THE CORRELATION BETWEEN DOWNWARD ACCOUNTABILITY THROUGH CORPORATE SOCIAL RESPONSIBILITY AND INTERNAL CONTROL SYSTEMS FOR STRATEGIC MISSION SUCCESS IN ORGANIZATIONS

by

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Abstract

Much debate continues over the impact of corporate social responsibility on the financial bottom line of an organization both in academia and with practitioners with most holding to the assertion that good business can and will result from good behavior. The research remains divided as previous empirical studies produced mixed results for the corporate social responsibility-financial performance relationship. This quantitative study assessed the impact of corporate social responsibility practices on the financial performance of businesses when coupled with high-performing internal control system. The secondary data analysis data identified those companies noted as top financial performers, implementers of corporate social responsibility practices, and utilizers of internal control systems. The findings of this quantitative study relate theoretical assertions about the nature of doing good business by being socially responsible to the process of making strategic decisions based upon ANOVA analytics. The secondary data analysis revealed that top financial performers had both highly ranked internal control systems and highly ranked corporate social responsibility implementation, but a correlation between high functioning internal control systems and highly ranked corporate social responsibility implementation was not shown to be statistically relevant. Study findings contribute to the research literature by serving as a base from which scholars may further research to design a repeatable strategy for practitioners to reliably use an optimal internal control system and corporate social responsibility for profitable corporate financial performance.

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Dedication

A heartfelt thank-you is owed to so many people for making this dream of mine a reality through support and encouragement throughout this dissertation journey. I would like to dedicate this dissertation to my parents, Herman and Ann, for walking this journey with me in both wellness and infirmity. Secondly, I would like to thank my sister, Leora, for giving me a dose of love, although tough at times, when I wanted to remove my hand from the proverbial plow. I would also like to thank various friends for checking on me after long periods of absence as I was conducting research and writing, and then rewriting chapters of this work. And to the love of my life, my daughter Suzette, I dedicate this work to you to show you that you are never too young or too old to keep striving to attain your goals. The journey may be long but the realization and attainment of dreams are what make life worth living.

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CHAPTER 1. INTRODUCTION

The continued threat of economic downturn to curtail the spending and number of consumers in the marketplace prompted businesses to question just how these consumer dollars can be acquired and maintained most strategically and most sustainably. It is for this cause that sustainability and social responsibility in both the nonprofit and the for-profit sectors are areas of increasing attention. This attention stems from the growing concern of abuses in the human labor market and allegations of unethical practices of management as it pertains to the financial matters within organizations. Some of the most horrific abuses were from those companies with the biggest bottom line, which prompted scholars to fear that these financial gains would serve as a negative example of how to capture the market. Ebrahim (2009) suggested that had there been no social pressure from consumers, business leaders would not have worked to change and improve their treatment of people, natural resources, and the environment. The public demonstrated the belief that the indiscretions of organizations need to be examined for more than the purpose of financial responsibility (Ebrahim, 2009).

The traditional manner of addressing accountability by businesses is to enact measures that scholars termed as upward in that measures are taken to meet the requirements of the funder or the correlating governmental regulations (Campbell, 2002; Cullom & Cullom, 2011). Downward accountability is the manner by which an organization enacts measures to both inform the beneficiaries of the activities conducted for them and to ascertain from these beneficiaries the relative effectiveness of the activities that the business undertakes on their behalf while striving to fulfill the mission of the organization (Benjamin, 2012). This chapter

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explores the phenomenon of downward accountability, through such measures as corporate social responsibility (CSR) initiatives to beneficiaries or recipients of their services. The chapter further addresses and is organized to explain why downward accountability through CSR initiatives may not readily be incorporated into the models of all businesses, although this form of accountability could prove to be an innovative, strategic tool when paired with internal control systems (ICS) within the business. This research purposed to examine the impact of CSR practices upon the corporate financial performance (CFP) of an organization when combined with ICS for the maintenance of corporate image and sustainability compared to those companies that do not undertake such measures in the marketplace.

Background

Nonprofit organizations (NPOs) are estimated to receive over $1 trillion in revenue and to hold billions of dollars in assets from contributions of individuals, corporations, foundations, trusts, and government donations, which gives these organizations a tremendous economic footprint with either fewer or less stringent governance and accountability restrictions (Benjamin, 2012; Tuckman & Chang, 1998). This sector's influence coupled with pressures from special advocacy groups prompted for-profit business leaders to incorporate accountability measures along with CSR initiatives into strategies with the goal to improve corporate image and to strive for sustainability as well as continued profitability in the marketplace (Baur & Schmitz, 2012). The notion and practice of downward accountability to product or service recipients or stakeholders through such initiatives as CSR is not always of primary concern to organizations due to the existing state of research on this phenomenon. Some of the most recent research on the ability of organizations to add value to their bottom lines through the practice of downward accountability and other forms of social strategy has yielded mixed or inconsistent results for

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such initiatives (Husted, Allen, & Kock, 2015). The origins of these studies began more than 50 years ago through various seminal works with the primary work being that of Bowen's 1953 *Social Responsibilities of the Businessma*n (Carroll, 1999). Bowen was the first to theorize the concept of social obligation perspective, which infers that corporations had to engage in a relationship with society that was ethical in order for the entity to attain performance superiority and longevity in the marketplace. Carroll (1979) expanded upon this foundation by setting forth the notion of a CSR pyramid. The CSR pyramid included four distinct developmental stages that an organization was said to pass through as it developed: economic, legal, ethical, and philanthropic obligations (Carroll, 1979). Academics, then, sought to show a link between CSR and organizational profitability, or CFP, by explaining that the association between CSR and CFP demonstrated one of three relationships: positive, negative, or none (Orlitzky, Schmidt, & Rynes, 2003). Jones (1980) was a chief proponent of a positive relationship between CSR and CFP and related this relationship between CSR and CFP to the instrumental stakeholder theory. Aupperle, Carroll, and Hatfield (1985) then went on to conduct an extensive empirical study that resulted in a finding of no association between CSR and CFP. Lopez, Garcia, and Rodriguez (2007) approached the study of the relationship between CSR and CFP from a different perspective and became one of the most notable voices for a negative relationship between CSR and CFP.

Traditional, or upward, accountability is the manner by which an organization's leadership reports to its stakeholders or government agencies the activities conducted by the company to fulfill the mission statement to demonstrate that the organization is operating in compliance with the requirements set by the stakeholders or government agencies that have an interest or financial stake in the company (Chenhall, Kallunki, & Silvola, 2011; Ebrahim, 2009).

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Organizational leaders that make use of downward accountability or CSR in conjunction with ICS may improve the quality of the services they provide as well as strategically shape future innovation in operation and service delivery to strengthen their place in the market and overall sustainability (Baur & Schmitz, 2011; Benjamin, 2012). Consumer perceptions of companies influence their patronage and buying patterns; therefore, growing mistrust due to publicized scandals creates ongoing difficulty as it pertains to a business' sustainability (Suciu & Fisher, 2014).

The most recent research on this topic described downward accountability through such measures as CSR activities as smart business move with various motivations for engaging in such practices. The practice of CSR implementation varies widely from company-to-company with some striving to contribute in a broad stroke to serve the public good and others using a fine brush stroke which minimally strives to ensure that the work environment is one that treats its employees with dignity and respect, especially in light of human rights violations from some of the most notable and profitably companies (DiSegni, Huly, & Akron, 2015; Ewest, 2015). The standards that drive a company typically originate from the philosophical and ethical belief systems of the founder or the leadership body with some viewing CSR as an integral component of doing good business whereas others view these activities as a tool to build and maintain brand image and brand reputation (DiSegni et al., 2015). According to Sheehan, Garavan, and Carbery (2014), this quality image and reputation established by a company may serve to mitigate risks and to assist with employee recruitment and retention.

The underlying theories that influence the study of downward accountability as expressed through CSR activities in organizations stem from perspectives on management themes, corporate social performance theory, stakeholder-relation theory, and business ethics theory

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(DiSegni et al., 2015; Ewest, 2014; Sheehan et al., 2014). These underlying principles relate to the underlying problems associated with the incorporation of CSR initiatives into strategic practice as these efforts encounter a corporation's leadership, organizational culture, and ICS (Suciu & Fisher, 2014).

Business Problem

The phenomenon of downward accountability and CSR are frequently viewed as a mere public relations tools to maintain appeal to the general public at large and may not be treated or enacted with the same diligence as traditional, upward accountability measures that are completed for funders, investors, stockholders, or government agencies. Scholars and practitioners continue to explore the link between CSR and CFP and to try to establish a repeatable model of implementation in order for companies to reap the most benefit from CSR practices in a manner that also addresses both economic and ethical societal expectations (Carroll, 1979; Savitz & Weber, 2013). Many are still confronted by the implications and possible ramifications of enacting CSR practices to strategically do well in business especially in times of financial downturn as experienced during economic recession in recent years. In examining the cases of corporate fraud and the resultant loss of reputation, CSR initiatives have become a must in a market that is global and able to share information virtually instantly and on a worldwide basis (Suciu & Fisher, 2014). Examples of the importance of and benefit in reacting quickly to scandal with a strategic CSR initiative are clearly evident in the cases of Apple and Nike as each company faced a crossroad from ethical violations that could have been catastrophic to reputation and profitability (Worstall, 2012).

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Research Purpose

The purpose of this quantitative study is to examine the strategic uses of accountability measures, specifically those of downward accountability through CSR initiatives, with that of the ICS used within organizations as they relate to organizational sustainability and the triple bottom line (Riccaboni & Leone, 2010). This study will also examine the literature pertaining the current strategic uses of ICS with regard to the traditional benefits these practices provide within a company to improve efficiency throughout the organizational business structure.

This research should be attempted as it will serve to address a manner by which CSR initiatives may be strategically implemented to mitigate risks and maximize CFP in light of the ongoing debate about the CSR–CFP link (Aguinis & Glavas, 2012; Husted et al., 2015; Orlitzky, Schmidt, & Rynes, 2003). Although scholars have suggested that CSR provides good returns as a part of a virtuous cycle, in which a financially profitable company may engage in CSR initiatives to improve reputation and garner more profits, there is a gap in the literature in assessing the relationship between adept business operations and the efficiency or success of CSR usage and implementation for CFP (Orlitzky et al., 2003).

Research Questions

The existing research indicates the need to test the relationship of downward accountability through such practices as CSR initiatives with that of ICS on profitability and sustainability to determine both what and how accountability measures may be established to ensure that the services provided are ethical and adequate for the recipient or beneficiary while simultaneously allowing a corporation to survive and flourish in the market (Garcia-Castro, Arino, & Canela, 2009; Husted et al., 2015). This study utilized a survey instrument to measure

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by perception the relationship between CSR initiatives with ICS practice to measure the effects of these variables upon CFP. The primary research questions addressed are as follows:

1. What is the relationship between the variable of downward accountability through such practices as corporate social responsibility initiatives upon corporate financial performance?
2. To what extent does the variable of ICS usage increase or improve corporate social responsibility implementation for corporate financial performance?
3. Of the companies surveyed that implement corporate social responsibility initiatives, is there a difference between those companies that also have stellar internal control systems and those that do not make use of internal control systems?

Rationale

The existing body of research examines the phenomenon of NPO accountability as it pertains to the organization leaders providing an account of its activities to either its private or governmental funders, but there is little literature about the accountability of NPOs to the recipients of the organizations products or services or about how the specific needs of beneficiaries are clearly defined and addressed in a manner that the recipient deems appropriate and satisfactory. Many studies assume that upward accountability takes into account the actual needs and service requirements of the recipients or beneficiaries. Past studies overlooked the perspective of the beneficiary as to how well they are actually served by the NPO. Similarly, in for-profit organization the phenomenon of accountability through CSR initiatives has gaps in the literature as scholars and practitioners continue to debate the link between such initiatives and CFP. This researcher seeks to study manners whereby corporations may align financial bottom-line and social responsibility concerns to produce a business rationale and strategy that minimizes financial risk in seeking to incorporate CSR initiatives into organizational structure and practice (Mason & Simmons, 2014). Mason and Simmons (2014), through the stakeholder systems approach, explain that the dilemma of accountability remains a challenge for scholars

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and practitioners as each of these groups of professionals tries to identify the most effective manner through which to strike a strategic balance between doing what is profitable and what is considered socially responsible. Stakeholder theory holds that a corporation has obligations to other people and groups than to just that of the company's shareholders (DiSegni et al., 2015; Jamali, 2008; Mason & Simmons, 2014). According to DiSegni et al. (2015), supporters of stakeholder theory also acknowledge that the accelerated ethical considerations in business behavior are also largely in part due to the increasing number of socially conscious consumers.

Theoretical Framework

In endeavoring to undertake the study of the phenomenon of downward accountability, a quantitative methodology would be most appropriate to address this area. In utilizing this methodology, the researcher may make use of a survey research to examine fixed, measurable, and objective data to examine the positivistic philosophical reality as well as the ontological nature of the experiences of beneficiaries in relation to the services provided by a NPO (Mirabella, 2013).

Previous literature was dedicated to the phenomenon of accountability, especially in light of various scandals that arose from organizational failure to enact measures to ensure the ethical management of funds in both the traditional and nonprofit market; however, little research was done on the phenomenon of downward accountability and the framework for testing such will be a synthesis of various theories and measure tools for general accountability that are tailored to survey the perceptions of recipients about the availability, quality, and appropriateness of the services the beneficiaries receive from various NPOs and the quality of CSR initiatives in addressing the needs of the socially conscious consumer in for-profit corporations (Husted et al., 2015; Kearns, 1994; Orlitzky et al., 2003).

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The theories used as baseline center around the works of various scholars and practitioners such as that of Benjamin (2012), Kearns (1994), and Mirabella (2013). Benjamin, notably, placed an emphasis on outcome measurement as a manner by which to assess whether a beneficiary is better off as a result of a nonprofit's attention. The work of Kearns explored the historical shortcomings of accountability measures and applications of accountability to the nonprofit or third sector. The types of outcome measurement are furthered in the work of Mirabella explains the ontic and ontological nature of the measurement process in an NPO as the bottom line measure associated with success in the for-profit industry does not readily apply as a measure of outcome success in a third-sector NPO.

This study examined the accountability processes within NPOs and with for-profit corporations in terms of what they are told to measure to account for downward accountability to beneficiaries, how they measure such information, and the manner in which this collected data are used to ascertain the impact the work the NPO's activities are having in improving the targeted goals for the beneficiaries (Benjamin, 2012; Kearns, 1994). The model for this research based on the aforementioned research is shown in Table 1.

Table 1. Research Model for the Use of Information in Downward Accountability Process for Examining Organizational Performance on Behalf of Beneficiaries

Internal controls with ontological measurement	External controls with ontic measurement	
	Upward accountability	Downward accountability
Good/just measures	Regulatory goals met	Outcome measurement incorporates beneficiary feedback
Not good/unjust measures	Regulatory goals not met	Beneficiary feedback not measured or considered

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Significance

The significance of this study is that various organizations may be proceeding solely based upon how well the organization is able to comply with governmental regulations and maintain funding in the case of an NPO or profitability in for-profit business without ensuring that the actual mission of the nonprofit is fulfilling the need of those the organization set out to assist and without ensuring that CSR initiatives are conducted in a meaningful manner to stakeholders. This dissertation aspires to contribute to the gap in the research on the impact of downward accountability through such initiatives as CSR practices on organizational mission success and sustainability. Through the examination of the factors contributing to the use and application of downward accountability, scholar-practitioners could gain a better understanding of which factors may improve the overall decision-making, organizational performance, and financial performance (DiSegni et al., 2015; Mirabella, 2013; Wellens & Jerders, 2014).

This research has both a scholar and practitioner focus as it sets out to demonstrate how downward accountability may increase innovation in both operation and service delivery when combined with appropriate ICS. According to Abbas and Iqbal (2012), ICS are a manner by which an organization's management systematically uses resources to achieve the objectives with minimal loss of revenue through waste or unexpected costs. The generally agreed upon objectives of ICS are to ensure compliance with laws and regulations; reliability of financial reporting; and best practices in operations through efficient and effective practices (Abbas & Iqbal, 2012; Gamage, Lock, & Fernando, 2014). In adding to the body of knowledge about the phenomenon of the CSR–CFP link, this study provides further insight into the manner by which an organization may best make usage of downward accountability measures to improve the

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corporate image, the sustainability, and the financial performance as it tests and measures variables to ascertain a repeatable manner to implement CSR initiatives with the assistance of ICS for CFP that positively impacts a corporation's triple bottom line (Husted et al., 2015).

Definition of Terms

Various terms are used throughout this work and a general definition is provided for the reader's clarity.

Accountability (downward). A process by which actions and decisions of an organization or individual are reported to those parties that are the beneficiaries of the services performed to ensure recipient satisfaction with the intended mission, vision, and performance of the organization (Ebrahim, 2009).

Accountability (upward). A process through which the actions and decisions of an organization's decision makers are collected and reported to those parties that are required by either law or policy and procedure to receive a summary report of the actions, typically that of creators or donors that provide fiduciary support (Ebrahim, 2009).

Aspirational consumer. A consumer defined by a love of shopping that is coupled with a desire for responsible consumption and ability to trust in a brand to act in the best interest of society (Bemporad, Hebard, & Bressler, 2012).

Corporate financial performance (CFP). The gross revenues of a corporation or the cash flow generated from operations used to asses how well a company can use assets to demonstrate fiscal health over a given period compared to other firms in the same industry (Orlitzky, Schmidt, & Rynes, 2003).

Corporate social responsibility (CSR). A form of corporate self-regulation that goes beyond what may be required by regulators through which the organization participates in

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initiatives that benefit society and the environment (O'Toole & Vogel, 2011; Vallaster, Lindgreen, & Maon, 2012).

Ethical culture. The propensity of individuals within an organization or of an entire organization to respond to and conduct business in a manner that detects, corrects, and tries to prevent wrongdoing in an environment that responds positively to and supports corrective action (Akingbola, 2013; Kaptein, 2011).

Internal control system (ICS). The method of governance used by management to organize employees and business functions within an organization for operational efficiency (Xioa, 2011).

Nonprofit organization (NPO). This study uses the classification of the Internal Revenue Service as an organization with 501(c)(3) tax-exempt status that serves the public interest with its general purpose being to engage in charitable work. An NPO is also one in which the surplus monies or profits received are used to further the mission of the organization to benefit society and not the benefit of individuals, investors, or shareholders for private profit.

Ontic measurement. The type of quantitative measurement applied to objects or properties to explain how one is greater than another object or property which may be done by assigning a value, number, or degree of something one object or property has comparatively to another (Mirabella, 2013).

Ontological measurement. A form of nonquantitative measurement that is lead by a mere standard of what right or wrong, is said to fit, or otherwise associated with notions of that which is good, just, or beautiful (Mirabella, 2013).

Organizational culture. The set of consistent, organization-wide norms of a company for person–situation interaction that are learned, passed on, and evolve in accordance with both the

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passage of time and the correlating changes in the behavioral or moral trends of those that operate in both an official and an unofficial leadership capacity (Schein, 2010).

Outcome measurement. The degree to which an organization or individual meets its set targets to a company, governing body, or population (Benjamin, 2012).

Six Sigma company. A form of organization that has near-perfect ICS as it pertains to its techniques and tools for process improvement. Six Sigma companies strive to remove the causes of defects and minimize variability in an organization's business processes with a special infrastructure of people within the organization that follow a sequenced plan of steps to ensure value targets are met to reduce process cycle time, pollution, and costs while simultaneously increasing customer satisfaction and profits (De Feo & Barnard, 2005).

Triple bottom line. An accounting framework that focuses on three areas—finance, society, and environment—in seeking to evaluate a business's performance and ability to create greater business value (Elkington, 1994).

Assumptions and Limitations

This study examined the phenomenon associated with the accountability of those in the nonprofit sector and in the for-profit sector and assumes accountability has increased from various lessons learned from the observations of scandals in both for-profit organizations and NPOs. Incidents such as the collapse of the Enron Corporation and failings of the Red Cross, Apple, and Nike are recognizable reminders of the problems that arise from a lack of overall accountability as well as a lapse in downward accountability to the targeted population that each organization was trusted to service (Worstall, 2012). It was assumed that NPOs and traditional businesses are currently engaging in both upward and downward forms of accountability in some measurable manner that may readily be studied and analyzed for efficiency and effectiveness.

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Another assumption of this work was that the general strength of or attention to detail in the accountability requirements of a federal or state agency influences or correlates to the probability that an organization will engage in the accountability edicts and behaviors requested so long as the cost of transparency does not outweigh the benefits for the organization (Campbell, 2002; Garcia-Castro et al., 2009).

This study was limited in that it worked from the assumption that those interviewed and the respondents to survey instruments responded in an honest manner that reflects and recollects their experiences. This study also operated on the presumption that I did not introduce bias, maintained ethical standards at all times, and worked to ensure researcher errors were at a minimum while I conducted research in a manner that was controlled so that results are credible, privacy and confidentiality are maintained, and data security is ensured. A limitation involved the reliance upon the sampling method of a third-party survey company and worked from the assumption that the Survey Monkey's sample size, methodologies, and analysis provided valid and accurate data that are reflective of enough organizations to be have transferability to that of the overall population of corporations within the United States. Another limitation of the study may have arisen from responders skewing the answers in an attempt to personally punish individuals working for a particular company or to punish the organization itself for real or perceived slights. Finally, this study may have limitations in reliability and validity due to the scarcity of instruments designed to measure an institutions downward accountability and the reliance upon an imprecise nature of sociological research, which may limit the ability to use results as confirmation of factual information.

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Organization for Remainder of Study

The remainder of the study is organized into four additional chapters. Chapter 2 provides a literature review of the current research in accountability, accountability frameworks, ethical culture, organizational culture, CSR measures, and metrics used in measuring organizational performance and strategic competitive advantage as it relates to the theoretical framework of this work. Chapter 3 explains the methodology of the study to include the instrument used, the sampling process, the data collection and analysis, and the ethical considerations for this research. Chapter 4 explains the results and findings of the data collected. Chapter 5 is the culminating component of this study that includes a discussion of the results, a presentation of conclusions with the implications of the study, an explanation of the limitations, and a suggestion for future research.

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CHAPTER 2. LITERATURE REVIEW

The importance of using corporate social responsibility (CSR) for both accountability and financial performance purposes continues as the subject of much debate by scholars and practitioners. Previous scholars conducted studies to explain how organizations are systematically organized to address business efficiency, CSR implementation, and shareholder and stakeholder satisfaction. The literature review focuses on the topics associated with the current explorations into improving business accountability for products and services development. This study design includes traditional accountability, downward accountability, the historical perspective of CSR, the CSR-corporate financial performance (CFP) relationship, and internal control system (ICS) usage.

Source quality of the literature presented is addressed by incorporating works from leading academic journals that included specialized journals, management journals, marketing journals, accounting or measurement journals, and law journals. The scholarly provides for a fundamental understanding of how companies strive to meet consumer needs with maximum efficiency. Corporate efficiency is illumed in terms of the usage of ICS while also examining the outcomes of traditional accountability to top executives in the for-profit industry and the outcomes of downward accountability to funders in nonprofit organizations (NPOs). Downward accountability is the system the leadership of a company puts in place to inform stakeholders about the management of the company's tangible and intangible resources with an acknowledgement of the company's community impact or global footprint.

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The combination of ICS usage with downward accountability in a NPO and the combination of ICS with CSR in a for-profit business is also evaluated to assess the impact on the triple bottom line of the organization. Further, this study presents an overview of the business problem of establishing a business model that yields longevity and sustainability in the marketplace.

The phenomena of traditional accountability, downward accountability, and the history and evolution of CSR and ICS as the effect on the profitability and sustainability of businesses are explored through the integration of the rich historical and scholarly literature accumulated over the past 80 years. The major themes that arise or are repeated throughout the literature about that of ICS and CSR are also explored as these works relate to one or both of the concepts of control systems and social responsibility. This design of this review also includes works focused on for-profit business organizations with a brief mention that NPOs as the latter is still a form of business; although, they are often excluded in the empirical studies of the CSR-to– CFP relationship. This chapter reviews the intersection of ICS with that of accountability as these practices relate to the theoretical underpinnings of open systems theory and CSR theories.

Traditional Accountability: Internal Reporting to Top-Level Executives

A challenge in addressing the issue of accountability lies in the varied definitions of this concept in what is now a global marketplace from the prevalence of communication and other technologies. The vast array of cultures with their unique perceptions of what it means to be accountable adds to the difficulty in coming to a uniform consensus of what is meant by accountability. The term *accountability* typically refers to the administrative actions within an organization to address the monitoring activities that are in place by the government, the leadership, funders, civic organizations, or the public at large (Tan, 2014). Accountability and

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transparency are considered synonymous as both consumers and the general public increasingly scrutinize businesses for organizational legitimacy and fiscal responsibility (Tan, 2014).

According to Lindberg (2013), the notion of accountability has deep roots in the fields of finance and political science with the global development and public administration sectors becoming of interest only in more recent years. In organizations with leaders who use historical or traditional accountability systems, the reporting of activities and financial performance is structured to meet the demands and requirements of senior managers, trustees, and other parties that are responsible for funding and ensuring that capital and resources are used effectively and efficiently. Financial prudence and adherence to regulations to garner top performance ratings and avoid sanctions was the chief concern of decision makers and leadership power when the notion of accountability arose (Lindberg, 2013). This form of accountability is task driven with the tasks being defined by the relationship, needs, or priorities of the leadership (Benjamin, 2012).

Traditional accountability policies, which may be referred to as *upward accountability* policies, are needed and can function effectively within a company in that they do provide a basic hierarchical structure that is necessary for compliance with regulatory and legal requirements to assist in guarding against fraud and breach of fiduciary responsibility (Lindberg, 2013). Upward accountability is the reporting of activities to all parties of interest and especially to those who receive the services or products produced by an organization. This form of accountability is typically geared to assist a company in guarding against blatant financial misdealing such as embezzlement, false advertising, and excessive compensation not commensurate with a position's requirements or duties (Brunsson, 1989).

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Downward accountability may not account for the subtle nuisances of fiscal regulations and legal requirements in the same manner as upward accountability as demonstrated through the case of Enron. One-sided accountability issues prompted increased scrutiny of all forms of accountability in the business community as large-scale failings such as that of Enron began to surface (Welch & Welch, 2006). The Enron ordeal made matters of financial malfeasance a major issue and this scandal prompted consumers to be increasingly watchful of corporate transgressions. Scholars and practitioners alike use the case of Enron as evidence of the need for proper accountability measures as this company was able to hide more than $1 billion through the adept use of legal but unethical accounting practices (Welch & Welch, 2006). Enron was also able to waiver on the fine line between that which was unethical and that which was illegal through partnerships and bribes to foreign governments for contracts to justify its endeavors (Welch & Welch, 2006). It can be easily deduced that public frustration over the ability of Enron to dupe stakeholders, shareholders, regulatory agencies, and the government created a strong push for competent accountability and appropriate sanctions for corporate fiscal mismanagement and blatant malfeasance.

Accountability Issues

The globalization of business has also created accountability problems abroad for multinational corporations (MNC) as human rights violations from conducting business in foreign markets through the use of foreign labor markets took center stage in consumer scrutiny of business practices due to the Nike and Apple scandals (Parella, 2014). The household names and brand images for both Nike and Apple faced serious potential damage from what some termed or referred to as the outsourcing of their corporate accountability to those charged with conducting business on their behalves in the foreign countries in which these MNCs conducted

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business. Forced labor practices led to several employee suicides and child labor abuses presented serious accountability issues and challenges to the ethics of the leaders for Nike and Apple with both companies having to take reactive approaches to encourage better ethical and accountability diligence from suppliers in order to quell the rising protest from consumers and to prevent economic losses (Parella, 2014). Purely upward accountability to satisfy shareholders and funders leads to the ability to earn large returns or profits. Company leaders must address the social expectations of consumers in the marketplace or the sustainability of the organization will face challenges over time (Mansouri & Rowney, 2014; Parella, 2014). These examples demonstrated how upward accountability also requires the employment of ethical leaders to ensure that operating, capital management, and financial decisions are conducted according to both sound business practices and ethical discipline (Mansouri & Rowney, 2014).

According to Parella (2014), in the absence of proper accountability measures and an ethical management team or system, governance gaps may arise from corporate globalization. Governance gaps provide a prime breeding ground for a permissive environment to form with the result being all kinds of wrongful acts by individuals within companies as there is either no threat of sanction or no system in place to call for reparations for ethical or procedural violations (Parella, 2014). Governance gaps also threaten the sustainability of an organization by creating an environment that fails to meet societal expectations for responsible conduct. Leaders sought to address governance gaps through strategic human resource management initiatives (Akingbola, 2013).

Akingbola (2013) asserted that strategic human resource management used to ascertain the work ethic as well as the ethical philosophies of employees to conduct business in a meaningful manner helps to address some of the shortcomings of upward accountability. A

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challenge arises for company leaders with holdings in various regions, and in particular for those corporate leaders with operations in foreign markets, when trying to conduct business in an ethical manner that allows the organization to be downwardly accountable as the notion of what is ethical frequently differs by culture. Scholars and practitioners note an example of differing ethical expectations in conducting business with some Asian companies. Western cultures view gift giving as a form of bribery whereas various Eastern cultures view this as a normal component of conducting business. Kim, Fisher, and McCalman (2009) assert that different regions and cultural segments may have social norm variances that are impacted by a myriad of factors and result in vastly different societal expectations of what is ethical business behavior.

The Aspirational Consumer

Ebrahim (2005) also explained that, although needed, upward accountability is often shortsighted as it only partially fulfills the value of having a reporting structure in place to address concerns that arise from governance gaps and varying ethical perspectives. Leaders who solely design and rely upon upward accountability structures neither provide nor build in sustainability measures within the organization. These leaders that primarily use upward accountability structures may also fail to adequately satisfy the needs of consumers, especially that of those who consider themselves to be socially conscious (Bemporad et al., 2012). According to a 2012 study conducted by Bemporad et al., more than 2 billion consumers globally identify by market researchers as socially conscious or aspirational consumers in the marketplace. The vast number of consumers that identify as aspirational consumers makes this market segment a very lucrative segment for those able to meet this group's preference for products and services that are developed and delivered in a socially conscious manner. Companies may also do well to garner the aspirational consumer's repeat business or loyalty

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through the use of downward accountability measures that appeal to this segment's sense of doing good through evidenced and publicly shared CSR practices (Bemporad et al., 2012). The socially conscious, aspirational consumer's need to participate in community even while engaging in the affairs of daily life provides business leaders with a means to engage in an on-going cycle of sustainability. Business leaders need to capitalize upon interactive access made available through social media to engage with this market segment in a meaningful way that allows for the anticipation of consumer needs and that provides insight into upcoming purchase trends (Block, 2013).

The aspirational consumer weighs a company's corporate image and CSR practices in choosing with whom to conduct business. This socially and environmentally conscious consumer is one for which a business should advertise its triple bottom line with this focus on profit, people, and the planet (Block, 2013). Aspirational consumers most value corporations that engage in communicative practices or exchanges that demonstrate high core values dedicated to the well-being and best interests of stakeholders, consumers, and the environment through responsible behaviors and accountable reporting (Mansouri & Rowney, 2014). The aspirational consumer may be the best case example for doing good business to be a profitable company as this segment makes decisions based upon nontangible factors such as reputation with similar diligence as they do to tangible factors such as product or service features.

Downward Accountability: Meeting the Needs of Consumers

Downward accountability structures its reporting system in a manner in which a company reports its activities and financial performance for the people that are to receive its services or products. This form of business is typically likened to that of a company that structures itself with high CSR principles and practices. This line of thinking is a break from upward

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accountability's primary focus being on the hierarchal employee structure solely for revenue generation focus and places emphasis on the importance of the organization's corporate image through its manner of conducting business in a way to address a triple bottom line (Cullom & Cullom, 2011). Along these lines, according to Ebrahim (2009), a company needs to also account for the existence of the varying social and cultural context of its consumer base in seeking to employ downward accountability measures. Leaders of companies that are able to demonstrate social and cultural competency will have or develop a marked advantage over the competition as less money will be spent or lost on retractions and corrective advertisement (DiSegni, Huly, & Akron, 2015; Dowell, Hart, & Yeung, 2000).

Downward accountability is more often seen in and thought of as a reporting requirement for NPOs and in the educational community to provide the targeted community with services and programs that best meet the needs of their beneficiaries (Ebrahim, 2005). Savitz and Weber (2006) explained, however, that similar to NPOs that address public social needs, for-profit businesses can also achieve economic, social, and environmental success to foster a sustainability advantage over those that do not employ such practices. They also argued that downward accountability is more than just a mechanism utilized to elicit a positive emotional response. Downward accountability ensures that company with the perfect product and the potential for significant profit margins does not engage in a pointless enterprise because consumers refuse to patronize this business for its association with a supplier known for exploitative practices such as the underpaying of workers or the use of child labor (Wood, 2010).

Those who do not support downward accountability through use of such tools or philosophies as that of the triple bottom line argue that these extra accounting practices do not readily equate to financial gains and CSR initiatives may be costly or impossible to implement in

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all business industries. Triple Bottom Line (2009) also explains that the triple bottom line practice has three separate accounts that do not easily add up to quantifiable or measurable profits in the form of cash. Opponents argue that it is hard to measure the cost of the planet and people accounts and money and resources may be needlessly lost chasing the notion of or stressing the need for downward accountability. The difficulty in measuring the human and environmental components of the triple bottom line are also said to render these areas as advisory communication protocols at best and even unenforceable (Robins, 2006).

According to Akingbola (2013), downward accountability measures also improve communication channels within an organization as it ensures that proper accountability about how funds are used, how objectives are being met to the liking of all parties, and how limited resources are being utilized to provide the best value for the money with all activities being optimally aimed at contributing to the business' mission. In designing an accountability system that meets the requirements of both upward and downward accountability needs, Tan (2014) suggested that any sound model should consist of mechanisms to address these four chief concerns to have a complete accountability system: (a) To whom does the organization need be accountable? (b) For what does the organization need to be accountable? (c) How should the organization set about to demand accountability? and (d) how will the organization evaluate and ensure the effectiveness of its accountability system?

The Rise of Corporate Social Responsibility

Although the notion of doing good while doing business to do well as a business seems to be of particular interest given the recent rise in consumers that self-identify as conscious consumers. The origins of corporate social responsibility (CSR) being put into business practice has roots that are credited to extend back to at least 1917. It was during 1917 that the founder of

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Ford Motor Company asserted that the desire of the company enterprise was to not only make money but to also do as much as possible for people associated with the business, referencing the company workers and consumers alike (Carroll, 1999). Practitioner usage of CSR as a guiding philosophical principal clearly predates its usage as a formal strategy or construct based upon empirical evidence by scholars (Carroll, 1999).

The scholarly community generally accepts the notion that research on the implementation of CSR by those in academia spans more than 60 years and many believe that Bowen's (1953) seminal work in the field of study was dedicated to CSR. This work set forth the premise that large businesses touched the lives of citizens through the very decisions and actions that these organizations engaged in while attempting to become and remain profitable. Carroll (1999) suggests that Bowen should be considered the progenitor of CSR and credits him with developing the first description of the social responsibilities of those in the business industry. Bowen specifically used the term *social responsibility* to describe the interactions designed by businesses to have a positive social impact on society. Bowen (as cited in Carroll, 1999, p. 270) further explained the social responsibility of businesses to have a positive impact was an obligation to create policies that direct decisions and action to the most favorable societal values and objectives.

The socially responsible thinking of businesses during the beginning stages of CSR implementation were notably explored as Bowen (Carroll, 1999, p. 270) mentioned *Fortune Magazine*'s 1946 survey of the social activities of business leaders in his seminal work. Bowen explained that it was the editor of *Fortune Magazine* that suggested that business leaders were responsible for the outcomes and consequences of their actions in a manner that extended beyond the financial performance noted in their ledgers. *Fortune Magazine* gets a nod in the history of

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the scholarly explorations of CSR as it was mentioned in Bowen's 1950s work and as McGuire's 1960 work (Carroll, 1999, p. 271) furthered the notion of social responsibility to indicate that corporations have obligations that extend to society beyond those that are solely economic or legal. Attempts to build upon and codify the preliminary CSR definitions developed during the 1950s was a key focus of scholarly writings during the 1960s as well as the building of brand dominance through CSR activities designed to increase market values and secure greater customer satisfaction (Wang, Dou, Jia, 2015).

Friedman (p. 173) argued in his 1970 work that CSR was a political construct from the socialistic perspective of governing and not a real business market mechanism except in its usage by managers as a mechanism through which to advance the personal agendas of leaders. According to Friedman's perspective, the responsibility of a business is to create profit for its shareholders with the social strategy being likened to a mere public relations tool. Good business then would include corporate philanthropy to ensure for the benefit of the investor over time so long. The resulting implication is that an effective CSR program would ensure that CSR expenditures do not eclipse the maximum profitability attainable for investors (Friedman, 2007). Friedman's perspective supports the notion that the institution of CSR practice into business strategy is feasible when the profits outweigh the costs and a return on investment is highly probable. The paragon of doing good business merely for the sake of assisting people and the community is not of particular import with this emphasis on financial gain.

Eilbert and Parket's (1973) insights into the phenomena of CSR differed from that of Friedman as these authors viewed social responsibility as a matter of demonstrating good corporate citizenship in the community. This notion of a corporation being a good participant or neighbor in the community is demonstrated by the business ensuring that the practices do not

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harm the community but instead engage in the voluntary obligation to resolve or address community issues (Eilbert & Parket, 1973). The function of a business as a corporate citizen prompts leaders to make decisions that strike a balance between what proves to be profitable and what proves to be in the best interest for the good of the community in which the company is located. The perspective of a business community functioning as a corporate citizen would ensure that business leaders engage in actions that demonstrate that people matter more than money, with the inference being that the ends do not always justify the means.

Johnson (1971) then sought to define and present various views of CSR and elaborated upon previous thinking by explaining that companies also need to consider the sociocultural aspects of doing business in addition to the socioeconomic goals. The sociocultural perspective on engaging in CSR activities promoted the notion that stronger societies will emerge from the combined forces of businesses with communities as they work together to address problems that impact that particular community. The simplified expression for this form of seemingly symbiotic relationship is simply conveyed as a prosperous community is good for business so a business would do well to care for the community in which it is located (Pfeffer & Salancik, 1978). Pfeffer and Salancik (1978) defined this notion of doing good in the community so that the business may flourish through interdependence as business depends on the external environment for survival. Organizational leaders justifiably position a company to garner sustainable profit margins over time by ensuring that the community in which the company is located is thriving.

The Beginnings of Ethical Considerations in Corporate Social Responsibility

Corporate social responsibility (CSR) then came to be temporarily perceived as an ethical issue by some scholars. In 1972 Manne and Wallach (as cited in Isa, 2012, p. 329) argued that to

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truly be for the good of society, CSR initiatives need be undertaken purely as voluntary endeavors and not as a response to expected societal norms so that the financial returns would only be marginal in comparison to other corporate activities. Thus, CSR was likened to charitable giving or corporate philanthropy with no linkable expectation for a financial return for such actions (Carroll, 1979). This point of view was soon eclipsed by the assertion that CSR could positively impact the community while it simultaneously had a positive impact on the economic gains of an organization (Alexander & Buchholz, 1978). Alexander and Buchholz (1978) further exposed scholars and practitioners to the possibility of a CSR link to CFP as the relationship between CSR initiatives with that of the stock market performance of an organization was explored.

The scholarly research of this period also suggested that positive economic gains from CSR initiatives could come in the form of attracting better employees, creating a strengthened brand image or value, and meeting customer needs in more than a basic manner. CSR practices were discussed regarding these initiatives being an offshoot of individual leader morality and as a rationality of an ideal notion of corporations to conduct business in an ethical manner (Ladd, 1970).

CSR initiatives grew to incorporate what many scholars and practitioners termed the three *P*s of *people*, *plant*, and *profit*, with the social aspect being shaped in such a way as to include human rights, employee relations, diversity issues, and service and product safety issues in addition to the focus on the community in general (Isa, 2012; Eells & Walton, 1974; Johnson, 1971). Backman added to the CSR discussion by suggesting that businessmen need to give weight to various other factors outside of those that deal with economic performance and specifically identified the employment of minority groups, reduction of environmental pollution,

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and health and safety concerns to those things CSR initiatives should address (as cited in Carroll, 1999, p. 279).

Cause-Related Marketing for Corporate Social Responsibility

Cause-related marketing for CSR was largely viewed as a business marriage between corporate philanthropy and sales promotion. The promotion component was illumed through a business leader's public disclosure of the company's activities to finance or contribute to causes deemed as worthwhile by prospective consumers in the marketplace. The perspective on the growing areas that CSR initiatives should address prompted various organizations in later years to partner with NPOs so that the particular NPO could lend its service reputation to that of the for-profit organization. In this mutually beneficial partnership, the NPO could receive funds while the for-profit organization could bolster its brand name and corporate image. Perhaps one of the most common examples of this mutually beneficial relationship of cause-related marketing occurs when the leaders of a corporation donate a certain percentage of company sales to that of a NPO that addresses a particular cause or community concern (Rozensher, 2013).

Cause-related marketing appeared in the scholarly writings in the 1960s. The first known simple case of practitioner cause-related marketing occurred in 1974 when John T. Carr created Carr & Associates International whereby buyers could donate funds toward the charitable cause of their choosing. Quickly following this, the first major cause-related marketing campaign began a partnership between the Marriott Corporation and the March of Dimes (Bruton, 2016). Exchanges such as these created by cause-related marketing were viewed as strategic means to increase profits. Proponents of cause-related marketing believed that the appeal of contributing to an important cause or concern of the targeted consumer segment would increase the appeal of the product or service being offered over that of a similar product or service by a competitor that

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was not engaged in such a CSR initiative (Rozensher, 2013). Business leaders believed cause related marketing would elicit an emotional response in the potential consumer that would influence buying based on positive non-tangible associations ascribed to the business' attachment to a social cause.

Counter to this rosy view of cause-related marketing, Eikenberry (2009) explained that the use of cause-related marketing as a CSR initiative should be challenged or used with caution by business leaders. The need for caution stems from the hidden costs associated with the use of this strategy. Fombrun, Gardberg, and Barnett (200) furthered the idea that business leaders using cause-related marketing may encounter reputation risks if the chosen cause or chosen vehicle through which to address the cause encounters image issues. The hidden costs dangers become evident when various cause-related marketing measures do not yield the results desired and even result in both tangible and intangible losses that negatively impact the bottom line. Economic losses from cause-related marketing occur when a business contributes to a cause that is not of interest to its consumer base or contributes to a non-profit that falls under scrutiny for some perceived or real impropriety (Eikenberry, 2009; Fombrun, Gardberg & Barnett, 2000).

Considerations for the Measuring of Corporate Social Responsibility

Concern over the effects of corporate social responsibility (CSR) initiatives, whether the results are typically beneficial or harmful exploits, prompted various groups to really question the merits of such undertakings. CSR measurement grew in interest to scholars and practitioners as scholars desired a mechanism through which to ascertain how these initiatives impacted CFP and as practitioners were desirous a replicable manner to implement CSR in a manner that positively impacted the CFP (Abbott & Monsen, 1979). Abbott and Monsen (1979) developed a self-reporting scale for corporations to use, the Social Involvement Disclosure scale, from annual

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reports from *Fortune* 500 companies. This scale highlighted various social responsibility topics to indicate six specific CSR involvement categories: environment, personnel, community involvement, equal opportunity, product, and other (Abbott & Monsen, 1979). While these first explorations into the measurement of the CSR-CFP relationship based upon the self-reporting of executives provided a good starting point, the accuracy of the data disclosed may be called into question as executives desirous of being viewed in a favorable light may have embellished upon the scope and fidelity of their level of implementation of CSR initiatives.

The early self-reporting explorations most likely spurred scholars to conduct more data informed empirical studies to try to ascertain the relationship between CSR initiatives and CFP within the organization that sought to make use of such social strategies in the company's strategic business structure and plan. The 1980s experienced a prolific rate of increase in this area of study and practice by both scholars and practitioners. Notably, Jones (1980) set out to once again try to clarify what it meant for a business to engage in CSR initiatives by suggesting two criteria. The first criterion was that the action had to be a completely voluntary undertaking that was not subject to coercion by the government through force of law or union obligation (Jones, 1980). The second criteria for an activity to be classified as a CSR initiative was that it extended beyond the suggested regular duty to shareholders or immediate societal groups (Jones, 1980). CSR exists as more than a goal to be achieved for notoriety. Participation by organizational members into CSR initiatives needs to be viewed as a process that should evolve and change as goals and people change. CSR initiatives are not meant to be developed or to grow in isolation from the strategic goals and community the business leadership aims to serve.

Tuzzolino and Armandi (1981) suggested a yardstick by which to monitor CSR initiatives within an organization similar to the hierarchy established by Abraham Maslow for human self-

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actualization. In this manner, a needs hierarchy could be established within an organization specific to its needs to ascertain how to best meet the basic survival and then the other higher level growth needs so that the organization could progress towards organizational self-actualization in a parallel manner to human growth as depicted by Maslow (Tuzzolino & Armandi, 1981). Practitioners using this form of hierarchal organization system empower their employees to help grow the company by clearly defining the expectations and needed outcomes at each level.

Dalton and Cosier (1982) presented a very simplified view of CSR practices within an organization in defining them as engaging in activities or practices that were both legal and responsible. A view of CSR as merely actions that are legal and responsible does not equate to a strategy practitioners may use for business growth nor does it adequate to actions genuinely in the best interest of potential consumers or the community in which a business is located. Cochran and Wood (1984) examined the growing interest in the usage of CSR initiatives for financial performance and sought to test manners CSR could be operationalized into positive financial performance. Drucker (1985) furthered the assertions that CSR and profitability were compatible to suggest that these initiatives should also provide business opportunities for increased economic benefit. Clear direction about strategy development continued to remain absent from the literature, leaving practitioners to postulate a course of action best suited for the strategic growth of their companies.

In response to inquiries by both scholars and practitioners, Aupperle et al. (1985) conducted an empirical study to define and explain the relationship between CSR and CFP by way of a fixed choice survey given to firm representatives to gauge the organization's attitude toward and implementation of CSR initiatives. This study, however, did not prove that a

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significant correlation existed between the practice of CSR and CFP (Aupperle et al., 1985). McGuire, Sundgren, and Schneeweiss (1988) also conducted a study to examine the existence of a relationship between CSR and CFP by utilizing the corporate reputation ratings provided by *Fortune* magazine. This study only yielded marginal correlational results (McGuire et al., 1988). The scholars of the 1980s strove to examine the structure of the theoretical perspectives as well as the reliability and validity of measurements of CSR in relation to CFP with the leading articles of this time explaining CSR through stakeholder, resource-based, and marketing theory (Wang, 2015). Empirical studies from this era were not able to produce a consistent measurement of or results for the relationship between CSR and CFP.

The Call for Empirical Explorations Into the Corporate Social Responsibility–Corporate Financial Performance Relationship

The period of the 1990s is said to have used the definition of *corporate social responsibility (CSR)* as a starting point for explorations into other themes with scholars departing from studies solely dedicated to the CSR phenomenon. Themes that were strongly associated with that of CSR were more readily explored with a significant portion of this work focusing on ethics in business, corporate citizenship, and stakeholder theory. Carroll (1991) revisited the four-part definition he had previously espoused that held that CSR was comprised from economic, legal, ethical, and philanthropic endeavors by an organization. Carroll (1999) further explained these four categories in pyramid form with the base being economics or the manner through which a business can become and remain profitable. The scholar and practitioner were also admonished to note that these categories were not to be worked through in sequential order but to be addressed simultaneously, at all times (Carroll, 1999).

Carroll’s 1999 four-category definition pyramid organized the multiple responsibilities of an organization and also explained the organization’s strategic manner of addressing these

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responsibilities as reactive, defensive, accommodative, or proactive responsiveness. Practitioners striving to produce a strategic CSR initiative to yield positive financial performance were given key insights into the full scope of what needed to be addressed by the suggestion of the four category period. The activities in the four categories could also have a measurable impact upon CFP with regards to the expenditures in the areas of economics, legal, ethical, and philanthropic endeavors. The combination of these factors with regards to a specific return on investment can be generally measured but not specifically attributable to any one specific category as other variables are able to influence financial outcomes.

A precursor to the attention to profitability that seemed to be the main theme of the 1990s was from that of Cochran and Wood (1984) in which the relation to the operationalization of CSR for corporate financial performance (CFP) was researched to try to ascertain if socially responsible businesses were also the financially sound and financially flourishing organizations. According to Zadek (1998), ethical and social considerations became of growing importance in the desires of governance to deepen stakeholder relationships on nonfinancial as well as financial matters to organically grow involvement in CSR initiatives for strategic mission success. This perspective saw an emerging pattern of interest in social and ethical accounting, auditing, and reporting (SEAAR) as the concern about balancing ethical corporate practices with financial interests grew amongst scholars and practitioners due to the public and consumer concerns (Zadek, 1998). Public and consumer concerns grew in response to corporate scandals in for-profit companies and allegations of financial malfeasance in NPOs. Company leaders sought ways to garner and keep the corporate image from becoming tarnished with scandal and CSR initiatives seemed like the appropriate tool to address these needs.

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Patten (1990) explored the CSR to CFP relationship from the perspective of how the market reacted to the influence and insertion of social responsibility into organization financial accounting practices. Reputation from CSR initiatives was also a theme often repeated and explored as a key component to CFP (Fombrun & Shanley, 1990). Fombrun and Shanley's (1990) empirical study of 292 large business corporations was conducted to ascertain how consumers formulate their opinion of an organization for its reputation to be established especially as it pertains to the organization's self-disclosure and position within its particular market. This lead scholars to also view the CSR–CFP relationship through the real cost to the organization as business leaders wanted to ensure that money was being well spent in terms of a positive return on investment (Blacconiere & Patten, 1994; Dlitz, 1995; Freedman & Stagliano, 1991; Patten, 1991). Hamilton, Jo, and Statman (1993) then examined the financial benefits of CSR through an examination of the performance of those mutual funds deemed to be socially responsible with the results of the study demonstrating no statistically significant difference from the performance of those mutual funds considered to be traditional. Practitioners were again left with no clear strategic tool and no financially justifiable rationale for the development of a CSR initiative by the lack of statistical significance garnered from the theoretical explorations of this period.

Further explorations into the existence of a link between the reputation of an organization for being socially responsible and its economic performance continued because scholars wanted to prove that a business could do well financially while also being a good corporate citizen engaging in CSR behaviors (Dooley & Lerner, 1994; Herremans, Akathaporn, & McInnes, 1993; Simerly, 1995). Waddock and Graves (1999) explored various empirical works done to ascertain the existence of or nature of the relationship between CSR and CFP based upon how these

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studies integrated three areas of management: quality, stakeholder treatment, and social performance. This work found that the notion of the management's quality, average or exemplary, significantly influenced the corporation's ability to perform socially and financially (Waddock & Graves, 1997). The advantages of hiring skilled management and leadership were shown to be even more necessary for strategic growth and financial performance. The hiring of skilled management did not, however, substantiate a correlation between CSR and CFP.

Contrary to this positive view of and aspirations for the usage of sound CSR principles to positively impact the finances of a corporation, Brown and Perry (1994) sought to remove the proverbial halo from some of *Fortune* magazine's top picks for organizational performers with socially responsible practices. Brown and Perry sought to remove the influence of secondary proxy measures in trying to assess the actual innovation, ethical management, and financial performance of an organization absent the constructs of interest to *Fortune* that only captures a portion the actual data and, thus, may be skewed or have measurement errors. Removal of the proverbial halo from these companies thought to be exemplar in CSR work entailed examining more tangible data absent the redactions of top executives. A less skewed depiction of a company's CSR practice is attained when measurement is data driven and absent the editorialized commentary and politically correct, filtered responses.

Some scholars and practitioners have asserted that the existence of a positive relationship between CSR and CFP was born of the desire of persons to have ethical business practices be viewed as best. The notion that the positive CSR-CFP relationship was not based upon repeatable models and data has roots from that of Aupperle et al. (1985) and McGuire et al. (1988) with these scholars finding that either none or a mixed relationship existed between CSR and CFP. This finding of none or a mixed CSR-CFP relationship was again repeated in the study

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of Coffey and Fryxell (1991). Some scholars have even set forth and explored the premise that CSR practices can actually negatively impact a company's CFP and found that CSR minded corporations may actually create a competitive disadvantage for themselves through the cost incurred in establishing these initiatives and in trying to enact such measures with due diligence (Friedman, 2007; Jensen, 2002; McWilliams & Siegel, 1997). The results appear to be more akin to an ongoing debate with each side trying to select data or measurement techniques that will most favorably support their argument. The ongoing inconclusiveness of the CSR to CFP relationship is evident if the lack of scholarly suggestions to practitioners about a specific strategic course of action that may be implemented to yield a sustainable growth and repeatable positive financial performance.

The New Millennium: Repainting the Corporate Social Responsibility Portrait

At the turn of the millennium, scholars again sought to explore the notion of corporate citizenship. Renewed interest in corporate citizenship was spurred by the rise of socially conscious consumers. Corporate leaders, desirous of remaining solvent and profitable, responded by engaging in social or CSR strategies that aimed to bolster their organization's corporate brand image and socially conscious reputations. Corporations were faced with the need to address social responsibility issues from motivations inspired by the notion of profit maximization and altruistic promptings as well as for preemptive protection campaigns against political lobbyist and social activists (Baron, 2001). This need to address the pressures of including social responsibility practices into company business plans prompted a resurgence in the study of the link between CSR and CFP by scholars as practitioners wanted to ensure the most financial return for dollars invested in CSR (Wang, Dou, & Jia 2015).

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Margolis and Walsh (2003) are considered to have conducted some of the most comprehensive reviews of the past studies on the CSR–CFP link in examining over 127 studies. From these reviews, Margolis and Walsh (2003) explained that out of the three possible outcomes of a positive relationship, mixed relationship, and no relationship, the majority of studies found that a significant or positive relationship existed. CSR initiatives were also explored as it pertains to the impact of such measures upon other business phenomenon that influence CFP such as the attracting of higher quality employees and the attracting of new, unforeseeable business opportunities (Fombrun, Gardberg, & Barnett, 2000; Greening & Turban, 2000). The attraction of higher quality employees as a result of CSR initiatives aids a company in tangible ways and provides a cost savings on training expenses. A more skilled, more productive human capital with a lesser turn-over rate also provides a company's management team with a better quality of work and a reserve of intellectual property from which to improve or develop better products and services.

The international use and incorporation of CSR initiatives into foreign business practices also became more visible in the scholarly literature due to organizations being increasingly a part of the global economy as a necessity and not as a novel idea (Dowell, Hart, & Yeung, 2000; Hart & Sharma, 2004). Expansion in the business markets in Brazil, Russia, India, China, and South Africa by the United States and European countries prompted increased writings about and from these areas as it pertains to business opportunities and business practices, which include that of CSR for CFP in the global marketplace. Ahmed et al. (2012) explained the CSR link to CFP from the perspective of its application to the Bangladesh banking sector with this work finding that the average return on asset ratios to be higher in those banks with high corporate social performance scores to indicate that the strong practice of CSR initiatives correlates to improved

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financial performance. Ahmed et al. (2012) also noted that similarly to that of previous empirical studies on the CSR link to CFP, the correlation could not be proven statistically proven. The inference is that although the raw data shows that those companies that use CSR have greater CFP, the actual link can not be precisely verified or proven through current statistical analyses.

Fauzi, Mahoney, and Rahman (2007) and Setiawan and Darmawan (2011) furthered the explorations into the CSR link to CFP in each of their works. The CSR-CFP link was investigated to ascertain how it applied to companies in Indonesia. Similar to the application of CSR principles to the Indonesian market, Vitezic (2011) explained that CSR initiatives have a link to CFP through a correlation between social responsibility and efficient performance in the Croatian marketplace. Explorations in the CSR-CFP relationship in burgeoning markets continued to yield similar results as studies conducted in traditional markets.

Although more than 60 years of study and practice have been dedicated to finding and perfecting a correlation between CSR and CFP, the results have not yielded a definitive answer to this question nor a formulaic, replicable implementation strategy for financial success. The results continue to produce mixed results with empirical studies only succeeding in labeling the relationship between corporate social performance and CFP. These relationships continue to be labeled as one of three possible associations: positive, negative, or none. The relationship between CSR and CFP is likened to that of a virtuous cycle with those companies with good CFP being able to engage in more CSR practices and those companies that engage in more CSR acquiring more financial gains (Orlitzky et al., 2003). Incumbents that are well established in an industry with greater revenues or wealth would be best positioned to engage in CSR practices. Start-up companies, market newcomers, and small enterprises with less liquidity of resources

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would be less able to engage in CSR initiatives unless these practices were built into the initial platform or core vision of the business model.

Corporate brand image was stressed as a vital component of an organization's ability to engage in and capitalize upon CSR initiatives with due diligence and by a company's accountability measures. Cullom and Cullom (2011) further explain that optimal corporate-wide communication for brand image maintenance and accountability requires the capture and the systematic sharing of tacit knowledge and operational processes. Employees must be able to repeat activities that proved beneficial for the management of its brand image, program, and service delivery. Repeated, systematized processes for sharing information, knowledge, and processes are an important component in the building of the ICS within the organization and in furthering corporate-wide efficiency in service delivery and image maintenance.

The Origins of Open Systems Theory and Accountability in Business

The business environment made use of traditional accountability measures to report financial gains and losses with little challenge until large corporations created tensions in the marketplace from scandalous financial dealings. In addition to traditional accountability practices, market innovators demonstrated that businesses could be socially conscious and make a profit. These seemingly new philosophical perspectives on how to conduct business methodically while simultaneously showing CSR to have historical roots in the open systems theory of Ludwig von Bertalanffy. The open systems philosophical point of view originates from the disciplines of physics and biology (Dunphy, Benevinste, Griffith, & Sutton, 2000). Use of a theory derived from disciplines that address the cycles of animate, living organisms, and that of motion provide a metaphorical slant on or anthropomorphic look at business as an entity with a life cycle, capable of both growth and end.

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The person, recognized as the founder of general systems theory, Ludwig von Bertalanffy, set forth the theoretical notion that an organization is a system in which various independent parts function as a whole for some purpose, with the two basic types of systems: closed and open. According to von Bertalanffy (1950), closed systems, as the name implies, were those that were neither influenced by nor interacted with the environment. Open systems are those that, as a matter or practice, interact with the environment in varying degrees to try to generate a form of synergy between all parts. In open system exchange, the maintenance of a steady state or sustainable position may serve to mitigate entropy or business decay through endeavors that function to increase states of order and organization within a business enterprise (von Bertalanffy, 1950).

The business world considers the issue of sustainability a major corporate challenge of this millennium especially in light of the globalization of the business market (Dunphy et al., 2000). The globalization movement in the business realm relates to that of the open systems theory of von Bertalanffy (1950). The correlation is shown as business leaders can no longer adequately function as closed systems in which no material or information enters or leaves. Business leaders need to understand that in order for a business to thrive, it must act as living, growing an organism that maintains viability through the exchanges of materials with the environment, or marketplace as is the case for businesses. In this manner, business leaders are better able to continually build up and break down their components in order to remain viable entities in their respective markets. Business leaders need to function as if they encompassed organic metabolisms that establish and maintain a continuous flow of materials. This perspective requires business leaders to both respond to stimulus and to work to reestablish or maintain a steady state through self-regulation of the business, with this self-regulation including that of

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accountability to others in both the immediate business ecosystem as well as those in the business's respective industry.

Leaders of a multinational corporation (MNC) or a company seeking to conduct business overseas need to ensure that the ethics and the practices of the base company are well established and functioning optimally prior to seeking to do business in foreign economies. Leaders who establish an ethical set of core principles and practices are better poised to avoid unethical business dealings and exploitative interactions of other people. Zadek (1998) explained that a company would need to balance its ethical framework with its financial performance measures to ensure that it is indeed making use of downward accountability measures, which entail accountability in its treatment of and reporting to all shareholders, stakeholders, and intended consumers in the environment.

MNCs conducting business onshore, near shore, and offshore must also explore the relationship between a company's employment of CSR initiatives with that of the correlating financial performance as an area of ongoing discussion. Verschoor (1998) suggests that ongoing study and business planning in needed to be carried out by MNCs to postulate if a reliable strategic advantage or competitive advantage will result. Mason and Simmons (2014) further explained that there is growing resurgent discord in the business community about the profitability of acting in a socially responsible way or in a way that society defines as good. The financial success of professionals leading MNCs in countries that do not incorporate CSR initiatives into the company structure brought helped to bolster this resurgence in the challenge to the notion of the profitability of doing good. The notion of doing good to be in a better strategic position to make a profit is also challenged by the fact that different cultures have different standards of what is considered good or a socially acceptable, ethical business practice.

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Researchers in business ethics chimed in and added that high-quality management might also impact the ability of a company to fully integrate an organization's social performance or CSR initiatives across the entire business in a meaningful manner. Opponents suggest that CSR became rhetoric with initiatives increasingly becoming watered down and oversimplified public relations statements versus that of true strategies focused on positively impacting the financial bottom line (Romzek, 2015).

The process of getting both ICS and CSR ingrained in the overall accountability systems within the organization must begin as a top down function if these measures are to be built into the company's business plan and strategic framework. The growing controversy arising about the actual impact of using CSR in conjunction with ICS on a company's financial performance may significantly influence management's decision to incorporate or to discontinue to use CSR in the strategy of the organization as opposed to the use of just traditional accountability practices, in which all gains can be measured numerically (Mason & Simmons, 2014).

Building and Maintaining Internal Control Systems

Internal control systems (ICS), generally speaking, are all procedures and activities an organization engages in to control risks to the organization. ICS are a company's systematic manner of assuring that an organization's objectives in operational effectiveness and efficiency are reliably compliant with reporting regulations. Leaders must ensure that an ICS addresses both internal policies as well as external regulations and laws are adhered to in order to reduce the likelihood of fraud and improve employee performance (Rodgers, Soderbom, & Guiral, 2015).

The ICS developed by the leadership serves an important role in identifying fraudulent activity and in protecting the organization's tangible and intangible resources from mismanagement. Under the Internal Control–Integrated Framework from the Committee of

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Sponsoring Organizations of the Treadway Commission, an internationally accepted definition of *ICS* was agreed upon to consist of five components or responsibilities within an organization: (a) set the tone for the organization by influencing the control consciousness of its employees; (b) identify and analyze the relevant risks to the achievement of the company's objectives; (c) ensure proper communication of information throughout the company to enable employees to carry out their responsibilities; (d) control the policies, procedures, and activities in the organization to ensure that managerial directives are properly executed; and (e) monitor the processes used to assess the quality of internal performance over time (Chang, Yen, Chang, & Jan, 2014; Thornton, 2009).

The purpose of ICS can be further simplified into five general areas of management: integrity, competent personnel, duty segregation, record maintenance, and procedural safeguards that need be evaluated to guard against corruptibility and fraudulent activities of management and employees (James, 2015). An ICS that is properly combined with accountability measures is demonstrated in the management's collection of data from subordinates so that the data may be analyzed for statistical reporting within the leader's respective area within the organization. Agbejule and Jokipii (2008) explain that data collection, analysis, and reporting are essential to establish internal and external ICS that promote company-wide comprehensive improvement of business practices and systems. Leaders need to also use ICS to ensure for the proper flow of information within and without an organization so that strategy implementation is in no way corrupted, blocked, or enacted in a limited capacity (Choi, Choi, Hogan, & Lee, 2013).

The ICS that is created and used by management is also directly responsible for ensuring that employees understand their duties as well as the strategic direction of the company. The ICS designed by the management team is a mechanism through which business leaders in an

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organization try to mitigate the impact of human error, waste of resources, and occurrence of ethical violations stemming from either collusion between enterprise sectors within the corporation or abuse of power by management (Xiao, 2011). The ICS within an organization need to also have protocols in place to align the company's personnel development and work goals with those of the organization in a manner that motivates or influences the employees to meet the organization's performance indicators (N.C. Brown, Pott, & Wompener, 2014; Chang et al., 2014). Business leaders need to motivate employees to meet organizational goals and to adhere to ICS standards assist in stabilizing the human capital with this stabilization providing a strategic cost savings for the company.

The ICS is not a guarantee or absolute assurance of operational success or the accomplishments of business objectives within an organization as scholars and practitioners explain that even with reasonable diligence operational and strategic objectives may depend on factors outside of the business' enterprise or control (Christensen & Laegreid, 2015). Choi et al. (2013) further explained that weaknesses in ICS might occur when there is not proper alignment between the total number of personnel implementing internal controls with the total number of personnel employed by the business as this creates an imbalance in accountability both upward to management and downward to consumers. Business leaders intending to strategically use an ICS must do so with fidelity. Partial implementation either from a lack of company-wide awareness of expectations or from a shortage of workforce capable to carryout the ICS process will not achieve the best results and desired strategic outcomes.

The Intersection of Downward Accountability and Internal Control Systems

Downward accountability initiatives coupled with internal control systems (ICS) can create lots of work for the staff in trying to report to various persons and entities. Systematic,

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structured reporting protocols need to be in place to ensure that reports are verified and provide a relevant guide for leaders. Structured protocols and reporting allow for effective action, relevant and timely project plans, and attention to more than just the most powerful stakeholders. Morrison and Salipante (2007) explained that organizational leaders would need to implement a practice of negotiating accountability to account for the complexity of integrating downward accountability measures with that of ICS. Part of this complexity of integrating downward accountability with that of a company planned ICS stems from the ethical dilemma that arises in auditing personnel. Internal audits are needed to ascertain if personnel are intentionally being dishonest in their interactions or if they have an unintentional bias in the scope of their reporting to different business segments, shareholders, and stakeholders (Guiral, Rodgers, Ruiz-Barbadillo, & Gonzalo, 2010). Bias reporting, whether direct or unintentional, hurts the company overtime. The skewed data becomes the baseline from which future programs and initiatives are based. Slight deceptions meant to bolster the company image to stake and shareholders later turn into costly foundational errors as corrections will need to take place to for proper financial investment, product planning, and service programming. The effectiveness of the company's ICS may be inappropriately deemed inefficient and inadequate when the faulty implementation and reporting of the leadership may be the real culprit.

Rodgers et al. (2015) illumed the necessity of overcoming the perceived and real complexities of integrating and evaluating the intersection of downward accountability structures with that of ICS. At the intersection of downward accountability and ICS lies a mechanism through which proper ethical CSR initiatives are enacted to reduce fraud while producing unparalleled security within the company and enhanced convenience and quality of services or products to consumers (N. C. Brown et al., 2014; Rodgers et al., 2015). Proponents of the use of

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downward accountability and CSR initiatives for CFP suggest that a proper model for implementation needs to be found to help mitigate ethical issues that interfere with the fidelity of implementation.

Lee and Fargher (2013) expressed the belief that even when downward accountability measures and ICS were in place with full employee awareness of what constitutes wrong doing, this was still no guarantee that personnel will be more likely to report misconduct to all parties even when demanded. Fiscal constraints that arise due to socioeconomic and political issues such as depressions or recessions further complicate the fidelity of the leadership to properly implement downward accountability and CSR initiatives. The leadership may scrutinize the operational and capital budgeting projects to such an extent that those measures that are not found to directly produce an increase in the financial bottom line lose appeal and are not viewed as worthwhile ventures from a perfunctory or surface view. This perspective of financial business planning may make it a challenging prospect to promote the cause of investing in a means to integrate downward accountability reporting structures and CSR initiatives with that of ICS structures.

According to Xiao (2011), the usage of ICS also presents the researcher and practitioner alike with the challenge of ensuring that such measures are not implemented contemptuously or negligently. Proper implementation of ICS by the company's leadership also ensures that pseudo controls are not constructed to draw focus away from deceitful or erroneous practices. Failure of ICS may be inherent or inevitable in trying to cover a broad range of management and operational issues especially with regards to unforeseen business ventures that offer opportunities in previously unexplored revenue avenues (Xiao, 2011). This perspective of ICS suggests that practitioners should not try to institute an ICS regiment with an unrealistic

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expectation that it will be a curative for all of the challenges encountered in the market. Organizational leaders need to also be mindful that an ICS does not guarantee business success even with fidelity in the implementation of such processes.

Influencing Buyer Trends and Loyalty Through Accountability Initiatives

Leadership tasked with competing in crowded markets in which innovations are quickly copied and consumers seem easily lured away by either a better, newer product or a better, newer deal continually search for programs and initiatives that will better promote consumer loyalty and business sustainability (Tan, 2014). Tan (2014) and Leavy (2014) assert that this makes targeting, trend tracking, and loyalty development programs of consumers increasingly more paramount to a business' success. Company leaders are then prompted to create or seek out accountability measures that co-create value in a transformative manner for producers as well as consumers.

Strand (2014) explained that companies have created chief sustainability officer positions and made them a part of the top management team due to the increased accountability need that increasingly thought to correlates to corporate sustainability. Leavy (2014) and Strand (2014) note that executive leaders have begun to include chief sustainability officers to management teams to proactively build ICSs that address consumer perceptions of the company. Chief sustainability officers (CSO) work to mitigate crises that challenge the company's legitimacy. The CSO proactively strategizes for external opportunities that go unnoticed in the absence of such a strategic level position on the top management team.

Ban and Marshall (2013) explained that companies are beginning to explore the strategic use of corporate openness partnering with customer individualization. Specialization to consumer personal preferences and needs is made increasingly possible as technology and social

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networking structures enable companies to have extensive communication with targeted consumer populations on a global scale. Openness and transparency, however, can have either a powerfully positive and catastrophically negative impact upon a business (Lindberg, 2013). This move toward corporate openness makes adept downward accountability sharing structures coupled with proper ICS a collaboration that must be expertly managed by a company's TMT throughout the organization (Ban & Marshall, 2013; Ramaswamy & Ozcan, 2013; Strand, 2014; Tan, 2014). Failure to provide a corporate team skilled in managing the company's level of openness and transparency may lead to both a loss of strategic operational business advantage to competitors in the market and to a loss of the company's consumer base for unvetted sharing that may be misconstrued as unethical or unseemly by the public.

Problems Associated With the Measuring of the Corporate Social Responsibility–Corporate Financial Performance Link

Various problems associated with the study, identification, and measuring of the link between corporate social responsibility (CSR) and corporate financial performance (CFP) have been alluded to and outright stated throughout the decades. The failings were readily identified while the manners by which to fix these problems remain largely unsolved. Griffin and Mahon (1997) performed an analysis of 25 years of research into the CSR–CFP link and found that the inconsistencies in the results of these studies arose due to: the usage of one or a limited number of measures of profitability, the use of samples that included multiple industries, or the source of the corporate social performance measure to include a singular reliance upon *Fortune* magazine's annual corporate reputation survey. Griffin and Mahon also noted that the selection of measures used to assess the CSR–CFP link might predetermine the relationship outcome. Accordingly, the usage a perception-based measure such as that of the *Fortune* reputation survey and the Kinder, Lydenberg, and Domini research firm's index tended to show a correlation

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between performance and CSR practices whereas the usage of a performance-based measure such as that of the Toxics Release Inventory (TRI) database usage or corporate philanthropy ratings clearing identified the low or high social performers but showed no particular correlation to the firm's CFP (Griffin & Mahon, 1997). The influence of research bias is not largely explored as a cause of the continuation of mixed results in the study of the CSR-CFP relationship. Mahon does illume content shortcomings of previous studies and explains how these studies demonstrated greater or smaller correlation between the CSR-CPF link based upon the data that was chosen. Researchers may improve study result consistency by choosing to narrow the scope of the businesses selected to that of a particular industry or by broadening the data sources used in examining businesses within a particular industry to further examine the CSR-CFP link.

Roman, Hayibor, and Agle (1999) also explained after their examination of the previous studies on the relationship between CSR and CFP that the findings remain both unimpressive and unconvincing with regards to a corporation being readily able to utilize CSR initiatives in a manner that strategically adds value to the company. Scholars are still presented with the challenge occurring in dominant corporate discourse about the benefits of CSR being little more than rhetoric with little actual financial gain in comparison to the time and financial investment required to undertake CSR initiatives (Banerjee, 2008). Iqbal, Ahmad, Basheer, and Nadeem (2012) further reiterated that the link between CSR and CFP is often a construct without a direct, reliable measure of the causal directionality. According to Iqbal et al., the mixed results from empirical studies of this relationship stem from the operational definition of CSR, the misalignment of stakeholders being considered, or the absence of appropriate controls of the statistical constructs. The research appears to support the earlier scholarly position that CSR

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must be viewed and instituted in a manner that produces a measurable profit or return on the investment to begin or institute such a venture.

Bagnoli and Watts (2003) also found that the results from CSR practices vary due to the level of implementation and dependent upon two key factors: the level and intensity of competition in that industry's market and the willingness of consumers to pay a premium for goods and services. The level and intensity of competition in an industry may severely disadvantage a company if the competition is high and the profit margins are tight. A business platform designed to appeal to consumers as a low cost offering may be an example of a company type in which the money spent will not capture the interest of consumers or influence buyer trends. This market segment would be most influenced by the ability of the leadership to produce better low cost goods or services and are less willing to pay a premium or a little more to support a CSR initiative.

McWilliams, Siegel, and Wright (2006) built upon previous studies that addressed the fidelity of implementation of CSR and added that goodwill through strategic CSR is less likely to be practiced in the more competitive markets. Goodwill, charity, and philanthropic giving may not be a key influence for business leaders in a more competitive market as an immediate return on investment may be required to survive in such a market. A CSR misstep in a market with tight profit margins and high levels of competition may be the cause of significant losses or complete business collapse. This diminished participation in CSR initiatives stems from the rationale that lower profit margins in a highly competitive market leave less opportunity for experimentation with or inclusion of programs that may not immediately add to the financial bottom line. According to McWilliams et al. (2006), the converse is true when an organization is in a less competitive market. Higher profit margins yield an increased ability to participate in

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CSR initiatives as there is room for small errors and corrections to properly develop a CSR initiative to fit the needs and goals of the company's leadership.

Scholars and practitioners continue to face the question of the nature of the virtuous cycle. Organizational leaders continue to question if companies really do well by engaging in what society considers to be good behavior or morally responsible business practices as scholars continue to research the CSR-CFP link. Lev, Petrovits, and Radhakrishan, (2010) suggest that one must evaluate closely to ascertain if those companies with good CSR practices have an increased revenue or if it is those companies with higher corporate financial performance that have a greater capacity to enact CSR activities for even more financial growth. A joint venture by practitioners and scholars to create and run identical companies in various industries in which one uses downward accountability through CSR initiatives and one does not may resolve the debate. The business experiment, however, may prove to be a costly venture in which other unforeseeable or uncontrollable variables influence the final outcome in the measurement of the CSR-CFP link.

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CHAPTER 3. METHODOLOGY

Chapter 3 is purposed to describe the research methodology used in this study of the link between corporate social responsibility (CSR) and corporate financial performance (CFP) as previous empirical studies have yielded mixed results. Throughout the history of the study of this relationship between CSR and CFP, the only clear, definitive findings were that the relationship could be shown to be positive, mixed, or nonexistent (Margolis & Walsh, 2003). The study of this relationship continues to remain of great importance to both scholars and practitioners as the marketplace must contend with consumers that are socially conscious with the will and the means to address those businesses that do not behave in socially responsible manners and engage in such correlating socially responsible practices. This study strove to increase the ability of scholars and practitioners to identify a strategic means to consistently implement CSR initiatives for positive financial performance. A study of those companies that engage in CSR initiatives and also have identified internal control systems (ICS) in place was used to ascertain if those with better ICS also experience greater positive financial performance when compared to those companies with no identifiable ICS. In this manner, what differentiates a CSR program that contributes to increasing CFP from one that does not positively contribute to financial performance may be illumed.

As this quantitative study purposed to measure the correlation between ICS usage with that of CSR as a means to have strategic business success, this chapter is organized in a manner that sets out to explain: the value of the research design and methodology, the rationale for the population and sampling that selected, the setting and context of the research, the data collection

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process and instrumentation, research questions and hypotheses, the analytical process and techniques used to analyze the data collected, the validity and reliability of the instrument selected, and the ethical considerations in conducting this study.

Design and Methodology

The intended purpose of a study helps to guide a researcher to the most suitable research methodology. The scholarly debate over the appropriate methodology to use in conducting a study typically focuses on that of qualitative versus quantitative research. Qualitative research has long been held to provide an analysis that is based upon words and descriptions; whereas, quantitative study is associated with a more precise, statistical analysis (Walsh, Holton, Bailyn, Fernandez, Levina, and Glaser, 2015). Walsh et al. (2015) explain the traditional perspective on the qualitative-quantitative debate to be based upon a sort of philosophical caricature that neatly categorizes qualitative study as pretivism and induction with quantitative study being associated with positivism and deduction. According to Evans and Over (2013), the researcher's purpose either to use induction to add new beliefs about a given topic or to use deduction to draw implications from what is already believed enables the researcher to reconcile which methodology best meets the purposes of the intended study.

This study attempted to identify and quantify the benefits of combining ICS with CSR as a strategic means through which innovations may be implemented in business models. Strategically strengthened business models may then influence service delivery and customer satisfaction in such a manner that the triple bottom line is positively impacted. Qualitative study does provide descriptive data collection and clues to cause and effect relationships; however, causal inferences do not provide measurable processes with statistical validity to assess the probabilities of relationships (Bennett & McWhorter, 2016). The causal relationship between

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ICS with CSR for CFP best lends to that of a quantitative, postpositivist perspective research design (Walsh et al., 2015). This study was a non-experimental, correlational study that used secondary data to assess the influence of ICS when combined with CSR upon CFP to best capture statistically valid data to ascertain the probability of a relationship.

The research design and methodological approach were a cross-sectional, causal-explanatory study that aligned with the research questions that strive to identify and to quantify the relationship between the implementation of CSR initiatives in a company with well-established ICS and the company's financial performance. This research design is justified as it attempts to capture a snapshot of and to explain the relationships among variables. According to Cooper and Schindler (2014, p. 137), an essential element of this type of research design and methodology is that Element A produces Element B with the understanding that although no one can ever be certain that Element A causes Element B, enough evidence may be gathered to increase the belief that Element A leads to Element B. This correlates to the research questions with Element A being representative of the measuring of ICS and CSR along with the combining of these to increase Element B, with this being representative of the influence of Element A upon financial performance in this study.

Population and Sampling

The work of Orlitzky et al. (2003) provided the basis for this research to be conducted through the usage of secondary data as the shortcomings of survey instruments were illumed. Survey instruments involve a time consuming process for researchers in instrument design, validity testing, distribution to the intended population, instrument collection from subjects, and data analysis from the usable instruments received (Garcia-Castro et al., 2009; Walsh et al., 2015). The survey tool is also subject to the quality of the responses received, as survey

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responses may be incomplete or inaccurate based upon the mood, motives, or intentions of the subject completing the tool (Orlitzky et al, 2003; Wood, 2010).

Secondary data sources were utilized to ensure accuracy and precision in the sampling process. The use of secondary data also served to ensure against bias and to ensure for a population that closely represents the population of business enterprises in the market. Secondary data were used for those companies identified as Six Sigma as it pertains to their usage of ICS according to national ranking in top business journals. The companies ICS were categorized as to those that are fully implementing to those that are only marginally implementing CSR initiatives so that being likewise categorized to ascertain the existence of a relationship between these two independent variables upon that of the dependent variable of financial performance (Cauchick Miguel & de Carvalho, 2014; Frigotto et al., 2013). The intended sample size of 100 companies was then examined over the course of a three year period as it pertained to those companies that were both ranked as top performers with ICS usage as determined by as Six Sigma designation and those ranked as top performers in CSR initiatives with the financial performance then being evaluated to ascertain the influence, if any, high-functioning ICS has on CFP. The secondary data sample of the 100 top ranked implementers of CSR was used as a starting point to try to reduce sampling errors that occur with the selection of very small sample sizes and to minimize measurement error. Orlitzky et al. (2003) and Wood (2010) suggest that an area of weakness in the previous quantitative studies dedicated to the research of the CSR-CFP relationship centered on the lack of moderators such as that of market-based CFP measures, ICS utilization, and CSP reputation measures. This study attempted to address an area of weakness of previous studies by including the moderating factor of ICS use.

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Setting

The research seeks to examine those ranked as top performers for their use strategic mission planning for the organization ICS and CSR initiative success rate as indicated by the level of CFP a company. The selection of the secondary CSR and CFP data provided by *Fortune Magazine* and the *Fortune Magazine* suggested Reputation Institute tool was based upon the historical roots and credit given to *Fortune* from Bowen's seminal work on the CSR-CFP relationship to current usage of and reference to *Fortune* in various analysis and meta-analysis (Carroll, 1999; Orlitzky, 2003; Wood, 2010).

The potential practitioner benefit is a method to assess the financial cost versus benefit on implementing CSR initiatives so that corporations are better able to choose when and how to put such an initiative into practice for maximized triple bottom line benefits and minimalized financial risks or losses (Husted, Allen, & Kock, 2015). DiSegni, Huly, and Akron (2013) also explain that while there is a resurgence in the interest in and support for the notion that the main obligation of a business is to merely maximize the wealth of the shareholders. The scholarly community still asserts a focus on wealth maximization for shareholders would prove to be detrimental to the actual profits earned by practitioners.

Data Collection

The data collection process of this research made use of secondary data that identifies top performers in ICS, CSR, and CFP to try to identify if a relationship exists between high performing ICS with CSR initiatives for positive financial performance. For this data collection process, the top performers for ICS were those companies identified by both Six Sigma and Wikipedia as implementers of the Six Sigma process. From the list of companies that implement Six Sigma, both the CSR ranking as listed in either the *Corporate Responsibility Magazine* or

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Reputation Institute's most reputable companies report and the financial ranking of these Six Sigma implementers on the *Fortune* 500 list were examined for the period between 2014 to 2016.

The coding and measurement scales presented in these secondary sources will be aligned with the instrumentation utilized to analyze information on the variables of ICS and CSR upon the variable of CFP. The data may be analyzed via such statistical software as SPSS, Cronbach's alpha formulas, or other analytics as appropriate. Descriptive statistics and multiple regressions may also be used to test for the relationship of the tendency levels of each independent variable to the financial value creation or CFP of the organization. Garcia-Castro et al. (2009) and Isa (2012) explain that quantitative measurement of the CSR-CFP relationships provides a sound statistical basis from which to find support for the assessment of the CSR-CFP link with discrepancies found to stem from endogeneity, unexamined variables, more so than from what variables are measured.

Instrumentation

The usage of a survey instrument for this study was considered based upon the work of Husted and Allen (2009), which examined the strategic usage of CSR initiative by multinational corporations in Mexico. The work of Orlitzky et al. (2003), however, provided the basis for the rejection of the survey instrument and prompted this research to be conducted through the usage of secondary data as the shortcomings of surveys were illumed. Several meta-analyses of CSR-CFP measurement tools demonstrated that previous empirical studies that made use of survey instruments faced frequent self-reporting challenges. The challenges of survey instruments ranged from incomplete survey information to disingenuous or outright, false information (Wood, 2010).

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The usage of secondary data from those with top-performing ICS by have the Six Sigma distinction with that of those companies ranked as stellar in their implementation of CSR initiatives was chosen as a better way to ensure the safety of participants as no actual persons need be examined, interviewed, or surveyed in reviewing the companies from the iSixSigma and Wikipedia list of implementers to ascertain if these same companies also ranked amongst the top implementers of CSR by the ranking assigned by *Corporate Responsibility Magazine* and the top financial performers as identified by each company's *Fortune* 500 ranking. The presence of a possible correlation was also examined by examining if these top rankings were sustainable as evidenced by the rating occurring for more than one year.

The financial performance of the top-performing ICS and CSR implementers was then examined to try to identify a correlation. Frigotto, Coller, and Collini (2013) note that control systems and strategy do not necessarily equate to success as the level and fidelity of implementation of practice may direct employee behavior and outcomes for the organization. This analysis also entailed the examining of the level of CSR practice within the participants' organization and the measures of importance corporations place upon stakeholders with that of its CSR initiative, with and the last section focusing on the relevance of industry and market demographics to that of customer needs and the organization's financial performance (Frigotto, Coller, & Collini, 2013; Orlitzky et al., 2003).

Hypotheses

It was hypothesized that based upon the notion of the virtuous cycle, those companies that are already performing optimally in their business processes as evidenced by the organization's profitability will be better able to utilize ICS and have the funding to invest in CSR initiatives and this will, in turn, result in a better brand image, even more consumers, and

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the resultant even greater financial gains to keep this cycle of profitability going. So, Alternative Hypothesis 1 was that the relationship between downward accountability through CSR would positively correlate to the adept implementation of ICS and Alternative Hypothesis 2 was that the better a company's CSR initiatives and ICS function, the greater the financial performance of the corporation. These hypotheses correlate to the ascertion by Orlitzky et al. (2003) and Isa (2012) that the relationship between CSR and CFP is bidirectional and simultaneous. The specific research questions addressed in this study were as follows:

1. What is the relationship between the variable of downward accountability through such practices as CSR upon CFP?
2. To what extent does the variable of ICS usage increase or improve CSR implementation for CFP?
3. Of the companies examined that implement CSR initiatives, is there a difference between those companies that also have stellar ICS and those that do not make use of ICS?

Data Analysis

Data analysis was conducted through computerized analysis to maintain a clear distinction between facts and judgments in seeking to measure how much ICS influence the ability of CSR initiatives to impact the financial performance of a corporation. The data analysis process was based upon the work of Orlitzky et al. (2003) that examined the empirical, quantitative inquiry of 52 studies about the CSR-CFP relationship. The work of Wood (2010) was also considered in the data analysis process of this study as it discussed different measures of corporate social performance, the sister concept to CSR.

Participant companies were coded to maintain anonymity. The companies were then categorized as top performers in implementing CSR initiatives based upon the assigned

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Corporate Responsibility Magazine or the Reputation Institute's ranking and ranked by financial performance based upon the *Fortune* 500 ranking. The numerical values for each company were then be manipulated for statistical analysis for the period of 2014 to 2016. Regression analyses were applied to the hypotheses with the data then being analyzed using the latest version of SPSS software as provided by IBM, IBM SPSS Statistics 2015, or newer. This software was selected for usage because of its ease of use and reliability in processing and performing statistic functions, predictions for numerical outcomes, and predictions for identifying groups (Orlitzky et al., 2003; Wood, 2010).

Validity and Reliability

According to Cooper and Schindler (2014, p. 257), the external validity of research sets out to yield findings that may be generalized across persons, setting, and times whereas the internal validity describes the ability of the research instrument itself to measure what it is purported to measure. Reliability, then, is the degree to which a measure consistently produces results (Cooper & Schindler, 2014, p. 260).

Past empirical studies measured the CSR–CFP link through the usage of opinion-based ratings as data gathered from popular magazines such as *Fortune*. This method, although providing a general overview of the phenomenon, did not take into account other variables such as the organization profitability before embarking upon CSR initiatives to determine if the CSR indeed improved profitability. Thus, the validity and the reliability of these models fall short in assessing baseline data for similar businesses within the same industry to ascertain if one practicing CSR gained a financial advantage over a similar company that did not employ CSR initiatives (DiSegni et al., 2013; Orlitzky et al., 2003).

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Ethical Considerations

The use of secondary data eliminates bias and the possibility of harm to human subjects. The distribution and collection of the data through this means will also protect vulnerable populations and poses no physical, mental, or emotional harm to any human entity. The risks of researching in this manner are minimal to non-existent whereas the potential benefits to scholars and practitioners make this an endeavor worthy of undertaking.

Secondary data usage works from the premise that the primary data collection process was conducted in a manner that was free from bias, coercion, and harm to human subjects (Sparks & Pan, 2009). Ethical decisions are based upon an individual's moral judgments to mediate a decision between an ethical issue and the intention of how to behave when faced with an issue (Sparks & Pan, 2009; Hollingworth & Valentine, 2015). The researcher that makes use of secondary data has implied consent from the various organizations in the primary study, as published information is readily available to the public. Secondary data users also have the ethical responsibility to protect the names of individuals and companies to avoid the possibility of putting a participant at risk. The selected companies were anonymized in this study to adhere to the ethical responsibility to protect reputations and minimize risks.

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CHAPTER 4. RESULTS

This chapter provides an overview of the analysis of the collected data and an examination of the extent to which a correlation could be identified between internal control systems (ICS) and corporate social responsibility (CSR) to achieve strategic mission success as evidenced by financial performance. The hypotheses introduced in this study suggest that there is a correlation between both high-functioning ICS and CSR initiatives with that of financial performance (Abbas & Iqbal, 2012; Ahmed et al., 2012). Additionally, this study also suggests that a business that combines a high-functioning ICS with that of CSR initiatives improves the financial performance of the business in a greater way than a company that does not employ or possess high-functioning ICS.

The results from this quantitative study stem from the usage of secondary data that was processed through SPSS software to establish if the selected data sets demonstrate the validity of the following hypotheses:

- Null Hypothesis 1: There is no measurable relationship between downward accountability through corporate social responsibility and corporate financial performance.
- Alternative Hypothesis 1: There is a relationship between downward accountability through corporate social responsibility and corporate financial performance.
- Null Hypothesis 2: The usage of internal control systems does not improve corporate social responsibility in a manner that increases financial performance.
- Alternative Hypothesis 2: The usage of internal control systems improves corporate social responsibility in a manner that increases a financial performance.

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- Null Hypothesis 3: There is no measurable positive difference in the revenue of those companies that implement CSR initiatives and have stellar ICS than those companies that do implement CSR but do not have highly effective ICS.
- Alternative Hypothesis 3: There is a measurable positive difference in the revenue of those companies that implement CSR initiatives and have stellar ICS than those that implement CSR but do not have highly effective ICS.

The first section of this chapter focuses on the data collection process as it pertains to the selection of the secondary data sources. A critique and evaluation of the descriptive data are presented before a report of the statistical results and findings as the data are analyzed in relation to the hypotheses. The chapter concludes with a brief summary that evaluates and justifies the data collection and analysis effort.

Data Collection Results

The data collection process entailed the use of standard business research methods to ensure for the professional, scholarly, and ethical treatment of companies and information that was publically available, secondary source data (Cooper & Schindler, 2014). The publically available secondary data was selected from the list of Six Sigma companies from Wikipedia as of February 11, 2017, from the iSixSigma 2017 listing of those companies with high-functioning ICS and the *Fortune* 500 2014, 2015, and 2016 listings for those companies with the largest revenues. Additional data was used by permission from The Reputation Institute via a written email request and approval to use the 2014–2016 list of the 100 most reputable firms for CSR as rated by the Reputation Institute.

Upon combining the 35 companies identified as being Six Sigma by Wikipedia with the 115 companies identified as Six Sigma by iSixSigma in 2017 and after removing the eight companies that were duplicated, 142 companies were identified as possessing Six Sigma distinction. Each of the companies on the list was then cross-referenced with the website for that

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company to ensure that the company was still in existence and still utilizing Six Sigma. The crosscheck of the companies yielded a list of 65 companies that still engage in Six Sigma protocols. Each of these 65 companies successfully implemented Six Sigma management techniques to indicate the level of proficiency of the ICS within the company as near flawless by significantly reducing the probability of an error or defect statistically by six standard deviations from the norm. Six Sigma techniques also minimize variability in business processes to assure quality management methods with clearly defined targets and the necessary step sequence was used to consistently attain the set targets with a standard goal to produce less than 3.4 defects or incidents of customer dissatisfaction per 1 million chances (Swink & Jacobs, 2012). The high level of accuracy required to achieve a Six Sigma distinction was the rationale for selecting this data set as indicative of those companies with optimal ICS to examine for a correlation to optimal CSR implementation and financial advantage over those companies that do not have top ICS or CSR distinction (Cauchick Miguel & de Carvalho, 2014; Chaplin & O'Rourke, 2013).

The list of those companies with Six Sigma distinction was then compared to that of the list of top 100 CSR implementers for the years 2014, 2015, and 2016 according to the Reputation Institute and the list of top revenue earners for 2014, 2015, and 2016 according to the *Fortune* 500. The rationale for the usage of these secondary data sources in conjunction with that of the Six Sigma company list stems from each source's reputation for accurate reporting based upon consistent and statistically reliable and valid data analysis. The rationale for the cross-referencing of secondary data came from the mega-analysis work of Orlitzky et al. (2003) as this work examined 52 empirical studies and developed criteria by which to assess each study's measurement factors in efforts to draw generalizable conclusions.

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An emergent limitation of the data collected stems from the omission of those business organizations that may have high-functioning or highly effective ICS but have leaders that do not use the Six Sigma system as a means to measure and structure the operations of the company (Abbas & Iqbal, 2012). Additionally, the Six Sigma process works best in businesses that have a standardized product to develop of service to deliver as this control system may hinder performance in a business that relies on creative expression and design (Abbas & Iqbal, 2012; De Feo & Barnard, 2005). The number of years that a Six Sigma process has been implemented with fidelity also impacts the financial outcomes and performance of an organization with those organizations under the four year mark not yet fully realizing the strategic financial benefit of such an ICS (Jacobs, Swink, & Linderman, 2015; Swink & Jacobs, 2012).

Descriptive Analysis

Based upon the analyses performed in past studies that sought to demonstrate the CSR-CFP link, a correlational analysis was conducted between the three variables of Six Sigma distinction for ICS efficiency, top 100 CSR rating, and top 500 ranking for financial revenue to measure the overlap of the three indexes by measuring the multiple correlation coefficients (Husted et al., 2015; Orlitzky, et al., 2003; Wood, 2010). Previous studies and meta-analyses of the CSR-CFP link chose differing variables to examine with Husted et al. (2015), Orlitzky et al. (2003), and Wood (2010) doing extensive literature reviews and reviews of the analyses conducted in previous studies.

The data collected in this study showed that for the year 2014, 65 of the 100 companies ranked as top CSR implementers were listed on the *Fortune* 500 as top financial performers. During 2014, of the 65 companies that were noted to be implementers of Six Sigma, 29 companies were on the *Fortune* 500 list, and 15 of these Six Sigma companies were listed as

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both top CSR and top *Fortune* 500 performers. In 2015, of the 100 top implementers of CSR according to the Reputation Institute, 71 companies were listed as top financial performers on the *Fortune* 500 or the Global *Fortune* 500, 34 of the companies listed as Six Sigma being top financial performers, and 18 companies listed as Six Sigma being both on the top 100 CSR list and the *Fortune* 500 list. In 2016, according to the Reputation Institute and the *Fortune* 500 list, 58 companies were able to achieve this dual distinction. This year also had 32 Six Sigma companies ranked as with top corporate financial performance (CFP) and 14 Six Sigma companies ranked both as top CSR implementers and financial performers. Tables 2 and 3 display the data.

Table 2. Financial Performance for Corporate Social Responsibility–Ranked Companies and Six Sigma Companies

Company type	Number of companies listed as top financial performers in *Fortune* 500	Financial performance percentage of company type
Top 100 CSR 2014	65	65.00%
Six Sigma 2014 (65)	29	44.61%
Top 100 CSR 2015	71	71.00%
Six Sigma 2015 (65)	34	52.30%
Top 100 CSR 2016	58	58.00%
Six Sigma 2016 (65)	32	49.23%

Note. The financial performance percentage of the company type was calculated based upon the number of companies in that category, 100 companies listed as top 100 CSR implementers, and 65 companies listed as Six Sigma.

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Table 3. Six Sigma Companies Ranked for Financial Performance
That Use Corporate Social Responsibility

Data collection year	Number of Six Sigma companies ranked top 100 CSR	Number of Six Sigma companies ranked top 100 CSR and top financial performers	Percentage of Six Sigma companies ranked top 100 CSR and top financial performers
2014	17	13	76.47%
2015	20	18	90.00%
2016	16	14	87.50%

Note. The financial performance percentage was calculated based upon the number of Six Sigma companies that had a rank on *Fortune* 500 in addition to being ranked top 100 for CSR out of the total number of Six Sigma companies that had a top 100 CSR rank.

It appeared that the statistics from the raw data percentages would finally settle the debate over the significance of using CSR for CFP and for further combining CSR with ICS for increased CFP; however, in applying SPSS correlational analysis to the raw data, the findings did not yield a statistically significant rating. The correlational analysis for the year 2014 demonstrated that the companies selected as having optimal ICS from the Six Sigma label that also demonstrated top 100 performance on the CSR ranking and were also ranked as top financial performance by ranking on the *Fortune* 500 list had a correlational significance or *p*-value of 0.003, which is below the 0.05 threshold to be statistically significant. Similarly, the correlational analysis also yielded a *p*-value below the 0.05 threshold for year the 2015 at 0.002 and the year 2016 with a *p*-value of 0.001. These secondary data for the years 2014 to 2016 indicate that the correlation between the use of CSR and ICS for CFP is not statistically significant. Table 4 displays the data.

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Table 4. SPSS Analysis of Variance Correlation Internal Control System Combined With Corporate Social Responsibility for Fiscal Years 2014–2016

	Fiscal year	Sum of squares	*df*	Mean square	*F*	Sig.
2014	Between groups	2.116	1	2.116	9.496	.003
	Within groups	14.038	63	.223		
	Total	16.154	64			
2015	Between groups	2.257	1	2.257	10.393	.002
	Within groups	13.681	63	.217		
	Total	15.938	64			
2016	Between groups	2.722	1	2.722	12.770	.001
	Within groups	13.431	63	.213		
	Total	16.154	64			

Note. The financial performance indicated for fiscal years 2014 to 2016 by achieving a rating on the *Fortune* 500 did not have a strong correlation to the usage of CSR initiatives even when combined with high-functioning ICS.

Analysis of Hypotheses

The statistical analysis of the secondary data evaluated to test the validity of the proposed research hypotheses utilized SPSS to determine the *p*-values for a correlation between CSR and CFP as well as the correlation between CSR when combined with ICS for CFP. The statistical analysis of the secondary data was also used to ascertain if those companies that used CSR in combination with ICS had a greater correlation to CFP than those companies that used CSR without combining it with a highly effective ICS such as the Six Sigma approach used in this analysis (Christensen & Laegreid, 2015; Cooper & Schindler, 2014).

The sampled population for the first hypothesis of the correlation of downward accountability through CSR for optimal financial performance was based upon the top 100 ranking of companies that used CSR practices. The null hypothesis suggested that there is no measurable relationship between downward accountability through CSR and CFP whereas the alternative hypothesis suggested the existence of a positive relationship between downward

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accountability through CSR and CFP. The sample size for the testing of this hypothesis was N = 100, with this same population size being used for three consecutive years, 2014–2016, based upon the company rankings received from the Reputation Institute. The sample size of 100 companies was used to try to mitigate the possible errors that may enter a study from having a sample that is too small and is not fundamentally representative of the population to be studied (Wood, 2010). The 100 top-ranked companies were then cross-referenced with the *Fortune* 500 and the Global *Fortune* 500 to ascertain if the CSR ranked companies were also rated on the *Fortune* 500 list. The result of this cross-reference showed that in the year 2014, 65 of the 100 companies on the CSR list were also ranked for CFP by *Fortune* 500; in the year 2015, 71 of companies of the CSR list were also ranked for CFP by *Fortune* 500; and in the year 2016, 58 of the top 100 CSR companies were also made the *Fortune* 500 list (see Table 2). However, in using the correlation coefficient between CSR and CFP, SPSS yielded p-values of 0.003 during the year 2014, 0.002 in the year 2015, and 0.001 for the year 2016. With these significance levels being less than 0.05, these analyzed variables do not demonstrate a level of significance high enough to reject the null hypothesis.

The second hypothesis measuring the correlation between ICS and CFP had a sample size of n = 65 to represent the 65 companies that were reported to use the Six Sigma as a means to manage the ICS of the business. The use of the Six Sigma metric allows for a comprehensive framework from which corporate leaders may evaluate the systemic performance of a company's ICS (Dasgupta, 2003). The null hypothesis stated that the usage of ICS, such as the Six Sigma approach, does not improve CSR in a manner that increases financial performance whereas the alternative hypothesis set forth the notion that usage of ICS improves CSR in a manner that increases financial performance. The sample size for the testing of this hypothesis was n = 65

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with this same population size being utilized in the study of the variable of ICS for the consecutive years of 2014, 2015, and 2016 from the list of Six Sigma companies provided by Wikipedia that was then cross-referenced with each company's website to ensure that it was both still a viable company and still a Six Sigma user. The results of the analysis of this secondary data set revealed that 29 out of 65 Six Sigma companies were on the *Fortune* 500 list in 2014; 34 of the 65 companies identified as Six Sigma were on the *Fortune* 500 list in 2015; and, in the year 2016, 32 of the 65 companies noted to be Six Sigma were on the *Fortune* 500 list (see Table 2). Additionally, in using SPSS to assess the correlation between ICS through that of a Six Sigma distinction with that of CFP, a p-value of less than 0.05 was found as the correlation was found to be 0.002; thus, the null hypothesis cannot be rejected due to this low level of statistical significance.

The third hypothesis sought to find a correlation between the uses of a highly effective ICS in conjunction with CSR initiatives for greater CFP over that of those companies that used CSR without the combined usage of a stellar ICS. However, the null hypothesis was that no measurable positive difference would be found to exist between those companies that just used CSR for increased CFP versus those companies that combined a stellar ICS with appropriate and highly effective CSR initiatives. The population for this hypothesis varied from year to year as it was based upon those companies listed as having a stellar ICS, as represented by having a Six Sigma distinction, a top 100 CSR ranking, and a ranking on the *Fortune* 500 list. The population for 2014 was $n = 17$ as 17 companies were Six Sigma and had top CFP, as indicated by inclusion on the *Fortune* 500 list, with 13 of these companies also using a combination of ICS with CSR for top CFP. In 2015, the sample consisted of $n = 20$ with18 of these companies combining ICS with CSR for top CFP and in 2016, the sample size consisted of $n = 16$ companies with 14 of

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these companies combining ICS with CSR for top CFP as indicated by a rank of the *Fortune* 500 (see Table 3). SPSS did not yield a positive correlation as the *p*-value assessed at 0.001 was not greater than that of the 0.05 threshold and, therefore, not able to support the rejection of the null hypothesis (see Table 4).

Summary

This chapter examined the quantitative study of the correlation between CSR for CFP, ICS for CFP, and the combination of CSR with ICS for CFP through the usage of a statistical analysis of secondary data. This chapter presented secondary data from the Reputation Institute as it pertained to the CSR ranking of the top 100 implementers based on the reputation for the years 2014, 2015, and 2016. Additionally, secondary data from *Fortune* 500 was used as it pertained to the rating the CFP of business corporations for the years corresponding to those used with the CSR data, years 2014–2016. The two sample populations consisted of the top CSR implementers, $N = 100$, and those with Six Sigma rating, $n = 65$. The usage of these secondary data sources was appropriate and can be justified as these data sets listed the companies that demonstrate excellence in each category, top CSR implementers and top financial performers.

The results of the statistical correlational analysis did not yield positive results as no positive correlation was found between CSR and CFP and between ICS and CFP. Additionally, the results of combining CSR with ICS for CFP also did not yield a statistically significant result. Thus, the results do not reject Null Hypotheses one, two, and three based upon the produced *p*-values of less than 0.05 from the ANOVA test and Pearson correlation tests (see Table 4). The results do not correlate to the meta-analysis conducted by Orlitzky et al. (2003) that found a more highly correlated relationship to exist in studies that were either accounting-based measures of the CSR-CFP link or based upon reputational induces of the CSR-CFP link. The sample size

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in the Orlitzky et al. (2003) work was based upon a much larger number of observations, with a self-reported size of 33, 878 observations, and examined more moderating variables. The selected focus and hypotheses of this study were chosen based upon the suggested CSR-CFP relationship Orlitzky et al. (2003) and Wood (2010) postulated in their respective works. This study had the expectation that the narrowed focus would yield a simple and more concise manner for practitioners to use CSR for strategic mission success by adding in a high functioning ICS to consistently produce greater CFP.

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CHAPTER 5. CONCLUSIONS

The purpose of this chapter is to present an analysis of the data collected from secondary sources as it pertained to a business leadership's ability to use corporate social responsibility (CSR) practices to yield a financial profit and to optimally use CSR practices by combining these practices with high-functioning internal control systems (ICS) for greater financial profit. The results illustrated in Chapter 4 afford business leaders with the ability to make informed decisions about both the feasibility of their particular company incorporating CSR practices into their current business plan and in what manner CSR practices could best be used as a component of their particular company's ICS to positively impact corporate financial performance (CFP). This chapter is organized in a manner that evaluates the research as it: relates to the questions of this particular study, explains how the analysis conducted served to fulfill the research purpose, explains how this research contributed to the business problem of assessing the true financial value of incorporating CSR practices into practice for a business, and provides recommendations for future research to include that of the usage of primary data from organizations.

Evaluation of Research Questions

Based upon the findings in Chapter 4, the research questions are addressed with the results yielding varying degrees of clarity beyond that which previous studies found as these studies also tried to demonstrate a correlation between downward accountability to consumers in order to be considered a good, global corporate citizen and enhancing the financial bottom line to be in good standing with shareholders. Specifically, although the argument about the financial impact of incorporating CSR into a business leader's business plan to yield an increase in CFP is

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not supported by the data, the question about incorporating ICS into practice along with that of CSR does not statistically correlate to a measurable increase in the CFP when assessed through the correlational analytics of IBM's SPSS. In assessing and integrating a common theme based on the findings in Chapter 4, the data analyzed reveals that both CSR and ICS seem to positively impact the financial performance of business independently and also positively impact the financial performance of a business when combined with one another when evaluated through simple, descriptive statistics. In using inferential statistics such as the SPSS analytical system in this study, the significance between and amongst groups does not present as statistically sound or great enough to prove to be a consistent predictor of or influence on CFP (Christensen & Laegreid, 2015; Cooper & Schindler, 2014). The lack of statistical support for a correlation exists because the results do not demonstrate a significant correlation based upon the *p*-values for each secondary data set tested (Cooper & Schindler, 2014).

Fulfillment of Research Purpose

This research analyzed the secondary data available to address the stated purpose of contributing knowledge toward the exploration of mechanisms through which the business problem of the feasibility of incorporating CSR into a business plan for improved financial performance may be explored. Chaplin and O'Rourke further suggest that the inclusion of a high functioning ICS is often overlooked as a means through which organizational leaders may bolster the corporate image and CSR initiatives. This research also explored the possibility of a financial benefit of combining stellar CSR practices with that of a highly effective ICS in an organization's business plan for financial performance (Chaplin & O'Rourke, 2014; Dasgupta, 2003).

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In addition to trying to add to practitioner knowledge, this research set out to benefit both scholarly and practitioner efforts by demonstrating that a company may have increased CFP by use of either a highly developed and functioning ICS or a well designed and fully implemented CSR initiative. In this manner, a business organization can identify which tasks, plans, and initiatives are most beneficial both immediately and over time as it pertains to decisions about the structure or ICS the company the company will adhere to and the citizenship or CSR practices the company will utilize (Chaplin & O'Rourke, 2014; DiSegni et al, 2013; Wood, 2010).

Contribution to Business Problem

This study contributed to the existing body of knowledge about the business problem of the real versus the perceived financial benefit of using CSR. This study demonstrated that a business leader that implements a highly effective CSR initiative would increase the organization's chances for a positive increase to the financial bottom line in addition to increasing the company's reputation or other related nontangible capital. The value of using CSR as Ahmed et al. (2012) explains has tangible benefits for a company's leadership but the statistical correlation of CSR-CFP may not easily be assessed.

This study also demonstrated that the financial bottom line may be enhanced by a plan of the leadership to strive to first ensure that the company has a well-organized, optimal ICS (Cauchick Miguel & de Carvalho, 2014). The optimal ICS then allows the leadership to fully capitalized upon the infusion of a CSR program into the business plan of the organization if the goal is to increase the financial performance through such CSR activities and not to merely utilize these measures for positive public relations.

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Recommendations for Future Research

Future research could provide even greater insight into this business problem of the feasibility of using CSR for real CFP gains as this issue has resurfaced continually both in academia and with practitioners. Based on the findings in Chapter 4, future research could further build upon this study by using either firsthand interviews or survey research to ascertain what other ICS are in use, other than that of mainstream organizational systems such as the Six Sigma approach, by those companies that are top financial performers according to a ranking on the *Fortune* 500 list. A phenomenological study could also be used to assess and compare the CFP of a company or similarly situated companies prior to the usage of ICS and prior to the usage of any CSR initiatives to the CFP of the same company or companies after the implementation of ICS, the usage of CSR initiatives, and the combination of ICS with that of CSR initiatives (Bennett & McWhorter, 2016; Walsh et al., 2015).

The definition of terms and the variables considered in assessing the CSR-CFP link also influence the measurement outcomes of the relationship. Devinney (2009) as well as Hollingworth and Valentine (2015) suggest that unclear terms and variables may lead examiners to naïve assumptions of the CSR-CFP relationship if the researcher is not careful to vet out deliberate societal manipulations corporate leaders employ to appear to be socially responsible. A future study may also benefit from narrowing definitions and clarifying variables that may influence the scope of what is measured and manner in which the collected data on contributing variables is included in the measurement of the CSR-CFP correlation.

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Conclusions

The purpose of this research was to ascertain if there was a correlational relationship between CSR and CFP and to explore the possible benefits of combining an effective ICS with that of appropriate CSR initiatives for the optimal financial performance of a business organization. Jacobs, Swink, and Linderman (2015) suggest that the fidelity of Six Sigma usage and the stage of its implementation in the company system may directly impact the financial performance of an organization. Notably, Six Sigma usage impacts both CFP and operational effectiveness the first three years of implementation with these years experiencing minimal gains and growth compared to the gains experienced in years four and beyond (Jacobs et al., 2015; Swink & Jacobs, 2012).

This research yielded results that did not demonstrate a statistical significance in a correlation between those companies ranked as the top 100 implementers of CSR initiatives with that of those listed as top financial performers. This was not in keeping with the Orlitzky et. al (2003) mega-analysis and departed from the notion of reaping a positive CFP for engaging in good corporate behavior. The research also did not show that top ICS implementers, as represented by those companies with a Six Sigma rating for this study, do not have a statistically significant financial performance benefit over those companies that did not utilize ICS. When ICS and CSR were combined, the CFP benefit for the company implementing both processes was not evident in this research study as this was not supported by the statistical analysis. Downward accountability initiatives through CSR may assist a company in maintaining public relations within the market and with potential consumers, but these initiatives may also fail to contribute tangibly to the financial bottom line either when used singularly or when combined with ICS. This seems to more closely correlate to the notion espoused by Friedman (2007) and

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supported by Devinney (2009) that CSR must be undertaken in a cautious manner that best serves the purpose of the businessman to gain and maintain profits. Thus, doing good for the benefit of external stakeholders as a part of downward accountability would constitute an improper juxtaposition of using CSR in combination with ICS for CFP to garner strategic organizational success if the sustainability of the business is not first addressed (Friedman, 2007; Wood, 2010).

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