future research. Patents measured innovation. Patents were unique to specific sectors; therefore it would be of benefit to determine if the innovation and CSR link

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were consistent in sectors that do not define innovation with patents. The longitudinal study ended in 2006. CSR innovation had increased dramatically post 2006; it was of benefit to expand the research. Customers and investors valued companies who invested in CSR business model innovation.

Financial performance was the third element of the theoretical framework. Giallonardo and Mulino (2016) discovered that stakeholders valued the reputational risk mitigation strategy of trust and transparency. Trust and transparency were elements of a CSR strategic adoption. Shareholders valued transparency and trust because it did not lead to earnings surprises and litigation (Lewis & Juravle, 2010). CSR strategic adoption and performance links increased access to capital generation (Tang et al., 2012). GAAP measures financial performance. The GAAP international standard measures tracked profitability to fund growth. The metrics were: common equity; net income; profit margin; return on assets (ROA); return on equity (ROE) and total assets.

The financial performance measured a trailing 12-month return on assets (ROA) and a current Tobin's Q (Tang et al., 2012). The use of Tobin's Q was consistent with shareholder valuation of margin growth trends. Mishra (2017) demonstrated a positive link between CSR and financial performance.

Carbon finance was an emerging field in accounting. Carbon accounting considered the revenues and expenses related to climate change. Marketing adopted a low carbon strategy for a premium pricing model when consumer research affirmed that premium pricing was appropriate. Operations became a profit center when it adopted low carbon technologies, which increased carbon financial assets. Strategic management accounting opened doors for new revenue opportunities (Ratnatunga & Balachandran, 2009).

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CSR strategic adoption as a business model innovation established the foundation for improved financial performance (see Figure 3). This framework was established in the seminal strategy of Bowen's initial work in 1953 through to the CSR work of Sheehy (2015}. The financial performance evaluations of CSR strategic adopters linked ethics to profit (Bocquet et al., 2017). The intersections of these variables were the framework of this work. Schreck (2011) enhanced the research into the business case for CSR. A solution would be to regard CSR as for profit. Executives would be more willing to adopt CSR strategic initiatives if the adoption of that strategy could be linked to value creation and increased profits. The empirical research proposed statistical analysis of the relationship between CSR and financial performance. The links illustrated bidirectional causality between the variables of CSR and financial performance. A fundamental requirement was to find the dataset that that represents CSR data. The requirement will enable researchers to understand further the links for future research.

Sustainalytics managed the index for Canadian ESG ranked companies. Other research focused on the KLM index. This study focused on CSR strategic companies in Canada. The Sustainalytics ESG rankings were used (Thorne et al., 2017). Schreck, (2011) introduced the concept of CSR measures and the link to CFP. It recommended more research into the links between CSR and CFP. The links identified which CSR factors potentially had the greatest impact on financial performance. A similar study using different CSR industry standard datasets would be of benefit.

The theoretical framework demonstrated the interdependent relationship between innovation, CSR, and financial performance. The study was grounded in business model innovation theory. The study contributed to the body of knowledge by quantifying the

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bidirectional causal relationship between a Canadian company's investment in CSR as measured by Sustainalytics and the resulting impact on its financial performance (if any).

Variables

CSR

Chesbrough (2017) outlined that a business model was an ecosystem. An ecosystem was a community of living and nonliving organisms that work together to sustain each other. The approach expanded on the idea that businesses must include society has a part of its ecosystem since it operated within the societal community. The resource-based model that was grounded in competitive advantage theory (Barney, 1991) evolved to include a lifecycle focus that respected, protected and created value within the business model by respecting society and its commitment to CSR. Herremans et al. (2016) revealed that stakeholder engagement theory had supported the inclusion of CSR adoption as a means of operational innovation. Stakeholders value firms that had adopted CSR.

Sustainalytics is an industry-leading research firm (Romero, Jeffers, Lin, Aquilino, & DeGaetano, 2018). Early releases of Sustainalytics rankings focused on interpreting CSR disclosure documents. After 2010, investors began to demand more detailed ranking that included sector risks. The focus of Sustainalytics' current ESG rankings includes risk and materiality. The inclusion of risk and materiality expanded on the traditional environment, social, and good governance requirements (Sustainalytics, 2018).

Three research firms provide CSR ranking data: Bloomberg; RodecoSAM and Sustainalytics. All three ratings research firms measured the key elements of environmental stewardship, social justice, and good governance. Sustainalytics differed from Bloomberg and

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RodecoSAM in scale. The differences had been shown in regression testing to be minimal. Companies' CSR scores were consistent across the three rankings (Romero et al., 2018).

The relationship between shareholder value and CSR strategic adoption was unproven across all sectors (Arevalo & Aravind, 2017). The United States and Canada had enjoyed free trade and close ties throughout our shared history. Trends in protectionism within the Trump administration had strained the relationship and created a macro-environmental risk for Canadian firms. The EU has mandated the inclusion of nonfinancial reporting for all its trading partners. Compliance with EU legislation was a requirement of every Canadian company who chose to take advantage of the new Canada – EU free trade agreement (Dunlap et al., 2017).

Canadian companies of all sizes (from SME to multinational) were looking to understand the financial risks involved with an investment in CSR. These firms needed to ensure that they can maintain their current shareholders and attract new investors for growth. Strategists were looking to understand if Canadian companies had any current links between a CSR commitment and shareholder value. Canadian firms who were considering trading opportunities with the TPP free trade agreement also required an understanding of the likelihood of an impact on their share price should they choose to adopt a CSR strategy (Wang et al., 2014).

Porter (2008) first introduced a definition of strategy that explained how strategy once effectively introduced and adapted could lead to superior performance. Strategy can set a company apart and ahead of its rivals. The ability to create, articulate, and implement strategy was important to successful value creation (Collis & Rukstad, 2008). A CSR strategy was a strategic commitment to integrating CSR throughout a business. CSR was a commitment to environmental stewardship, social justice, ethical governance, and financial transparency (Sheehy, 2015). Seminal studies in CSR research linked a commitment to CSR as an expense,

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and in some cases, even a waste of a company's resources (Schreck, 2011). CSR was a requirement for compliance, and it could be profitable.

CSR linked stakeholder theory, which inferred that shareholders valued the nonfinancial reporting. Society was evolving. Climate change was a societal risk that affects the survival of businesses and people (Laszlo et al., 2010). Climate change has become a driving force that impacted how customers valued products. The responsible business was adopting methods and tools that created value (Szczanowicz & Saniuk, 2016). Value included the societal values of social justice, environmental stewardship, and ethical governance.

A firm's resources include all assets, capabilities, and intellectual property that enabled the creation of strategy. Resources included organizational processes, information, knowledge, culture, and critical skills or attributes (Barney, 1991). The resource-based view (RBV) explained that a company's resources were potentially an unleveraged competitive advantage for a firm (Galunic & Rodan, 1998). Resource recombination was a strategy that exploited existing resources and combined to create robust and novel combinations that enhanced the value chain (Galunic, & Rodan, 1998). This strategy focused on resources and could be successful in a traditional business model, but it could not adapt to social technologies.

The model also fitted technology companies whose resources were knowledge-based. The technology was a model of resource recombination and reuse as a measure of sustainable competitive advantage (Tung-Shan Liao & Duy, 2017). Product innovation was important to competitive advantage. A product that could not be imitated by the competition gave a firm a competitive advantage (Barney, 1991). The high speed of technological change and improvement with globalization drove firms to innovate their business model. The ability to innovate their business model allowed firms to sustain profitability and competitive advantage

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(Bashir & Verma, 2017). Some of the dominant new entrant players in traditional businesses had risen to market dominance with an innovative business model. Companies which focused on business model innovation and leveraged social technology advancements were dominating (Zott & Amit, 2017).

Morrow (2016) explained that companies were more ready to accept a riskier and bold strategy when they were in a position of weakness. Weakness encouraged a willingness to explore and adopt an innovation. Phelps (2010) argued that clarity of strategy development was critical in times of challenge whereas not as relevant during periods of strong performance. Acquisition, alliance, or recombination strategies were options for weak performing players to achieve market dominance again. The focus of strategy development was to understand and bridge the gap between its baseline and its goals.

Canada looked for new trading partners to open new opportunities for its business community. The EU and Canada announced a free trade agreement in 2014. Canadian firms who wanted to trade with the EU would need to adopt a sustainability or CSR strategy (Global Affairs Canada, 2017). Leaders must disclose audited reports regarding activities related to addressing environmental concerns, employee and societal concerns, human rights, and ethical governance, including a commitment to combat bribery (Dunlap et al., 2017).The law came into effect at the end of 2016. The opportunity to trade freely within the EU for Canadian companies was dependent on their ability to meet the nonfinancial disclosure audited reports. Canadian companies needed to determine how shareholders valued the adoption of a CSR strategy to determine as part of the business case for expansion into Europe.

Financial Performance

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Profitability has traditionally measured shareholder value. Financial ratios that measured profitability were numerous and varied by industry. Financial ratios were measures of past performance. Financial analysts and shareholders also conduct a complete review of tangible and intangible resources. This review and analysis, in partnership with the financial ratios, gave a more accurate portrayal of how business was performing.

Innovation and CSR intersected with financial performance. The adoption of CSR was positively linked to a risk mitigation strategy (Cheng et al., 2014). Companies that committed to a higher standard of ethics had a lower chance of litigation. CSR companies committed to fair wages, responsible waste management, and transparency in reporting (Elms et al., 2010). Businesses adopt CSR strategy to differentiate with innovation. Innovations were in operations; energy management, water management, carbon neutrality, and waste management. These investments, when grounded with a solid business case, decreased COGS, and improved profitability. The improvement in expense reduction delivered on the business case expectation that CSR generated improved financial performance.

An investment in CSR could result in both innovation and improved financial performance (Bocquet et al., 2017). The critical success factors of innovation and improved financial performance demonstrated the combination of strategic management theory and profitability to fund growth. Innovation influenced these relationships when CSR was a strategic choice. The CSR engagement strategy influenced the potential benefits that the business received concerning innovation and financial performance (Tang et al., 2012). CSR improved financial performance when adopted with best in class strategic transformation practices.

Revenues were sales. According to GAAP, revenues were income or earnings of substantial value. The GAAP definition goes beyond sales. Financial performance in a carbon

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economy could include alternate revenues. The financial assets included futures and derivatives. Carbon finance can lead to a strategic advantage for innovative companies. Simply put, companies can generate revenues from carbon reduction initiatives (Dawei & Peng, 2018).

Canada has long been a trading partner with many countries. Canada's closest neighbor, the United States, had been the preferred partner. Canada had a trade imbalance with the United States, which was driving many Canadian firms to consider other trading opportunities. The United States had implemented tariffs because Canada was no longer an ally but declared a national security threat by the Trump administration. The macroenvironmental threat was real and Canadian companies were reviewing strategy to determine options to mitigate the trade threats (Blundel et al., 2013).

The relationship between shareholder value and CSR strategic was unproven across all sectors (Arevalo & Aravind, 2017). The United States and Canada enjoyed free trade and close ties throughout history. The Trump administration's preference for protectionism put NAFTA's future in jeopardy. EU demanded all trading partners commit to CSR (Dunlap et al., 2017). Canadian companies of all sizes needed to know the links (if any) to a CSR commitment and shareholder value. Canadian firms who were looking to develop new markets in Europe and the TPP trading areas needed to understand the potential impact on their share price should they choose to adopt a CSR strategy (Wang et al., 2014).

Schreck (2011) supported the testing of the theory that CSR could have a profit-maximizing impact. The focus of a study would be on sales and revenue opportunities rather than expense (Dupire & M'Zali, 2018). The focus opened an opportunity to test whether a relationship existed between CSR and financial growth opportunities.

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Ethical Considerations

Schreck (2011) highlighted ethical considerations within the study. The first was that the small sample size could have introduced bias. The validity of the small sample size was also of concern to researchers. The expansion of the sample size in future research must be included to lessen bias and validity.

Researchers work to ensure that their research was ethical and responsible. The use of secondary datasets by Gregory and Whittaker (2013) mitigated any unethical or privacy-related concerns concerning data collection. Researcher bias was a potential issue in both analysis and reporting by the firms to KLD. The authors also identified their own bias that shareholders who can predict an increase in the valuation of a company would be more likely to support and invest in a firm that adopts a CSR strategy. Shareholders of all types preferred a CSR strategic company.

The subjects chosen to participate in exploratory research can introduce bias. Bento et al., (2017) chose business students who had an in-depth understanding of the financial valuation models, which may have biased their results toward financial metrics to the exclusion of CSR metrics. The second bias in this study was that the Balanced Scorecard was designed to promote financial results and to a lesser extent, the CSR results. The recognition of the two biases limited the impact of exploratory research.

Arouri and Pijourlet (2017) conducted their longitudinal research in a time frame that saw market volatility and in so doing, introduced bias. The three volatile years were 2007, 2008, and 2009. The period may not be representative of stable markets as there was not sufficient evidence for periods of nonvolatility.

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Mishra (2017) outlined that a limit of the study was that it could link CSR strategic adoption as the precursor to innovation. The use of datasets focused on patents. These limitations introduced bias into the research.

Ethical considerations of CSR and shareholder value included bias and privacy. The use of secondary research and datasets mitigated the risk of privacy. The recognition of bias mitigated bias risk as a limiting factor within the studies. Bias included the choice of datasets, the timeframe of the longitudinal studies, and the sample size.

Strategic Fit of the Proposed Study

The strategic fit of this proposed study was the exploration of the relationship between the adoption of a CSR strategy and profitability to fund growth. A wealth of research existed that has linked a CSR strategy to improved financial performance (Allouche, Laroche & Noel, 2008); (Margolis & Elfenbein, 2008); (Peters & Mullen, 2009). Significant research also existed which explored whether an investment in CSR was valuable because stakeholders were demanding environmental and societal responsibility. Canada was in search of trading partners and signed a free trade agreement with the EU. The compliance to nonfinancial reporting within the EU was demanding the reporting of nonfinancial information as a prerequisite for Canada to do business within the EU trading region. To open the EU market to Canadian business, Canadian SMEs must adopt CSR.

Innovation was required to shift to CSR strategic adoption. Companies were reaching for moon shots as they chose to develop a higher purpose for their organization (Hamel, 2009). This goal required an organizational design that facilitated innovation (Wilson, & Doz, 2011). Best practices in innovation required the integration of ideas from diverse backgrounds. Diverse perspective requirement aligned with stakeholder engagement theory that demanded companies

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look to include both shareholders in the development of strategy and those who were affected by the organization's operations. Herremans et al. (2016) agreed that engaging stakeholders could deliver this diverse perspective. Shareholders were stakeholders. They were also still a very powerful force in capital markets.

Shareholder value was a critical success factor for successful strategy implementation. Shareholder value built trust and the ability to access capital (Dunlap et al., 2017). Companies who had invested in a CSR strategy were rewarded shareholders with an increase in value creation and profitability. Strategic CSR adoption and successful implementation had shown to result in higher valuations (Mishra, 2017). The proposed study sought to establish causal relationships (if any) if any, between the adoption of a CSR innovation strategy and shareholder value.

Summary

Porter (2008) introduced the seminal work on five forces that affected strategy. The purpose of the strategy was to create value. In the new era of climate change, the strategy must also respect this trend and the requirement for societal, financial, and environmental good (Thorne et al., 2017). This blue ocean strategy was dependent on business model innovation. The strategy required innovation across the ecosystem to ensure the alignment of all aspects of strategy and operations with financial, environmental, societal, and good governance objectives. The business case for CSR was inconsistent across all sectors (Tang et al., 2012). Sufficient evidence existed supporting a business case for the adoption of a CSR strategy. Successful strategic adoption of CSR contributed to the mitigation of reputational risk, specifically concerning trust and transparency. Stakeholder engagement has driven the discussion on CSR (Herremans et al., 2016). CSR was an innovation. It transformed a company's value from solely

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financial performance to include its environmental, societal, and governance performance. Innovative CSR laid the foundation to innovate a business model to deliver CSR (Nidumolu, Prahalad, & Rangaswami, 2009).

CSR was a business model innovation. Chesbrough (2017) introduced the concept that a business model was an ecosystem. An ecosystem was a living entity, requiring active nurturing and balance to ensure viability. CSR a business model innovation needed to be structured as an ecosystem with an understanding of the integration of parts while maintaining the balance to ensure that the design delivered value. The value was defined by the stakeholders who prioritized financial, environmental, societal, and governance objectives. Businesses should be transparent and to work against all forms of corruption (UN Global Compact, 2018). Dunlap et al., (2017) positioned the UN Global Compact's Ten Principles as the guiding principles of the EU's commitment to nonfinancial reporting and the foundation for CSR.

Carbon finance was an emerging trend in response to climate change. Carbon finance was considered to be part of the financial assets (Ratnatunga, & Balachandran, 2009). The ability to trade in carbon offsets and future markets was creating alternative revenue streams (Dawei, & Peng, 2018). The strategic advantage gave some companies the ability to differentiate themselves in the emerging trend, even with carbon policy uncertainty (Kolk & Mulder, 2011). The carbon economy was sparking innovation.

The purpose of the study was to determine if there was a business case for CSR strategic adoption for SMEs in Canada so that they can leverage the Canada-EU free trade agreement. The existing research supported the hypothesis as companies had seen an improvement in both innovation and financial performance (Bocquet et al., 2017). Financial performance has been measured by ROA and Tobin's Q, which were both financial measures used to gauge

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shareholder valuation (Gregory & Whittaker, 2013). The analysis included industry recognized and accepted CSR indices. In the case of Canada, the recommended index was Sustainalytics (Dupire & M'Zali, 2018).

The objective of the second chapter was to review and synthesize primary literature, theories, themes, and strategic fit in alignment with the research questions. The proposed study seeks to understand if any relationships existed between CSR and financial performance. The business problem was that Canadian companies were at a crossroads with international growth potential. Trade with the United States was at risk, and so Canadian companies wanted a more stable trading opportunity. Canadian companies need to evaluate the revenue possibility of the EU. The EU required nonfinancial reporting (Dunlap et al., 2017). The literature review supported the business case for an investment in CSR strategic adoption to open EU trade opportunities.

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CHAPTER 3. METHODOLOGY

Introduction

The purpose of Chapter 3 is to overview the methodology used in this research study. Chapter 3 subsections detail the information under the following headings: research design; population/sample, instruments/measures; data collection; data analysis; validity/reliability; and ethical considerations. Canadian companies that had adopted a sustainable business model innovation will be assessed for financial performance to determine if the business model innovation is also financially sustainable.

The objective of this study is to analyze the relationship (if any) between the adoption of an innovative CSR strategy and corporate financial performance of Canada's companies in all sectors. Financial performance will be measured by nondomestic sales revenue. Canadian small and medium companies are considering free trade options with the EU. The EU has legislated the requirements for all businesses which trade within the EU to adopt nonfinancial ESG measurements (Dunlap et al., 2017).

Design and Methodology

The study is intended to determine the extent of a correlation between the variables of innovation, CSR, and financial performance. The study followed a quantitative, nonexperimental correlational design. A quantitative research method was an optimal choice for variable measurements and hypotheses (Cooper & Schindler, 2014).

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The study was an exploratory quantitative correlational design using data gathered from secondary sources. The sources included companies that trade publicly on the TSX. The companies would also have a Sustainalytics ESG ranking and provide publicly accessible corporate financial reports. The use of respected ESG indices was consistent with previous research (Mishra, 2017; Schreck, 2011; Tang et al., 2012). Cooper and Schindler (2014) confirmed that the nonexperimental research method aligned with a study design that assembled information from secondary sources to assess and analyze relationships. Cooper and Schindler (2014) defined a variable as a measure that can change over time. The study evaluated the following variables: CSR and nondomestic sales revenue CSR was the independent variable. CSR was a measure of a company's nonfinancial reporting specifically in the areas of environment, social justice, and governance (Sheehy, 2015). Nondomestic sales revenue was the dependent variablePrevious research designs focused on longitudinal studies (Schreck, 2011). A longitudinal study was an optimal choice for this study to achieve unbiased results that can indicate a probable outcome. A longitudinal design lessens bias and increases the probability (Mishra, 2017). The study used a correlational design. The research examined the relationships between the variables and individual measures. The relationships were not necessarily causal relationships. The focus of the study was to determine the extent of any relationship between CSR and nondomestic sales revenue.

Research questions were created and grounded in the existing body of knowledge (Cooper, & Schindler, 2014). The research question and the subsequent subquestions were grounded in the existing research. The research question and subquestions were applied to the Canadian market as Canada needs to determine the potential outcomes of CSR strategic adoption to exploit the Canada-EU free trade agreement (Dunlap et al., 2017).

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Population and Sampling

Canadian companies are the population for the study. Canadian publicly traded companies that trade on the TSX are the framed sample selected for this study. The sample represents the Canadian headquartered corporations that have established businesses across many economic sectors.

The TSX composite index represents 70% of the market capitalization of the TSX. It included the top 250 Canadian companies (TMX Indices, 2018). The sample frame includes the companies listed on the TSX composite index. The TSX uses the float-adjusted market capitalization calculation. The ratio, market capitalization, is calculated by share price and the total amount of outstanding shares publicly available. TSX reviews the composite index eligibility every quarter. Each quarterly revision, companies, can be removed or added. Eligibility for addition to the composite index demands that the share price has had a volume-weighted average price of a minimum C$1 over the previous quarter. It must also represent a minimum index weighting of 0.05 (TMX, 2018).

The TSX includes 11 categories or sectors. These sectors are financial, energy, materials, industrial, consumer discretionary, telecommunications, healthcare, consumer staples, utilities, real estate, and technology. Financial, energy, and resources are the sectors that represent the majority of the companies. The sample frame is transparent, which allows the potential to limit the generalization of findings to the established and higher market capitalization sectors (TMX, 2018).

Sustainalytics is an industry leading ESG research firm that researches and ranks the TSX composite listed companies based on their ESG performance and sustainable development goal achievement. The market capitalization as measured by liquidity (float-adjusted ration) which

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compared the 12-month trading volume to the current float shares must be greater than or equal to 0.2. The market capitalization of the companies must be greater than or equal to C$100 million(TMX, 2018). Each company had its headquarters within Canada, its provinces or territories. Paneled datasets of financial and CSR performance, which assessed success focused on publicly traded firms within the TSX trading platforms. The dataset included the three pillars of CSR: corporate governance, environment, and social justice (Cheng et al., 2014).

Cluster is the sampling strategy for the study. The choice for a sample depends on the research design (Cooper & Schindler, 2014). The purpose of this study was to determine if a relationship existed. The preferred sampling design was probability sampling. The element selection will be from a restricted pool of CSR Canadian companies. The sampling frame was CSR recognized companies as represented by the Sustainalytics ratings. The sampling strategy for this study was a cluster.

Cluster sampling is the optimal choice because there is one geographical area, but there are many sectors and industries. The group is homogenous because they share a commitment to CSR as is evident by their Sustainalytics' ranking. There is an assumption that there are a fixed number of observations because the timeline for observations is 2009-2018. A one stage cluster is chosen, and all elements in the cluster are sampled (Cooper & Schindler, 2014). The cluster sampling process creates two groups of ESG ranked companies. The first group consists of companies that had nondomestic sales revenue. The second group consists of companies that had nondomestic sales revenue from the EU. The companies listed in the TSX composite with the SIC industry code that represent the utilities, consumer staples, industrials, materials, and information technology will be Group 1. The sample cluster uses a well-defined sample frame. The cluster sampling process mitigates the risk of sample size (Cooper, & Schindler, 2014).

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Innovation is the third element of the theoretical framework. Consistent measures for business model innovation are not yet available (Pedersen et al., 2018). Future research will include an analysis of the relationship between CSR business model innovation and financial performance.

Secondary databases are the source of the secondary data for this study. Sustainalytics provides ESG data from 2009 to 2017. The financial reports of the TSX listed companies are the source of the nondomestic sales revenue. Capital IQ collects financial data. Capital IQ is a market intelligence tool that consolidates publicly available corporate financial data. Collected data is input to Microsoft Office Excel spreadsheets. Nominal, cardinal, and interval are the data types. They are identified as dependent, independent, and control variables. The different variables align with the hypotheses of this study. The Data Analysis section of this chapter explains the null and alternate hypotheses. For all hypotheses, the dependent variable will be nondomestic sales revenue. The dependent variable is an interval. Financial ratios were not chosen in this analysis.

Nondomestic sales revenue explains the number and value of sales. The independent variable is ESG ranking (CSR), is also an interval. More specifically, the independent variable is a closed interval between 0 and 100. Sectors and market regions variables were nominal. Sectors are assigned a SIC number to reflect the industry in which the company operates (TMX, 2018). The control variables for this study will be SIC code, time of year, and market region. Nondomestic sales revenue and ESG rankings will be taken at fiscal yearend for each company. Market regions are assigned to reflect nondomestic sales from the EU, USA, and Transpacific Trading region.

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Setting

The research seeks to examine the relationship between strategic CSR adoption and financial performance in Canada. The selected companies are from secondary sources (Garcia-Castro, & Francoeur, 2016). The secondary sources are the financial reports located in SEDAR and the ESG rankings published by Sustainalytics. The use of industry respected and validated secondary sources align with previous research (Schreck, 2011; Tang et al., 2012; Garcia-Castro, & Francoeur, 2016). The setting for the research is Canadian headquartered companies across segments and industries. The firms are publicly traded companies, and they must publish GAAP financial reports in SEDAR. They also publish a nonfinancial report on sustainability. Sustainalytics' ESG reports provide CSR rankings.

Data Collection

Data for the study came from secondary sources. SEDAR is a repository of financial reports for Canadian companies. Capital IQ is a database tool that consolidates financial data for analysis. The financial reports and Capital IQ are the sources of nondomestic sales revenue. Companies must have reported nondomestic sales. Four dependent variable columns represent nondomestic revenues: total; United States; EU and Asia. One independent variable column was required. The independent variable column represents the CSR ranking, which is provided by Sustainalytics, a leading ESG ranking research firm.The next step in the data collection is to gather the industry or SIC data. SEDAR will be the source for industry classification. SEDAR lists the SIC division codes for each company. The SIC division code gives the first control variable data for the study. Examples of SIC codes include mining, energy, retail, and agriculture.

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Simple linear regression is a straight forward analysis. IBM SPSS and Microsoft Excel are statistical tools that are both well suited for use in the study. Microsoft Excel was chosen for statistical analysis because it works effectively with the Capital IQ research output files. Microsoft Excel files could be merged to mitigate the risk of transcription error.

Instrumentation

A survey instrument is not part of this study. Previous research recommended the use of publicly available financial data and industry leading CSR rankings by ESG firms like Sustainalytics (Mishra, 2017; Schreck, 2011; Tang et al., 2012). Sustainalytics was the provider of CSR rankings for the independent variable.

ESG ranking originated with the Ten Principles of the UN Global Compact, which was a corporate initiative to promote sustainability and CSR(UN Global Compact, 2018). The Ten Principles have three categories: human rights, labor, environment, and anti-corruption. The human rights principles are the first two of the ten. These principles explain businesses should operate. Businesses should operate to respect and promote international human rights and ensure that they do not violate individual rights in any way. The second group of four principles involves labor. The labor principles encourage the right to collective bargaining and the end to forced or compulsory labor. The principles also promote the end of both child labor and discrimination in the work environment. The third group of principles outlines corporate responsibility concerning the environment. The initial environmental principles expect businesses to respect the environmental challenges and to promote a higher standard of stewardship. The third environmental principle encourages companies to develop and implement environmentally friendly technologies. The final group of principles discusses the requirement of promoting anti-corruption. Businesses are expected to be transparent and to work against all

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forms of corruption (UN Global Compact, 2018). Dunlap et al. (2017) positioned the UN Global Compact's Ten Principles as the guiding principles of the EU's commitment to nonfinancial reporting. The UN Global Compact is the foundation for CSR rankings.

Sustainalytics ranks companies on ESG and UN Global Compact principles. The foundation for nonfinancial performance was the principles provided by the UN Global Compact. Some sectors had lower adoption rates of CSR as a business model innovation. Sustainalytics adopts a best in sector approach. Therefore, companies in those sectors are evaluated relative to their peers (JSI Methodology, 2018).

The financial performance data is also from secondary sources. GAAP reporting standards within corporate financial reports the source of the nondomestic sales revenue. Previous research consistently reviewed and included GAAP standard reporting to ensure consistency and transparency of financial data ((Mishra, 2017; Schreck, 2011; Tang et al., 2012). Financial data is in the SEDAR repository.

Hypotheses

The data is analyzed using hypothesis testing. The business problem was a need to understand the potential business case of CSR adoption for Canadian firms. Companies that want to mitigate revenue risk by diversifying their nondomestic revenue stream to include the EU trading region need to understand if there was a relationship between CSR strategic adoption and EU nondomestic sales revenue. This study addresses the following central research question: To what extent did a commitment to CSR relate to sales revenue in nondomestic markets? The hypotheses for the research question were as follows:

$H1_0$. The adoption of a CSR strategy was unrelated to nondomestic sales revenue for Canadian companies.

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$H1_{a.}$ The adoption of a CSR strategy was significantly related to nondomestic sales revenue for Canadian companies.

The expectation is that this research will translate into a larger population. The secondary sources are precise and statistically relevant. The cluster sample is chosen to ensure a controlled research environment. Hypotheses testing using *P-value* analysis ensured an answer to how probable the null hypothesis is. In this scenario, a *P-value* of less than 1 will determine that the null hypothesis is unlikely and thus the results reject the null hypothesis in favor of the alternate hypothesis (Cooper & Schindler, 2014).

Data Analyses

Computer statistical software aided in data analysis. CSR rankings from Sustainalytics and nondomestic sales revenues for Canadian. The analysis did not include any companies that did not have any nondomestic sales revenue between 2009-2018. Descriptive statistics include mean, standard error, median, and observations. Observations will be the ESG score and nondomestic sales revenue for the firm in a specific year. Companies will be anonymous. Each is as an observation to the maintain confidentiality of Sustainalytics' ESG rankings.

The hypothesis is tested using simple linear regression with Microsoft Excel 2013 software. The hypothesis testing aligns with the theoretical framework of innovation, CSR, and financial performance. The simple linear regression analyses the relationship between the variables over time. The process includes ad-hoc analyses along with hypothesis testing and reporting. Once the data is analyzed, scenarios may be created and explored to understand potential relationships better. The hypothesis will be tested using regression analysis, which explores the relationship between a dependent variable and one or more independent variables

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(Cooper, & Schindler, 2014). The analyses aligned with the research of the relationship between CSR strategic adoption and financial performance (Allouche et al., 2008; Margolis et al., 2008).

The Pearson correlation analysis will be the method to test for a relationship. The Pearson method evaluates the linear relationship between two variables. The first step will be to create a scatter diagram to determine if there is a linear relationship between the variables. The *multiple R* statistic will be reviewed to determine the strength of the linear relationship. A value of 1 will indicate a strong linear relationship. A value that is 0 will indicate a nonexistent linear relationship. The *T statistic* explains the difference between the two groups. A value equal to or greater than 2 or -2 indicates a strong difference. A sample of 30 or more observations is a large sample size (Cooper & Schindler, 2014).

The P-value will measure the significance of the relationship. It is a measure of probability. A *P-value of* $> .05$ is statistically significant whereas a *P-value* of $> .001$ is considered to be highly significant. Significance contributes to the acceptance or rejection of the null hypothesis (Cooper & Schindler, 2014).

The data analysis will be in the Results section of the study. Pearson correlation analysis will be in both graphical and tabular form. The key statistics are the *multiple R, T statistic,* and the *P-value*. These statistics will determine if the null hypothesis is accepted, and there is no relationship between CSR as measured by Sustainalytics ESG ranking, and nondomestic sales revenues can be accepted or rejected.

Validity and Reliability

The definition of validity is the extent to which a quantitative study is accurate (Cooper, & Schindler, 2014). This study presents internal and external validity. Internal validity assesses if

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there was a causal relationship. External validity assesses if the results can be generalized to another environment or setting (Cooper, & Schindler, 2014).

A risk to internal validity was the selection. Selection of data was from credible secondary sources. Data analyses were with industry-validated statistical analysis tools. Causality requires evidence of a relationship, time, and the removal of alternative reasons. The independent variables and control variables were consistent. The sample selection process minimizes the risk of extraneous variables (Tang et al., 2012).

Sustainalytics was an industry-leading research firm and was the source of the CSR data. No standard ranking of CSR data exists. Companies' ranking was on a five-point ESG risk scale of varying levels: negligible; low; medium; high and severe. Severity measured was a scale of 100. Each element of CSR was individually measured, which leads to a firm's ranking. Companies were ranked consistently across research firms. The three reputable ESG firms: Bloomberg; RodecoSAM and Sustainayltics, have different scales, but there was consistency in the ESG rankings across all three research firms (Romero et al., 2018).

A risk to external validity was population selection. Selection of data was from credible secondary sources. A regression analysis of all CSR ranked Canadian companies mitigates population risk. The population selection minimizes the risk of sector focus (Gregory, & Whittaker, 2013).

The definition of reliability is the trustworthiness and consistency of the data (Cooper & Schindler, 2014). Data collection is from credible secondary sources. Sustainalytics research is one of the industry leaders in ESG (Gregory, & Whittaker, 2013). This study looks at the results of fiscal year-end 2017. Some previous studies had focused on longitudinal studies (Schreck,

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2011). The purpose of this study was to analyze the impact of CSR strategic adoption on nondomestic sales revenues for Canadian firms throughout 2009-2018.

Ethical Considerations

Ethical considerations are included in research to ensure integrity. These include a detailed literature review, plagiarism, risk assessment, mistakes and negligence, and working with a mentor (Osei, 2013). These ethical risks will be explained and mitigated.

A key requirement of doctoral research is a detailed literature review. A balanced approach to understanding the seminal and core literature and theories is mandatory (Osei, 2013). A high level of detail is present in the literature review. There is a balance of research from CSR theory, innovation, and financial performance.

Human error in the documentation of the results and research negatively impact the ethical standards of a study. Plagiarism can be intentional or unintentional. Strict adherence to plagiarism rules mitigates the risk of intentional plagiarism. The use of tools like Turnitin ensures that the risk of unintentional plagiarism is mitigated. Mistakes and negligence is another human error ethical risk to this study. The risk is mitigated with a precise documentation and editing process (Osei, 2013). Reviews with the mentor and the committee mitigate the risk of mistakes and negligence. Working with a mentor has been key to ensuring a quality doctoral thesis. The guidance was critical in the areas of research question formulation, literature review, data collection, and discussion. The doctoral process mitigates ethical risks to ensure the highest of research integrity (Osei, 2013).

The introduction of bias can significantly limit the efficacy of research (Cooper & Schindler, 2014). Bias in ranking systems is a risk. The literature review included a review of various ranking firms. The three firms demonstrated consistency in the ranking (Romero, et al.,

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2018). Sustainalytics is used to mitigate bias in ESG ranking. A cluster sample strategy can introduce bias. A cluster strategy can limit validity because it is homogeneous. The bias is mitigated in this study because it is exploratory. The purpose is to understand if a potential correlational relationship exists that can indicate probability. It is not a causal relationship, thus mitigating the impact of bias by the chosen sampling strategy (Cooper & Schindler, 2014).

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CHAPTER 4. RESULTS

Introduction

The objective of this exploratory quantitative correlational study was to analyze the relationship (if any) between the adoption if an innovative CSR strategy and corporate financial performance of Canada's companies in all sectors. Canadian small and medium companies were considering free trade options with the EU. The EU has legislated the requirements for all businesses that trade within the EU to adopt nonfinancial ESG measurements (Dunlap et al., 2017). Consistent measures for business model innovation were not yet available (Pedersen et al., 2018). Sustainayltics ESG/CSR rankings were the measure of sustainability adoption. Canadian companies were asking if the strategic adoption of sustainability as a business model innovation will positively or negatively financial performance. The study addressed the following research question: To what extent did a commitment to CSR relate to sales revenue in nondomestic markets? The hypotheses to the central research question were:

$H1_0$. The adoption of a CSR strategy was unrelated to nondomestic sales revenue for Canadian companies.

$H1_a$. The adoption of a CSR strategy was significantly related to nondomestic sales revenue for Canadian companies.

Data Collection Results

The data collection process, as was described in Chapter 3, yielded results for four scenarios. Secondary source data was from two repositories. The secondary source data gathered

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from SEDAR: the financial reports repository for all publicly traded Canadian companies. Sustainalytics, a leading ESG ranking firm, provided the ESG scores. Companies included in the analyses must have an ESG score, that trade publicly and had nondomestic sales revenue. In the first scenario, the analysis was all Canadian companies with ESG scores and nondomestic sales revenue. A review of the selected companies illustrated that many were from the mining sector. The second scenario analyzed only Canadian companies with an ESG score, nondomestic sales revenue within the mining sector. The subsequent scenario focused on Canadian companies, ESG scores, and nondomestic sales revenue in the EU market. An analysis of the group showed that the outlier was one retail company. This final scenario excluded the retail sector and focused on the other sectors of Canadian ESG scored companies with nondomestic sales revenue from the EU. All data for each scenario was from secondary sources. Sustainalytics ESG rankings represent the CSR variable (Mishra, 2017; Schreck, 2011; Tang et al., 2012).

Descriptive Analysis

All Canadian Sectors

The first analyses segregated all Canadian companies with nondomestic sales revenue and an ESG ranking from Sustainalytics. The data included the public companies that publish nondomestic sales revenue by geographic segment. The companies included all sectors, and the descriptive statistics were:

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Table 1.
ESG Rankings and Descriptive Statistics by Scenario

Scenario	Mean	Standard Error	Median	Observations
Scenario 1				
Canadian Companies with nondomestic sales revenue	74.85754098	0.685803532	76	61
Scenario 2				
Canadian Companies with EU nondomestic sales revenue	76.37851064	0.659927531	77.31	26
Scenario 3				
Canadian Companies with EU nondomestic sales revenue	76.37851064	0.659927531	77.31	47
Scenario 4				
Canadian Companies with EU Revenues (without retail)	77.67205128	0.414598839	77.31	39

Mining Sector

The mining sector was a key sector that has traditionally had higher ESG rankings and did generate nondomestic sales revenue from the EU. The average EU company's ESG ranking was 64.17, which was significantly higher than the United States. Canadian companies that fulfill the supply chain requirements of the higher rated EU companies require a higher ranking to win the business (Dunlap et al., 2017). The analyses included only companies generating revenues within the EU companies' supply chains. The descriptive analyses of the mining companies were in Table 1.

EU Nondomestic Revenues

The third analyses segregated Canadian companies with nondomestic EU sales revenue as the dependent variable and an ESG ranking from Sustainalytics. This scenario excluded all other nondomestic sales revenue. The companies included all sectors, and the descriptive statistics are in Table 1.

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The fourth analysis segregated all Canadian companies with nondomestic EU sales revenue as the dependent variable and an ESG ranking from Sustainalytics. The scenario excluded the outlier segment of retail. The scenario included only EU nondomestic sales revenue. The descriptive statistics were in Table 1 on the previous page.

Analyses of Hypotheses

$H1_{0.}$ The adoption of a CSR strategy was unrelated to nondomestic sales revenue for Canadian companies.

$H1_a$. The adoption of a CSR strategy was significantly related to nondomestic sales revenue for Canadian companies.

All Canadian Sectors

The Pearson correlation analysis was used to test the relationship. A simple linear regression illustrated that there was a linear relationship between ESG ranking and nondomestic sales revenue. The data included all sectors. The lower ESG scores include companies in the financial and automotive sectors that generate revenues only in North America. An analysis of the average ESG ranking for U.S.based companies was 56.94. Canadian companies that generate nondomestic sales revenue only from North America had a comparable ESG ranking, which leads to a negative relationship. Figure 2 on the following page illustrates the scatter diagram and the slope of the linear relationship.

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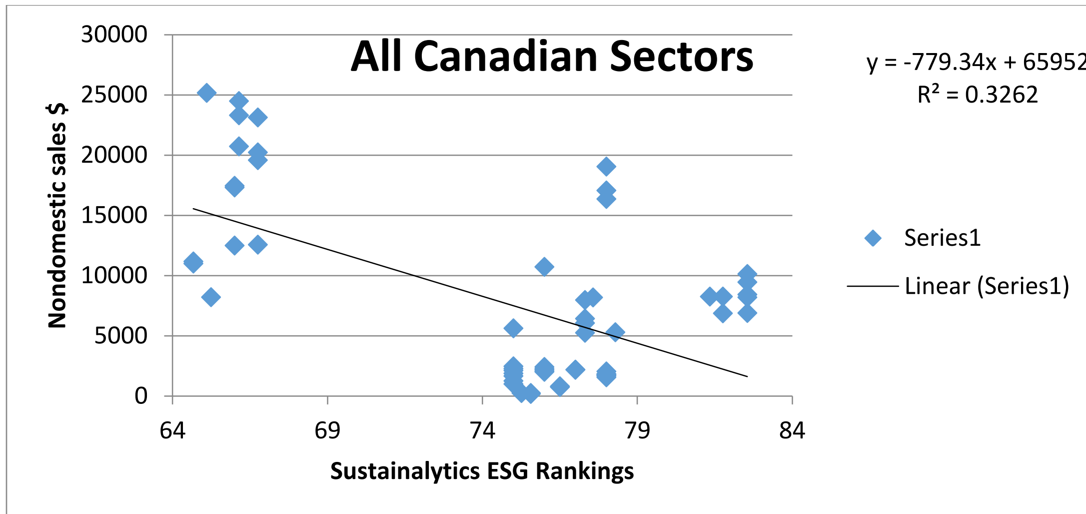

Figure 2. All Canadian Sectors with 61 observations of ESG Ranking and Nondomestic sales revenue between 2009-2018.

The scatter diagram showed that there is a linear relationship, and (32.6%) of the observations were on the line. The slope of the line was y=-779.34x + 65952. The regression statistics are in Table 2. Table 2 explains the linear aggression.

Table 2.
Linear Regression Analysis

	Multiple R	*t- Stat*	*P-Value*	*Observations*
Scenario 1	0.57118	6.027	1.16E-07	61

The Pearson correlation analysis method revealed that the *multiple R* statistic was .57118. The results indicated a moderate linear relationship between variables. The *t-Stat* was 6, and the *P-value* was 1.16E-07. There were 61 observations. A linear regression tested the hypotheses. The first scenario included all Canadian companies and segments. The *P- value* indicated a highly significant relationship, and the results rejected the null hypothesis.

Mining Sector

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A simple linear regression of the mining sector illustrated that there was a positive linear relationship between an ESG ranking and nondomestic sales revenue. The mining sector was a subset of the total selected Canadian companies that had an ESG ranking from Sustainalytics and nondomestic sales revenue. In this instance, revenue included the EU geographic segment. The results of the mining sector rejected the null hypothesis. Figure 3 is the linear regression scatter diagram.

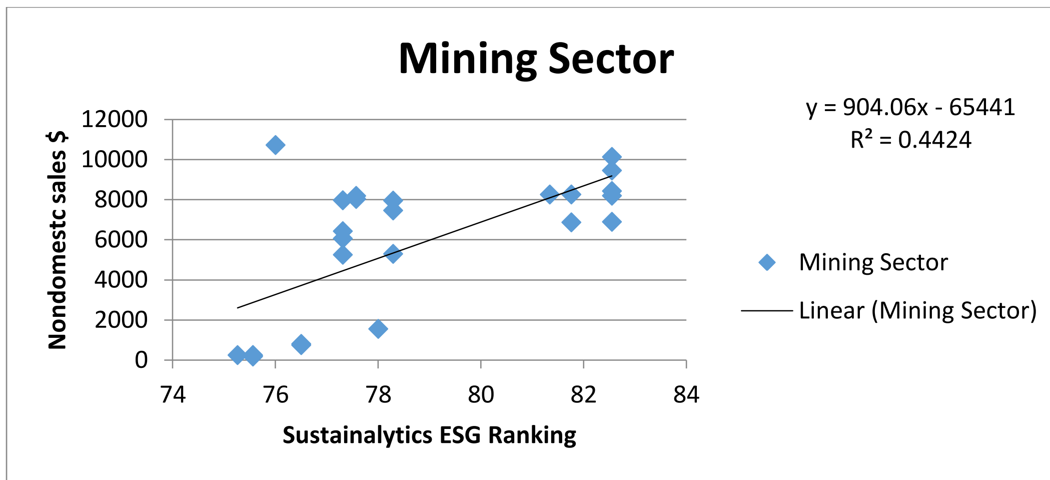

Figure 3. Canadian Mining Sector with 26 observations of ESG Ranking and Nondomestic sales revenue between 2009-2018.

The scatter diagram for the second scenario illustrated a linear relationship, and (44.2%) of the observations were on the line. The slope of the line was y=-904.06x - 65441. The regression statistics for the mining sector are in Table 3.

Table 3.
Mining Sector Linear Regression

	Multiple R	*t- Stat*	*P-Value*	*Observations*
Scenario 2	0.665144	-4.213	5.00E-04	26

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The Pearson correlation analysis method analyzed Scenario 2. Simple linear regression revealed that the *multiple R* statistic was .665144. The results indicated a moderate linear relationship between variables. The *t-Stat* was -4.213, and the *P-value* was 5.00E-04. There were 26 observations. In the third scenario, linear regression tested the mining sector. The *P- value* indicated a highly significant relationship, and the results rejected the null hypothesis

EU Nondomestic Revenues

A simple linear regression of the companies and their EU nondomestic revenues illustrated that there was a negative linear relationship between an ESG ranking and nondomestic sales revenue. The scenario included mining, retail, energy, and manufacturing sectors. The outlier was the retail sector. Figure 4 illustrates the linear regression.

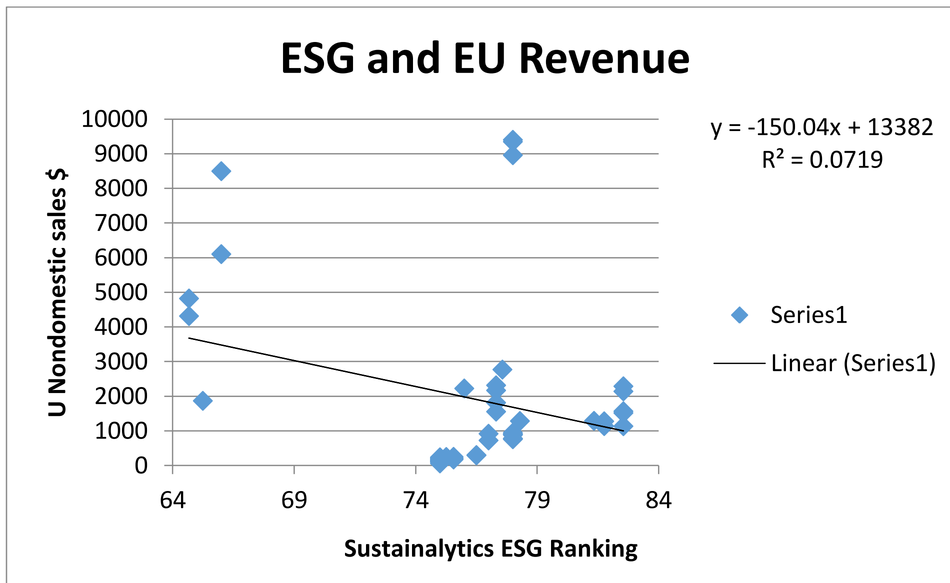

Figure 4. ESG and EU Revenue with 47 observations of ESG Ranking and Nondomestic sales revenue between 2009-2018.

Scenario 3 focused on Canadian companies with EU nondomestic sales revenue. The scatter diagram indicated a linear relationship, and that (7.19%) of the observations were on the line.

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The slope of the line was y=-150.04x + 13382. The regression statistics for the mining sector are in Table 4.

Table 4.
ESG and EU Revenue Linear Regression

	Multiple R	*t- Stat*	*P-Value*	*Observations*
Scenario 3	0.662265	7.312	8.00E-10	61

The Pearson correlation analysis method analyzed Scenario 3. Simple linear regression revealed that the *multiple R* statistic was .662265. The results indicated a moderate linear relationship between variables. The *t-Stat* was 7.312, and the *P-value was* 8.00E-10. There were 61 observations. In the third scenario, simple linear regression tested the companies with EU nondomestic sales revenue. The *P- value* indicated a highly significant relationship, and the results rejected the null hypothesis.

EU Nondomestic Revenue (Nonretail)

A simple linear regression of the companies and their EU nondomestic revenues illustrated that there was a positive linear relationship between an ESG ranking and nondomestic sales revenue. The scenario included mining, energy, and manufacturing sectors and excluded the retail sector. Figure 5 illustrates the linear regression.

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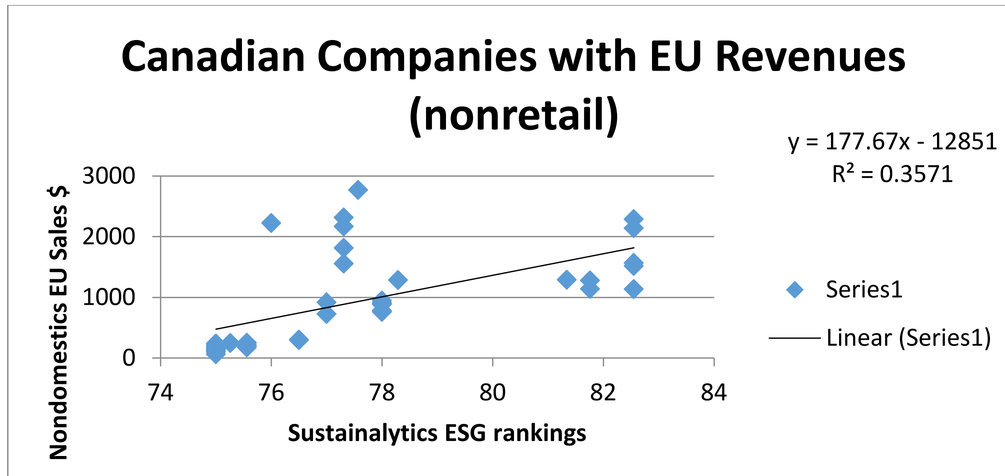

Figure 5. ESG and EU Revenues (nonretail) with 39 observations of ESG Ranking and Nondomestic sales revenue between 2009-2018.

The last scenario focused on Canadian companies with EU nondomestic sales revenue with the exclusion of the retail sector. The scatter diagram showed a linear relationship, and that (35.71%) of the observations were on the line. The slope of the line is y = 177.67x – 12851. The regression statistics for EU nondomestic sales revenue with the exclusion of the retail sector are in Table 5.

Table 5.
EU Revenue (nonretail) Linear Regression

	Multiple R	*t- Stat*	*P-Value*	*Observations*
Scenario 4	0.597587	-4.213	5.20E-04	39

The Pearson correlation analysis method analyzed Scenario 4. Simple linear regression revealed that the *multiple R* statistic was .597587. The results indicated a moderate linear relationship between variables. The *t-Stat* was -4.213, and the *P-value was* 5.20E-04. In the final scenario, simple linear regression tested the hypothesis for the companies with EU nondomestic

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sales revenue with the exclusion of the retail sector. The *P- value* indicates a highly significant relationship, and the results rejected the null hypothesis.

Summary

This exploratory longitudinal quantitative study used secondary data to explore the relationship (if any) between CSR.ESG ranking and nondomestic sales revenue. Sustainalytics was the source of the ESG rankings. SEDAR was the source of the annual financial reports. The longitudinal analyses covered fiscal years 2009-2017. The data was collected and transcribed into Excel for statistical analyses.

The business problem was to understand the potential business case of adopting a CSR business model innovation to generate nondomestic sales revenue in the EU. Innovation was the third element of the theoretical framework. Consistent measures for business model innovation were not yet available (Pedersen et al., 2018) Therefore, the innovation variable metric will be in future research.

The calculation of the average ESG ranking of the Canadian, United States, and EU segments provided variances. The average for Canada was 63. The average score for the EU was 64. The average score for the United States was 56.9. A high score in ESG appeared unimportant in the US segment. ESG was a legal requirement in the EU (Dunlap et al., 2017).

Descriptive statistics detailed the validity of the four scenarios analyzed. The first scenario was all Canadian companies with nondomestic sales revenue by geographic segment. The next scenario involved mining companies integrated into the supply chain of the EU. The subsequent scenario focused on nondomestic sales only within the EU region. It included all sectors. The last scenario excluded the retail sector and focused on nondomestic sales revenue from the EU.

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The testing of the hypotheses of the research question that was grounded in the literature was with linear regression. The *P-value* indicated significance in all scenarios. The *P-value* was 1.16E-07, which illustrated a significant relationship in scenario 1. The *P-value* in scenario 2 was .0005, and it showed a significant relationship. The P-value in scenario 3 was 8E-10. The statistic also showed a significant relationship. The *P-value* in scenario 4 was .00015, which sillustrated a significant relationship. In all scenarios, the analysis of the *P-values* rejected the null hypothesis. There was a significant relationship between CSR strategic adoption and nondomestic sales revenue.

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CHAPTER 5. CONCLUSIONS

Introduction

The purpose of this study was to explore if a relationship existed between the strategic adoption of a sustainable business model (CSR) and nondomestic sales revenue for Canadian companies. Chapter 5 is the final chapter of this thesis. Chapter 5 includes the restatement of the research purpose, the research question, and a summary of the research results. The research's contribution to the understanding of the business problem is explained. Finally, Chapter 5 concluded with recommendations for further research.

Evaluation of Research Questions

The purpose of this exploratory quantitative correlational study was to determine if there was a correlation between the variables of innovation, CSR, and financial performance. The study followed a quantitative, nonexperimental correlational method. The study was an exploratory quantitative design using a cluster sample strategy with data gathered from secondary sources. The secondary sources include the ESG ratings of Sustainalytics and the annual reports of Canadian companies that electronically stored in the SEDAR repository. The use of respected ESG indices was consistent with previous research (Mishra, 2017; Schreck, 2011; Tang et al., 2012). The study evaluated the following variables: CSR as measured by Sustainalytics ESG rankings and nondomestic sales revenue as documented in SEDAR's corporate financial reports database. The longitudinal study included data from 2009-2018.

The research examined the relationships between the variables and the potential for predicting probability. The focus of the study was to determine if there was a relationship between CSR and nondomestic sales revenue. Innovation was the third element of the theoretical framework. Consistent measures for business model innovation were not yet available (Pedersen

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et al., 2018). Future research will include the exploration of the relationship between CSR business model innovation and financial performance.

The research question and the subsequent sub-questions were grounded in the existing research. The research question and subquestions were applied to the Canadian market, as Canada needs to determine the potential outcomes of CSR strategic adoption to exploit the Canada-EU free trade agreement (Dunlap et al., 2017). The research question focused on the relationship (if any) between strategic CSR adoption and nondomestic sales revenue. Canadian business leaders needed to understand the potential business case of a CSR investment. Leaders wanted to know the potential opportunity for nondomestic sales of a CSR business model. The business problem linked to the research question, which was to understand if there was a relationship between nondomestic sales and CSR. Canadian leaders want to understand if an opportunity exists to grow revenues with the Canada-EU free trade agreement.

The study sought to answer the research question: To what extent did a commitment to CSR relate to sales revenue in nondomestic markets? The Pearson correlation analysis method analyzed the scenarios. Four scenarios were analyzed to answer the research question. Scatter diagrams were created for each of the four scenarios. *Multiple R, t-Stat,* and *P-value* were key statistics for each scenario. Simple linear regression was used to test the null and alternate hypotheses.

The first scenario looked at all Canadian companies with both a CSR ranking as measured by Sustainalytics ESG rankings and nondomestic sales revenues as measured by GAAP. There were 61 observations of data, which was a large (>30 observations) cluster sample (Cooper & Schindler, 2014). In the scatter diagram, R^2 showed that 33% of the points were on the line. *Multiple R* indicated a low linear relationship between variables of .57118 (57%). The *t*-

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Stat was 6, which was >2 indicating a positive difference between variables. The *P-value* was 1.16E-.07, which indicated a highly significant relationship. The results in the first scenario rejected the null hypothesis.

The second scenario was an analysis of only the mining sector. These products were part of the EU companies' supply chains. The mining sector was the greatest sector by SIC code, but there were only 26 observations, which meant that the results were less reliable. The R^2 *showed* that 44% of the points were on the line. *Multiple R* indicated a low to moderate the linear relationship between variables of .665144 (67%). The *t-Stat* was -4, which is >-2 indicating a negative difference between variables. The *P-value* was 5.00E-04, which indicated a highly significant relationship. The results rejected the null hypothesis.

The third scenario focused on nondomestic sales only within the EU region. It included all sectors. In the third scenario, there were 61 observations, which was a sufficient cluster sample size. The R^2 showed that 7.2% of the points were on the line. *Multiple R* indicated a low to moderate linear relationship between variables of .662265 (66%). The *t-Stat* was 7, which was>2, indicating a positive difference between variables. The *P-value* was 8.00E-10, which indicated a highly significant relationship. The results of the third scenario rejected the null hypothesis.

The fourth focused on nondomestic sales revenue from the EU, excluding the retail sector. The retail sector was a significant outlier, and the retail business model was vastly different from other businesses. In the fourth scenario, there were 31 observations. The cluster sample size met the requirement of greater than or equal to 30 observations. The R^2 showed that 35% of the points were on the line. *Multiple R* indicated a low linear relationship between variables of .597587 (60%). The *t-Stat* was -4, which was >-2 indicating a negative difference

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between variables. The *P-value* is 5.20E-04, which indicated a highly significant relationship. The results of the fourth and final scenario rejected the null hypothesis.

Fulfillment of Research Purpose

The research intended to explore the relationship (if any) between the adoption of a strategic sustainable business model (CSR) as measured by Sustainalytics ESG rankings and financial performance as measured by nondomestic sales revenue. There was a plethora of research that was available regarding CSR and financial performance. Many were longitudinal studies. This study built on previous research.

The research expanded the boundaries by seeking to understand if the legal requirement introduced in 2014 within the EU has contributed to a relationship between ESG rankings and nondomestic sales revenue within the geographic region. The objective was to explore the relationship in a longitudinal study between 2009-2018 of ESG ratings as measured by Sustainalytics and nondomestic revenues. The hypotheses were tested using simple linear regression. Pearson's correlational method analyzed the data. In all four scenarios, the *multiple R* statistic indicated a relationship between variables. The *P-value* indicated a highly significant relationship and probability. The results rejected the null hypothesis that there is no relationship between the independent variable CSR and the dependent variable nondomestic sales revenue.

The research purpose of examining the extent of a relationship between the two variables CSR as measured by Sustainalytics ESG ranking and nondomestic sales revenues as measured by GAAP was fulfilled. The results proved a significant relationship, as measured by *multiple R,* across all four scenarios. The results proved probability, as measured by the P-value, across the four scenarios.

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Contribution to Business Problem

Canadian companies faced a significant macro environmental challenge. The Trump administration took a protectionist stance and questioned the viability of free trade between Canada and the US (Globerman, 2018). Canadian companies were faced with a potential trade war and needed to prepare strategically for new nondomestic sales revenues.

The Canada-EU free trade agreement was an emerging opportunity. Canadian firms who were evaluating the adoption of a CSR strategy needed to understand the potential impact on financial performance (Wang, et al., 2014). Canadians were looking at the EU as a potential new market. The EU legislated all companies to commit to CSR strategic adoption (Dunlap et al., 2017). The Canada-EU trade agreement had a clause that required Canadian companies to respect the EU's commitment to sustainability (Global Affairs, 2017). The links between CSR and financial performance resulted in positive financial performance for larger firms (Tang et al., 2012). Canadian companies of all sizes and segments needed to know the relationship (if any) to a CSR commitment and potential revenues

The research demonstrated a positive relationship between investment in CSR as measured by Sustainalytics ESG rankings and nondomestic sales revenues. The exploratory study showed that companies with a CSR investment also received revenues in nondomestic sales globally and from the EU. In all four scenarios, the strength of the P-value indicated very significant evidence that the null hypothesis be rejected. There is a relationship between CSR as measured by Sustainayltics' ESG ranking and nondomestic sales revenue.

Canadian companies can use this information as a building block in the creation of a business case to evaluate the adoption of a CSR strategy. The research gives Canadian companies foundational information to initiate a business case to determine if expansion into the

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EU is viable. Many other strategic factors can impact a business case. Business cases should consider all factors to be effective.

The research contributed to the business problem, which queried the need for an understanding of the potential relationship of investment in CSR and nondomestic sales revenue. Canadian companies can use this research to increase their confidence in the mitigation of the financial risk of leveraging the Canada-EU free trade agreement. The significant relationship between the two variables was demonstrated and tested in a longitudinal study with simple linear regression. The longitudinal study included observations across all sectors between the years 2009-2018.

Recommendations for Further Research

Every research study is limited by its assumptions and design (Cooper & Schindler, 2014). Each study is designed to focus on a specific contribution to the body of knowledge. The research in this study successfully answered the research question. Through hypothesis testing, the research showed that there is a relationship between CSR as measured by Sustainalytics ESG ranking and nondomestic sales revenue. The business problem improved Canadian companies' ability to understand the relationship between variables to better predict a CSR investment's potential impact on nondomestic sales revenue. The next step is to identify recommendations for future research.

The research study has set the foundation for expansion and areas for future research. The study revealed a relationship between a strategically sustainable business model adoption (CSR) as measured by Sustainalytics ESG ranking and nondomestic sales revenues as measured by GAAP. The study was limited to Canadian companies. Future research could be expanded to include global or multinational companies. The expansion would give more detail on many

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segments and opportunities for Canadian companies competing in a globalized economy. The expansion to larger markets would also permit the use of a simple random sampling strategy that would increase validity and minimize bias (Cooper & Schindler, 2014).

The research studied the relationship between the variables in an exploratory quantitative design. An area of future research would be a causal study to understand if the investment in CSR as measured by Sustainalytics ESG ranking leads to increased nondomestic sales revenue. A study in this area would expand the potential contribution to the business problem. Companies can business case of CSR investment.

The EU introduced legislation in 2014 that required companies to adopt a strategic sustainable business model (CSR), created an opportunity for sustainable companies that choose to enter the EU market (Dunlap et al., 2017). Future research could also include a competitive market study in specific segments within the EU market. A study of this type might lead to gaps and opportunities for Canadian companies for quick revenue growth and for an opportunity to enter and create dominance in the trading region.

The focus of the research was publicly traded Canadian companies. Future research could be expanded to include EU companies who are looking to enter the Canadian market. The purpose will be to understand if the CSR investment, as measured by Sustainalytics ESG ranking gives EU headquartered companies an opportunity to leverage the Canada-EU Free trade agreement.

The study excluded innovation because of necessity. Patents were the accepted innovation measure, which means that consistent and accepted measures for business model innovation were not yet available (Pedersen et al., 2018). There is an opportunity for future research to explore CSR as a business model innovation once there is an accepted measure.

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Exploratory studies are designed to initiate future research (Cooper & Schindler, 2014). The relationship between CSR as measured by Sustainalytics ESG ranking and nondomestic sales revenues as measured by GAAP. The study has opened many opportunities for future research. The opportunities include a market opportunity study for Canadian companies entering the EU. To improve the contribution of the business, a key area for future research is a quantitative causal study with the same variables. Business leaders would then have a better understanding of the business case for CSR adoption. The opportunity for research to include larger multinational companies would expand the sample size and potentially increase validity. The research has opened the door for many options for future research.

Conclusions

Canadian companies faced a significant macroenvironmental challenge. The United States has traditionally been the preferred market for growth. Uncertainty around North American free trade has opened the door for Canadian companies to evaluate growth opportunities within the Canada-EU Free Trade agreement. The EU requires companies to adopt a strategic, CSR sustainable business model (Dunlap et al., 2017). Canadian companies were asking if there is a business case for CSR adoption as an opportunity to leverage the Canada-EU Free Trade Agreement.

The purpose of this study was to explore if a relationship exists between the strategic adoption of a sustainable business model and nondomestic sales revenue for Canadian companies. Chapter 1 was the first chapter of this thesis. It began with an outline of the business problem and the research questions. The business problem was Canadian companies needed to understand the potential business case for CSR adoption. The research question queried to what

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extent was there a relationship between CSR and nondomestic sales revenue. Chapter 2 gave a detailed literature review of CSR, innovation, and financial performance. The literature outlined that there was a link between CSR and financial performance (Mishra, 2017; Schreck, 2011; Tang et al., 2012). Chapter 3 outlined the exploratory quantitative correlational, longitudinal study. The cluster sampling strategy used Sustainalytics ESG ranking as the CSR independent variable. The dependent variable was nondomestic sales revenues as measured by GAAP. The study used secondary sources and simple linear regression to test the null and alternate hypotheses.

Chapter 4 outlined the results of the simple regression. The tests included four scenarios: all Canadian companies; mining sector; EU nondomestic revenue; and EU nondomestic revenues excluding retail. A scatter diagram was created for each scenario. R^2, *multiple R*, *t-Stat,* and *P-value* were each analyzed. The results rejected the null hypotheses in all four scenarios. There was a significant relationship between CSR as measured by Sustainalytics' ESG rankings and nondomestic sales revenues as measured by GAAP

. Chapter 5 began with the restatement of the research purpose, the research questions, and then a summary of the research results. There was a discussion of the results. Pearson's correlation was the method of testing the null and alternate hypothesis. The relationship between CSR as measured by Sustainalytics' ESG ranking and nondomestic sales revenue as measured by GAAP was proven to be significant.

Chapter 5 also included areas for future research. One area included a causal study with the same variables and an increased geographical area so that a simple random sampling strategy could be used to increase validity. Another area for future research would be a market study of the EU, which would benefit Canadian companies who choose to enter the EU market and

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dominate. Canadian companies can use this research to begin the business case for growth in the EU. Many other factors will impact this strategic choice. The cost of-of implementing a strategic sustainable business model will be unique to each business. Canadian business leaders have an opportunity with the Canada-EU Free Trade agreement to mitigate the macro environmental risk of US protectionism. The research proved a significant relationship between CSR as measured by Sustainalytics ESG ranking and nondomestic sales revenue as measured by GAAP.

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