

The Ministry of Education Republic of Azerbaijan

CORPORATE SOCIAL RESPONSIBILITY AS A USEFUL TOOL
FOR IMPROVING A COMPANY'S FINANCIAL PERFORMANCE

submitted by

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ABSTRACT

During the years after global financial crisis of 1924, the business world restructured their relationship with regard to various stakeholders. Interested parties contented for greater accountability combined with transparency from managerial part of companies. Today success of current business world is not possible without having awareness of their prompt society. Transnational and multinational enterprises' place and impact is becoming to be more giant in highly globalized economy and hence, larger demands on responsibility towards social and environmental outcomes that is derived from the corporations own activities. As a consequence, there is an enhancing interest in Corporate Social Responsibility (CSR) and it is the onset of this study.

The objective of this thesis is to define notion of CSR and to show feasible effects of Socially Responsible practices on economic setting of companies, as well as investigating the research works as a evidence which are previously provided by distinct authors in order to show nature of its influence on financial sustainability of organizations.

Key words: CSR, Company, Financial Performance

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INTRODUCTION

Integration of businesses into the global economic space implies that the business practices of domestic companies are in line with international requirements and standards, which to some extent has an impact on communication activities concerning international environmental and social consequences of internationalization of business world. One of the focuses of interest within current global framework is becoming to be received as Corporate Social Performance of companies. In most cases, firms' corporate social policy is perceived as an integral part of the overall development strategy provided that crucial commercial outcomes to a company has been caused by it , especially through assisting major functions of business. Hence, there has been a contribution towards the companies' performance with regard to achieving its fiscal and economical goals.

In contrast to previous years, now substantial differences and changing trends in economic welfare-building, local security concerns, and the growing expectations of stakeholders influence the way corporate social performance is perceived accompanied by financial performance. Social responsibility in context of business setting has shifted from being the non-appropriate and also biased concept to be the notion that is recently prominent and established in commercial and state organizations around the world. This could be understood as phrase considering the various mechanisms and forms that business sector continues in trying to behave in morally and ethically right manner. Traditional methods of achieving competitive advantage and forming the company's image must be supplemented with tools that contain a "social component" and ensure compliance with ethical standards of corporate conduct for the long-term

presence of companies in world markets, and for creating a sustainable image of a successful corporation.

Within recent period, there have been tremendous discussions regarding the issue: Enterprises must be socially responsible or not and are there any impacts on financial part of carrying out business? The notion of CSR is likely to be not easy to figure out since there are great deal of schools of thought and studies with various findings concerning this phenomenon. Despite the existing knowledge in the field of CSR, there are still features for further research. There is no single approach to understanding and reflecting the essence of the concept. Accelerated interest of scholars on the research of this problem and its incomplete elaboration determined the choice of this topic, as well as the purpose and main tasks of the study.

The purpose of this bachelor thesis is defining the conception of Corporate Social Responsibility and possible beneficial impact of its usage in the implementation of the financial sustainability of corporations by answering the following question:

- What is the character of effect made through application of CSR tools with regard to financial development of companies?

In order to find out a reliable and relevant answer for the question, the following tasks are set within this thesis:

1. Examine the theoretical basis and the course of CSR;
2. Identify the possible usefulness and benefits that corporation receives when implementing social projects by investigating public social reporting of corporations and the corporate image conception;
3. Define and Apply Literature Analysis method through consolidation of empirical works already done on the topic.

LITERATURE REVIEW

At the moment, the issue of CSR is being investigated both in the republic and abroad. A lot of scientific works and publications are devoted to the research, although for Azerbaijan this is a relatively new phenomenon. An important role in the development of this concept was played by the economists M. Friedman, A. Berley and H. Minz, G. Bowen, A. Carroll, K. Walton, J. McGuire and others. In the republic in connection with the late beginning of the popularization of this phenomenon, the number of works increases every year, but there are still unfinished issues.

There are many definitions about corporate social responsibility. Collective recall of some of what businesses receive from society is emerging as a rising value in the global business world. The simplest definition of the concept is "the idea that businesses have certain obligations for collecting beyond profit." The concept is also defined as the obligation of a commercial firm to engage in useful initiatives for society as a long-term goal beyond economic and legal obligations.

From the definitions it can be seen that it is essential that businesses do something for society beyond their main obligations or goals. As is known, businesses have basic purposes such as profit making, survival and growth, and collective service. However, competitive pressures over time, existing performance appraisal systems, and businesses' self-preservation motivations are more prominent. Today's business world is a relatively recent one, faced with the question of the meaning of business performance, the way of doing business, due to the negative results (Maslow, 1954:14).

Implementations have a long history, but some difficulties arise in the re-definition of corporate social responsibility. These difficulties are due to

the fact that the subject starts as a relatively phenomenon in organizations and its integrated effect on other disciplines. Moir argues that the complexity of definitions arises from the concern of integrating two different directions of the concept. The first view sees CSR as a social responsibility behavior on a normative or ethical scale. The second view sees the CSR as an enterprise that carries the image of the company and other business purposes. Wood and Ullmann have shown that these two intentional intertwining of CSR is a long history. This effort has resulted in the expansion of the CSR portfolio. For example; such as business environment (employees), market (customers, suppliers), natural environment, local environment or communities, ethics, human rights and sustainability in terms of companies. For this reason, the CSR has put pressure on the firm to go beyond the neo-classical and modernist approach. The modernist perspective is often that the responsibilities of companies are explained by wages, taxes, hygiene factors and employment creation. Yet in today's global competitive environment, we need to address ethical issues in a satisfactory way. This need is particularly felt in moral issues and in the protection and development of the natural environment. Zairi and Peters argue that ethical dilemmas need to deal with matters that are not directly related to the organization (Джи, 2003: 224). Because the organizations have their skills and resources in different areas. He emphasizes that these forces must also be used to fulfill their moral obligations. For example; The EFQM Business Excellence Model predicts large-scale businesses to volunteer their advice to smaller, non-directly related organizations, and the model results are evaluated not only for the economic, but also for the natural environment, employees, customers and society.

These approaches have been criticized by Frederick (1994: 150). Frederick emphasizes that in the sense of CSR, there has been a

historical shift towards organizational responsiveness from organizational commitment. The author underscores the fact that organizations have come to the point of creating a dynamic balance between "humanization" and "being an economic unit (Данилова, 2007: 139)". According to Frederick, when CSR initiatives are systematized, there is always a need for an ethical basis. One way to put the ethical footing in perspective is to take into account the need for stakeholders to be satisfied. Stakeholders include internal groups such as employees, managers, shareholders; society and pressure groups. In this approach, for all of these groups, a position in balance can be reached by understanding stakeholders and associating their voice with business decisions. Wood (1991) developed the notion of "corporate legitimacy" in view of "society gives power and legitimacy to businesses"(Воеводкин, 2011: 11). For this reason, any ethical basis for CSR must also rely on social legitimacy. Wood states that any comprehensive definition of CSR should include: social responsibility principles, social sensitivity processes and behavior outcomes of the company.

The current state of the theory and practice of social responsibility of companies allows us to consider the concept of CSR as reflection of a large array of investigation in the field of economics, management, sociology and business ethics.

1. GENERAL THEORITICAL SECTION ON THE IDEA OF CORPORATE SOCIAL RESPONSIBILITY

1.1. The concept of Corporate Social Responsibility

In modern conditions of rapid development of the world community, oversaturation of markets, global crises and environmental disasters, issues related to the provision of acceptable living conditions, security and preservation of the environment acquire special significance. In this regard, an increasing number of companies are strengthening the social orientation of their business and are looking for solutions that can provide them with a long-term loyal attitude on the part of customers, employees, and other stakeholders of the society.

The answer to these challenges of our time is the concept of corporate social responsibility, which is a voluntary initiative of the company's leaders to develop and implement certain socially-oriented, non-profitable activities that aim to improve the external environment for the company (Важенина, 2006: 134-135).

More rigorously, "Corporate social responsibility is a company that meets the specifics and level of development of the company, a regularly reviewed and dynamically changing set of obligations, voluntarily and coordinated with the participation of key stakeholders taken by the company's management, with special regard to the views of staff and shareholders, account of the company's funds and aimed at implementing significant internal and external social programs, the results of which contribute to the development of the company (increasing production, improving quality level of products and services, etc.), improving reputation and image, developing corporate identity, developing corporate brands, and expanding constructive partnerships with state, partners on business, local community groups and civil organizations. (Aupperle, et al. 1985: 446)"

The World Business Council on Sustainable Business Development describes corporate social responsibility as a business contribution to sustainable economic development. Subject to compliance with legislation and regulations, corporate social responsibility usually includes "beyond the limits established by law" obligations and activities in the following areas:(Jones, 2005: 405).

- + corporate governance and corporate ethics;
- + health and labor protection;
- + environmental protection;
- + human rights (including basic labor rights);
- + human resources management;
- + interaction with society, development and investment;
- + corporate charity and volunteerism;
- + customer satisfaction and commitment
- + the principle of fair competition;
- + The fight against bribery and anti-corruption measures;
- + reporting, transparency and information on activities;
- + relations with suppliers both in the national,
- + and in the international supply chain.

The listed elements of corporate social responsibility are often interrelated and interdependent and implemented by companies in the course of their activities. Since business plays a major role in improving the well-being of society, corporate social responsibility is the central concept in the management system. It positions the company both in terms of current risks and the advantages of the opportunities it provides, especially regarding their corporate reputation and the broad involvement of stakeholders - shareholders, employees, consumers, the community, suppliers, government, non-governmental organizations,

international and other stakeholders organizations with which the company's activities are related (Jones, 2005: 406).

Corporate social responsibility is the responsibility of the company to the people and organizations with which it faces in the course of activities, as well as to the society as a whole. In addition, it is a set of principles, according to which the company builds its business processes.

1.2. History of corporate social responsibility development

In the current conditions of expanding international economic relations, the processes of globalization and increased turbulence, the leading countries of the world are actively using methods and methods of economic, monetary and exchange wars. Under the influence of sharply increasing tension in the world, there is an increase in antisocial phenomena and human aggression: unemployment, a decline in the quality of life, terrorist acts, and especially large-scale corruption.

A rational answer to these modern challenges is conception of corporate social responsibility. A correct definition of the term "corporate social responsibility" [7] is a very non-trivial task. The essence of the concept in the work of Rostislav Kurinko is most clearly and comprehensively revealed (Melo, 2009: 22)

As it is obviously known, the beginning of research on the problems of business responsibility in theory has been laid by foreign researchers and has been conducted for more than 50 years. Given this factor and the variety of approaches to CSR, which are often contradictory, we will consider the approaches of American scientists to the problems of corporate social responsibility. Indeed, the traditions of philanthropy and voluntary business help to different strata of society were widely developed in the United States back in the 19th century (Rockefeller

public libraries, Carnegie initiatives, etc.). One of the most widespread forms of rendering assistance to the needy has always been private and state charity. In the US, state philanthropy was intensively developing, which, in terms of its scale and in terms of its financial expenditures, was much more than private. Private charity provided only a quarter of all the support provided to the needy, the rest of the aid came from state (federal), state and municipal authorities(Orlitzky, 2008).

Occurred in the 1960s. The riots in the US prompted corporations to pay more attention to issues of social responsibility. The unfavorable living conditions of the urban poor forced the largest corporations to invest money and use human resources to improve the situation, especially in depressed regions.

In the early 1970's. the social activity of business was caused by the intensification of negative attitudes towards the business world. The movement to protect the consumer prompted corporations to take some measures. The contributions of corporations to philanthropic shares began to increase significantly.

A new stage of activity followed in the 1980s, when the Reagan administration's efforts to reduce federal aid to public programs sparked the fact that various organizations and individuals began to besiege corporations with requests for financial means and equipment. Requests came not only from voluntary public organizations, but also from state institutions that faced the prospect of large cuts in their budgets(Corporate Social Responsibility Branding Survey. Publication, 2010).

Another trend during this period, which is of great importance for social responsibility, was the participation of business in development programs of territorial communities. The corporations financed programs

for the care of children and patients, public planning, youth quarter centers, food funds, vocational training for the unemployed.

Due to the nature of American entrepreneurship, based on the maximum freedom of subjects, many areas of society remain self-regulating today. Thus, the "employee-employer" labor relations are the subject of a bilateral agreement of these parties. The right of Americans to health care in most cases is precisely the right to choose a citizen to use medical institutions or not (hence the voluntary nature of health insurance). State regulation in these areas affects only the basic inalienable rights of members of society. Accordingly, all CSR initiatives are voluntary for corporations in nature(Алешина, 2006:119)

In recent years, in the area of social responsibility of American corporations, three trends are seen.

The first is the decentralization of relations with national communities. The largest corporations insist that managers of their firms and affiliates assume responsibility for relations with the communities. These managers personify the company's personal presence in the community. They better understand its needs and respond more quickly to emerging problems due to the availability of the necessary financial resources and influence.

The second tendency is to consider relations with communities as a factor of corporate social responsibility. As a result of the growing decentralization of public administration, local governments take on themselves the solution of many issues related to activities and regulation that were formerly the responsibility of the federal government. Therefore, corporations more closely cooperate with local authorities and participate in their programs(Аверин, 2008: 98).

In the US, state authorities influence the development of philanthropy and charity by changing tax policy, legislation, and exercising control in

order to comply with public interests. The forms of state incentives are diverse: income tax incentives are introduced, the amount of charitable contributions is deducted from taxable income, etc. Therefore, in countries with progressive taxation of profits and superprofits, it is especially advantageous for large companies to spend money for social purposes.

For many decades in the United States in the economic methods of implementing corporate social responsibility created numerous schemes, projects and mechanisms for the participation of business in supporting society. It is noteworthy that this participation is beneficial to the companies themselves. For them, this is not just a waste of financial resources, but, among other things, an opportunity to improve their reputation in the eyes of society, create a positive image of the company (Ценностные основы социальной деятельности российского предпринимательства, 2015: 85). Therefore, business structures not only voluntarily participate in social projects proposed by the state, but also themselves initiate new social schemes and programs.

Corporate social responsibility in the US is realized through the activities of a large number of different corporate funds that finance the solution of various social problems. Companies finance a significant part of vocational education and health programs. In general, the US is viewed as a country in which financing a wide range of non-commercial projects has become a national tradition.

The reason for such high enthusiasm of American corporations is quite obvious: they are interested in this. Socially responsible corporations are encouraged by the government in the form of numerous benefits and credits, which are fixed in the relevant regulatory and legal acts. As a result, the social activities of US corporations directly or indirectly form a part of their investment activities, and the social financing that is being

implemented works as capital, i.e. gives a profit(Ценностные основы социальной деятельности российского предпринимательства, 2015: 85).

Thus, the United States provides a classic example of the implementation of corporate social responsibility with minimal state direct (ie, through the adoption of relevant laws) interference in this process. State regulation using economic incentives forms the basis of the American model of corporate social responsibility, which fully justifies itself for many years.

Summarizing the world experience on this issue, one can imagine the development of the CSR concept in three stages(Блинов, Захаров, 2007: 35):

- I. corporate citizenship;
- II. social (corporate) responsibility;
- III. corporate responsibility - sustainable development.

The first stage, which began with the monograph of the American researcher G. Bowen, basically reveals the problems of business, pointing out the need to take into account social values and goals. The weakness of this approach is the lack of tools - practical recommendations for the formation of CSR. To his supporters can be attributed K. Davis, J. McGuire, S. Seti, A. Carroll. They did not take the idea of the need to take into account social values in such prominent representatives of economic thought as M. Fridman and T. Levitt.

At the second stage, the distinctive feature of which is the attention to the practical implementation of the CSR concept, which is viewed from the position of rational choice carried out by the company manager. This stage is also known as corporate social susceptibility. The development

of CSR theory within the framework of corporate social receptivity has resulted in the formation of an instrumental approach to the interaction between business and society. At the same time, the achievements of the first stage of development within the framework of the normative approach were forgotten, and the understanding of the responsibility of business to society was lost(Алешина, 2006:120).

At the final stage of CSR development, an attempt was made to create an integrated approach. In our opinion, the model of corporate social activity proposed by D. Wood answers the most fully the essence and goals of corporate social responsibility. In the model, CSR is seen as a process in which reasons for the emergence of motivation for socially-oriented behavior of the business, the ways of its implementation and the results of actions are presented. Of particular note is the author's appeal to the evaluation of CSR measures, which makes this model more practice-oriented than previous concepts.

Analyzing the milestones in development of CSR, a fact should be noted that this is in consistency with the specifics and stages of development of a firm, a regularly reviewed and dynamically changing set of obligations, voluntarily and coordinated with the participation of key stakeholders, with special consideration to the opinions of staff and shareholders.

However, despite the ever-increasing attention to the issue under consideration, there is still no single generally accepted understanding of the social responsibility of business or corporate social responsibility.

1.2. Types of corporate social responsibility

There is not an unique and standardized classification for CSR. Several forms of social responsibility are legal in nature and are reflected in the legislation. Among them(Aupperle, at all. 1985: 447):

- ✚ Provision of quality services and products to consumers.
- ✚ The creation of legitimate jobs, the official issuance of wages, financial investment in the development of employees.
- ✚ Strict compliance with tax, labor, environmental and other legislation.
- ✚ Efficiency of activities (increase in shareholders' well-being, creation and further increase of economic added value).
- ✚ Doing business in accordance with ethical standards and public expectations.
- ✚ Contribution to the development of society through the implementation of social programs and projects (both individually and in partnership with other organizations).

But the United Nations Organization offers a more practical-oriented classification, indicating companies to specific tasks. But even with a cursory glance it becomes clear that these classifications are very similar. Only the wording changes and some additions appear that go beyond the limits of the legislation.

According to the UN, the GSS (or CSR "corporate social responsibility") is divided into two types - internal and external.

Internal includes (Дементьева, 2009: 3):

- safety in the workplace;
- stable, decent wages;
- guarantee of social and medical insurance for employees;
- Provision of additional training for staff: training and advanced training programs;
- financial assistance in emergency cases.

The *external* GSS includes:

- social investment and charity;
- care for the environment;
- the company's responsibility to consumers;

- interaction with the authorities and local communities.

Now let's look at social responsibility in terms of its three main areas: *environmental, economic and social*. These three "branches" are part of the strategy and determine the essence of this concept.

The environmental component of CSR is aimed at solving such acute problems as (Баранова, 2012: 225):

- pollution of water and land resources, atmosphere;
- depletion of natural resources;
- reduction of biological diversity;
- Rapid climate change.

To solve these problems, socially responsible companies, in the framework of their CSR strategies, develop an environmental policy aimed at reducing their negative impact on the environment. Examples of effective environmental policy can be found in the article "How to make the most effective environmental policy of companies".

Inclusion of the environmental component in the concept of social responsibility occurred after a series of serious environmental disasters.

For example, in Bhopal (India) in 1994 a toxic gas leakage occurred at the pesticide plant Union Carbide. At the final of this accident, more than 22,000 people died.

The root cause of such terrible tragedy was blatant security breaches, low-paid, unqualified personnel, as well as the company management's refusal to replace the worn out equipment. In addition, according to some reports, in 1984, the protection systems that provide the liquidation process were disconnected at the enterprise.

No less terrible tragedy struck in 1989 on the inhabitants of America. As an outcome of this accident at Exxon's Valdez tanker, 260,000 barrels of crude oil poured into the sea. The catastrophe resulted in large-scale pollution of coastal lines (about 1600 km) and the death of thousands of

animals. The very company-manufacturer suffered huge damages, paying fines and carrying out the cleaning works.

The economic component of CSR provides for(Melo, 2009: 23):

- investments aimed at developing the stability of products;
- effective use of labor resources;
- creation of a stable supply chain;
- conducting research in the interests of business development;
- effective use of materials and resources used to produce the final product;
- ethical behavior in relation to consumers and competitors.

Many CSR experts argue that it is the economic component that is most controversial and complex. Its sustainability and effectiveness depends on the role that the organization takes on, as well as the methodology for determining and measuring the final results.

The social component of business affects ethical issues. It manifests itself in a number of actions aimed at the interests of staff and the local community, namely(Corporate Social Responsibility Branding Survey, 2010):

- respect for human rights (with respect to both staff and the public);
- compliance with labor protection regulations;
- professional development of personnel;
- development of regions of presence (charity and volunteer actions, increase of employment among the population).

Also worth mentioning is the classification created on the basis of CSR obligations. The obligations in the table are built according to the degree of importance - from the necessary, imposed by the economy and the law, to the voluntary ones, which are the personal initiative of the company.

1.4. Principles of formation of corporate social responsibility

The principles of corporate social responsibility define the main provisions expressing the nature and essence of the organization and activities for the implementation of Corporate Social Responsibility in the company.

If we assume that the principle is the basic, reflecting essence of the CSR rule, then we can conclude that non-compliance with the requirements of one CSR principle distorts the essence of this concept.

Principles of social responsibility are formed at the expense of public expectations. Recently, public expectations addressed to business have changed significantly, now the society has become not indifferent to how the company conducts its activities, what it does at the same time and how it manages its revenues.

Thus, the need has arisen to develop principles for the activities of the companies in the CSR cancers. In order for the company to carry out its activities in such a way as to meet the expectations of the society, it must develop an action program related to the observance of ethical, legal, charitable, environmental, commercial and public principles . In other words, we are talking about how to become a worthy corporate member of civil society.

The formation of public opinion regarding the business and social reputation of enterprises will stimulate managers who claim long-term success, a good name and high prestige, and take seriously civilized methods of doing business(Aupperle, at all. 1985: 446).

Thus, it is possible to single out the first group of principles - openness. Social programs should be of a regular nature, respectively, the second group of principles is systemic. It is especially important that social programs are implemented in those areas in which society is in need at the moment, therefore, there is such a group of principles as significance. And, finally, the principles of CSR should be based on the observance of the company's subordination regarding religion, politics, sports and music trends. Based on these principles, companies include in their strategy the task of protecting human rights, while assessing the impact of their company's activities on the conflict, develop and implement measures aimed at preventing or resolving the conflict. Hence, it is necessary to single out the last, the fourth group of principles - the prevention of conflicts.

Thus, a socially responsible company adheres to the following principles(Джи, 2003: 224):

Openness

The principles of social policy, social programs and mechanisms for their implementation should be clear and understandable.

Publicity

Any information on CSR, except confidential, should be available to the public

Reliability

The concealment or falsification of CSR data is inadmissible.

Dialog

Social policy is built on the basis of dialogue with all interested parties, it is necessary to have a feedback with the addressees of social programs.

Directivity

Presence of priority directions for the implementation of social programs

- a) In time. Responsibility for the current and past activities, as well as for the future impact of the Company's activities on the outside world.
- b) In space. Universal principles of CSR for all regional divisions of the Company.

Regularity

Refusal of single and fragmentary actions in favor of planned programs and projects within the framework of the fixed priority areas of CSR(Aupperle, at all. 1985: 448).

Integration

The penetration of CSR principles into all business processes and the decision-making process at all hierarchical levels.

Significance or Relevance

Implemented CSR programs should be timely and in demand in order to have importance for stakeholders.

Scale

CSR programs should cover a significant audience and be visible to society as a whole.

Efficiency

The funds spent for the implementation of programs should significantly help in solving problems, while the results of the programs are subject to regular evaluation and accounting.

Political and Religious non-engagement

Non-participation in pre-election races, support of political parties or individual politicians. Refusal to support the clergy, the church, individual faiths or religious beliefs. Refusal to support nationalist movements. Refusal to support fan clubs. Including sports, music, or other youth movements that oppose themselves to the rest.

Thus, when considering the problem, the CSR principles are brought to life by public expectations, which in general terms boil down to the following: the organization should act very actively and openly in such areas as protection of the environment, health care, and protection of the rights of citizens and consumers. That is, it should pay a part of its incomes for the benefit of society, and do it openly, systematically, in large scale, in topical directions and without priorities in the field of politics and religion(Баранова, 2012: 226).

The social activity of the company is expressed in carrying out various social programs, both internal and external. Distinctive features of programs of social activity are voluntariness of their carrying out, system character and connection with mission and strategy of development of the company.

Thus, the company has the right to call itself socially responsible, which means that the company operates on the principles of social responsibility and implements a set of social programs in its priority areas.

1.5. Mechanisms of corporate social responsibility management

In the process of evolution, the market system of management has gone from capitalism, the priority goal of which is to maximize profits, to a socially-oriented economy in which the profit is created by the employee to ensure a decent level and quality of life. In the postindustrial economy, corporate social responsibility went beyond the responsibility to employees and became a tool for ensuring sustainable competitive advantages of the corporation and economical setting as a whole.

The nations of European Union (EU) are leaders in the use of socially responsible business practices. This is evidenced by models of CSR formed in them [3, p. 34]. At the same time, each model of CSR reflects the socioeconomic structure that has historically developed in one or another EU country, as well as the system of state regulation and functioning civil institutions (Lopez, 2007: 20). In this regard, the study of the experience of the European Union in the implementation of socially responsible practices is interesting and relevant.

Studies have shown that the EU countries are characterized by effective planning of charitable activities with the definition of its priorities. At the same time, Western companies, pursuing charity, pursue not financial benefit, but improvement of image and business reputation. In addition to the priorities of charitable activities can be attributed:

- Strengthening the company's position in the market and increasing its investment attractiveness;
- expansion of the range of consumers and growth in sales;
- commitment of the company's employees;
- improvement of intra-company relationships, etc.

In accordance with these priorities, Western corporations transfer funds to non-profit organizations or specialized charitable foundations (Melo, 2009: 24).

The interest of the companies of the EU countries in the formation of stable relations with the society and the authorities is constantly growing. The leaders of Western companies possess awareness of the fact that the purposeful implementation of CSR principles provokes a positive public response, ensuring a stable improvement in business reputation among stakeholders (consumers, partners and investors, etc.). In this regard, rather essential thing is paying attention to one more effective CSR mechanism - sponsorship. At the same time, the sponsor's activity of the

company is perceived by the corporate audience as a serious intention only if it is of a permanent nature.

Socially responsible investment appeared in foreign practice in the 1970s-1980s. The main participants in the modern market of socially responsible investment in the EU countries are investment funds, financial institutions that offer investors the opportunity to invest in accordance with their personal beliefs and principles with respect to socially significant issues (Corporate Social Responsibility Branding Survey, 2010).

The end of the twentieth century. for the EU is characterized by the emergence of ethical funds, specialized information and analytical agencies and non-profit organizations for the development of socially responsible investment and the expansion of the range of instruments (banking products, venture funds, etc.). Ethical funds do not invest in companies that have revenues from the sale of weapons, tobacco and alcohol products, from activities in the countries of military operations, as well as using heavy child labor. Investments are primarily made by companies related to health, education, production of goods that improve the quality of life(Maslow, 1954:382).

To date, various forms of another mechanism for implementing CSR - corporate volunteering have been developed in the countries of the European Union [5]. First, they can be expressed in the participation of companies in the "days of volunteering", held on a regular basis, when employees independently choose membership in a non-profit organization. Secondly, an individual form of volunteerism, oriented to the implementation of a certain volunteer program, associated mainly with topical topics (assistance to refugees, caring for animals, environmental landing, etc.) becomes more widespread(Aupperle, at all. 1985: 446)

Thus, to implement corporate social responsibility in the countries of the European Union, the following mechanisms are widely used: charity, sponsorship, socially responsible investment, social marketing and corporate volunteering.

2. THE USE OF CORPORATE SOCIAL RESPONSIBILITY FOR IMPROVING A COMPANY'S FINANCIAL PERFORMANCE

2.1. Corporate Social Responsibility and the image of the organization

The image of the enterprise is a complex object for study, including a large number of structural elements. Each of them influences the interaction of the enterprise with the external environment and the nature of this interaction is considered to be demonstrated in financial records of a firm in long-term.

Initially, only large commercial structures were engaged in the image, and it boiled down to a rather limited set of graphical elements of the graphic style combined with a gray approach to the design of interiors and products; to the creation of a complex of verbal techniques (name, slogan) in order to designate one's individuality. The social image of the enterprise becomes especially actual in modern conditions of managing. It is that increasingly shapes the opinion of consumers of products (services) from different groups of the corporate audience (employees, authorities, competitors, business partners, society as a whole).

Social image is a special case, a manifestation, an integral part of the organizational image that is formed under the influence of public

impressions of non-core companies. These are the impressions that are not related to the quality of goods, services, volumes of markets, etc. Social image is associated with such concepts as leadership, decency, respect for the company, social responsibility, social representation and social capital.

Increasing attention to non-core business areas of the company is connected with the formation of a new type of society - the information society. There was a change in priorities in production: the emphasis shifted smoothly from the production of material values to the production of information. And here we do not mean the information-product, but the information-the means for selling the product. Marketing information no longer moves in only one direction - from the seller to the buyer, - its movement is chaotically and poorly subject to control and management. Consumers received unprecedented opportunities to share knowledge, opinions and impressions of the consumption of goods and services. There was a possibility of feedback. The value system is changing. The public requires companies to address not only economic, but also social problems: the societies for the protection of consumers' rights and other organizations arise and are activated, and their activities are becoming ever more versatile, taking into account a wide range of interests of the most diverse consumers. Simultaneously, more and more attention is drawn not to production characteristics, but to those areas of the company that are not related to its immediate activities. Because there is interest, it means form and opinion. Thus, those firms have involved in Socially Responsible actions are a subject to clearly fewer scrutiny of the public. As an excellent instance, engagement of McDonald's in Ronald Charity Houses could be used for practical explanation. Involvement of this business unit towards supporting vulnerable families and those are in destitution accelerated

reputation of it in relation to society. In 1992, at the time of Los Angeles rebels, according to the point indicated in the Ph.Kotler's publication, Substantial negative consequences were experienced by various businesses of distinct fields as a result of vandal attacks. However, rioters demonstrated a refusal to damage McDonald's distribution points. Hence, the following consequence can be understood: An advantage on competition in relation to competitors has been gained by McDonald's through elimination and avoidance of spending on vandalism thanks to its perceived image by public as an outcome of its CSR engagement.

On the other hand, public image creation through realization CSR policies can be expressed as a tool for gaining loyalty of associated investors and customers as there is an impact in their attitude and understanding towards a company. In this regard, the appeal to the CSR concept is justified for a number of reasons. First and foremost, the noteworthy essence of the CSR concept is to define and follow the interests of various stakeholders: Corporate Social Responsibility (CSR) is the concept that organizations take into account the interests of society by taking responsibility for influence of their activities on customers, suppliers, employees, shareholders, local communities and other stakeholders in the public sphere (Maslow, 1954:14)

The direction of social responsibility can be represented by an orientation toward positive interaction with the external environment and improvement of the situation within the corporation. External interaction ensures the growth of external efficiency, and internal - increases the efficiency of internal business processes, both due to the growth of the skills of employees, and by increasing the motivation to implement this qualification in the process of the corporation functioning (Ullmann, 1985: 540).

This approach directly affects the interests of creating a typology based on areas of interest.

Secondly, being an exclusively social phenomenon, the image lends itself to the best study through the prism of the subject of perception. The concept of CSR just offers a vision of the functioning environment of the organization as a set of subjects of perception. The usage of concept for our purposes seems appropriate also because the CSR principles by definition meet the criteria of the image object: the significance and publicity.

In context of organizational image, "society" and "stakeholders" proposed in the model are subjects of the image. In the process of interaction, these subjects compare the results of the organization's activities with personal expectations and interests. Based on this comparison, a certain image of the organization is formed and they (investors and customer audience) are becoming more willing to invest and purchase activities of company because of aforementioned psychological factors. Turning to statistics, according to the survey investigation conducted by Economic Intelligence Unit, The proportion of 64 corporate investors who takes corporation's social responsibility records while formulating financial decisions accounted for more than 80%. The most surprising issue was that, approximately 1/5 of them demonstrates a positive tendency to invest in the enterprises because of their higher social image even though these firms have relatively weaker financial outcomes than their fellow firms.

2.2. The impact of corporate social responsibility on the economic performance of a company

The experience of giant corporations shows that today the most effective are those who, in the practice of their activities, are guided by several principles of corporate governance and social responsibility (Lopez, 2007: 20). Simultaneously, system of corporate governance is decisive in ensuring the investment attractiveness of enterprises and organizations, their capability of adapting to global changes at macro and micro levels, and the principles of corporate social responsibility provide them with a long-term loyal attitude on the part of clients, employees, other stakeholders of the society, which ultimately affects the competitiveness of business in national and international markets.

It is within the dyad "Corporate Governance - Corporate Social Responsibility" that successful companies develop strategic business areas, adopt corporate solutions, ensure protection of the rights of owners, investors and other stakeholders, which is the key to effective business conduct and its high performance.

At the international conference "Responsibility of business to the country" held in Kiev in 2013, the facts of the effectiveness of corporate social responsibility were cited, confirmed by the results of sociological and economic studies, among which the most indicative are the following:

- ✚ Companies performing their social social obligations function better in three indicators out of four than those that do not fulfill them. Also such companies, according to the Institute of Business Ethics, study, on average, have incomes of 18% higher;
- ✚ 80% of young professionals are interested in working in companies that positively influence the environment (according to the MonsterTRAK Recruitment survey);
- ✚ 83% of people trust companies that are socially responsible (according to the USA Today survey);

✚ 9 out of 10 employees who are satisfied with the CSR programs of their companies have a high degree of loyalty, while 75% are confident that their employers are very interested in their prosperity (according to research data According to the Sirota Survey Intelligence study).

Thus, the need to introduce and adhere to the principles of corporate social responsibility in the practice of enterprises and organizations today is not only a social but also an economically justified necessity that will give a rise to achieving following major results:

- *Enhanced Sales*

One of the factors explaining a reason behind the studies demonstrating positive compliance of CSR to financial ability of the organization is increase of sales. It is explained that CSR initiatives serve as a particular long- run revenue engine of a company according to two causes: an opportunity of rising price and accelerated customer base. Customers have a tendency to sacrifice greater prices for buying the products and services of corporations as an award to these companies which have more CSR contribution. In contrast, they ordinarily opt for having willingness to pay less as a penalty for products of those companies demonstrating fewer involvements in CSR matter. The idea can be further explained that creation of customer satisfaction with the use of socially responsible movements allows an organization experience positive effects on firms 'market value. The documented outcomes of a survey on Perception on CSR Survey comprising approximately a thousand digital interviews of consumers from USA in 2010 could justify this point which was conducted by consultancy firms on brand management, research-based management and communication firm.

The findings were as follows: 75 percent of interviewed U.S people are ready for paying more in the form of premium for products of CSR

oriented companies, claiming that they can sacrifice more money in order to buy product of a company with CSR initiatives which has the same characteristics (quality, functions, etc.) with the products of less social responsible corporations. Nevertheless, compliance of sales gains for paying for long-term costs associated with CSR should be considered carefully.

The increased desire of consumers towards repeatedly purchasing products of CSR-based organizations are rooted from a psychological factor, causing to acceleration of the base of consumers, as well as sales improvement in long-run. Considering theory of Maslow's Need Hierarchy, customers would like to more from a company than good or service for deriving their own "self-concept". Customers' preference for consumption influences identity of them. Hence, consumers' own identity and the image could be created through defining CSR engagement of a firm as they think the identity of the company they are buying from can influence their status within a certain social group. When they offer more motives to those who consume their products for identifying themselves, they are likely to enlarge market share, subsequently leading to sales revenue improvement.

- *Improved capability of workforce attraction*

Another economically crucial benefit generated as a result of CSR implementation is attraction of qualified workers. As mentioned before, consumers have ever-rising concerns regarding production subject of goods and services. This is also shown by workers as they want and expect from the organization they are work for more than a bill of salary. They would like to proud of the values, the aim of their firm which are in line with that of their own and gain a satisfaction of identity of the company. Evidence from a survey organized in early 2010s by the "Net

Impact” which is a non-profitmaking institution support this idea. According to it, the crucial issue for slightly more than a half of respondents who are currently a worker is “a workplace in which I feel that I make impact” in order to be happy. Moreover, around 70% of undergraduates agreed with this statement. Some of them even mentioned that they can agree with having a decrease in payment check in order to accomplish the goals of a company making a social impact. Additionally, about 80 percent of young aged people within a total sample would like to opt for working for enterprises having concerns regarding causing positive impacts on society. Lastly, another finding justifying above points is that majority of people that reported that they would choose losing their job when they notice that their organization acts in unethical manner and show neglect to societal values.

Findings show that those people who are trying to find a job take into account CSR index of employer as a crucial factor during job seeking process. However, it can be more substantial point when a person has offers from different companies having distinct levels of CSR records. Hence, firms being a subject of CSR involvement actions id likely to gain superiority on market competition as the gains are generated by attraction of broader range of candidates wanting to work for them for recruitment. The companies’ commitment to fair workplace provision, human rights and transparent principles of governance create a moral effect on workers meaning that greater long-term productivity, leading to boosted financial performance.

- *Lowering cost*

There is always an generally believed opinion justifying the studies finding negative association between social responsibility and financial development that it creates sheer costs and it causes a conflict in

connection with the main goal of the doing business. Indeed, we cannot ignore the fact that is a short-term approach. In the long perspective, CSR engagement is likely to be resulted in cost reduction provided that it is applied in the correct manner. Considering the other advantages of CSR activities in combination with cost decreasing effect, the financial improvement is expected to outweigh possible increases in the cost of companies for implementation of such activities. This cost avoidance can be achieved at the expense of long-run operating efficiency mechanisms through technological advances, savings on energy and sustainability matters. For example, when company invest in ecofriendly technology for avoiding destruction of environment it can be costly initially but it is likely to be resulted in gains such as reduction of “environmental pricing”. In the beginning of 1990s, Herman Miller endeavors towards sustainability would be used as a practical expression as it was resulted in serious cost decrease. This means that when the firm set up 11.000.000 U.S dollars’ worth plant of energy save and elimination of pollution activities, it decreased energy and waste spending by saving 75.000 U.S dollars annually. From the long-lasting perspective, just fifteen years would be enough for meeting initial investment cost through cost elimination on energy savings accompanied by such positive outcomes as the enhanced corporative image and betterment of constructing terms of the plant in environmental context.

- *Business Risk Avoidance*

CSR dedication of firms also contributes to their financial well-being by reducing the chance of risk of business compared to its opponents. Regardless of the type of management strategy if a company’image is obviously damaged, it would be challenging, long and not certain to recover. And that threat to corporate reputation is called a Business risk.

Culture at corporate level starts with movements shown by executive management. Provided that ethically and morally not acceptable steps are demonstrated at top management level; it is expected to have reputational damage, causing deterioration of long-run financial capability. Let's consider relatively junior business subject not having too huge business operation volumes which produces computer units as an example. If managerial staff of a firm do not take an action to avoid usage of produced parts for individual PCs of the workers as all of them have some needs related to their computers, for newcomer worker as a consequence can perceive that it is quite normal for using gadget units for their own purpose and friends' property. Therefore, this neglecting attitude of a firm management can give a rise to theft and lack of esteem practices within corporate culture. On the contrary, provided that there is an involvement of an enterprise management in programs related to CSR, it can create a basis for moral element within culture of corporation. It creates a chance to management staff to avoid risks associated with careless behavior including legal proceeding by provision of right cultural company environment. Thus, companies can also integrate "CSR initiatives" as a part of risk management strategy aiming at provision of financial sustainability. Let' consider "Nike" company's situation in the middle of 1990s. This company was blamed for using overseas human resources under unacceptable and adverse conditions in order to cut some expenditure units as a part of its economic growth strategy and hence, attracted negative attitude from society. Many of consumers were started to refuse to buy products accompanied by workforce strikes despite attempts of the company to articulate to society that they are not exploiting their workers from different countries. Therefore, they developed a comprehensive strategy of Corporate Social Responsibility as an inclusive element overall

economic development plan. The main issue within this package was definition and application of fair labor practices and addressing to their needs. The most important success factor was that it included interviewing workers from Asian countries for exchanging their opinions and having awareness of their needs. The case shows that a company can combine CSR and profit growth policy in order to avoid possible risks by being in line with the interests of stakeholders and it can play a guarantee role for making economic prosperity successful in long-run.

2.3. Analysis of the role of corporate social responsibility in the company “Starbucks”

In 1971, Starbucks was initially entered to international market of coffee by three friends and excellent coffee fans as a shop which sells coffee roast. They had few buyers, so they happily spent a lot of time on each of them, talking about coffee, sharing secrets and literally preaching the love for this drink.

In 1987, a turning point in the history of Starbucks comes, the owner of the company is Howard Schulz, who made Starbucks the way we know him today. He changed the brand of his coffee shops Il Giornale to Starbucks, renamed the company "Starbucks Corporation" and began to rapidly expand its network (Corporate Social Responsibility Branding Survey, 2010).

The first point Starbucks outside of North America was unveiled in 1996 in Tokyo (Japan). Starbucks is the largest coffee company in the world, with a network of coffee houses more than 20,500 in 64 countries, including 12,781 in the US, 1,241 in Canada, 1,062 in Japan, 976 in the UK and more than 100 in Russia (Orlitzky, 2003: 404).

In each region of the company's presence there is its Operations Manager, which reports and interacts directly with the Board of Directors. Each coffee house has a Managing Deputy Manager Senior shift (2-3 people) à Barista (5 or more people). The atmosphere and interior layout of each coffee shop is purposefully organized in such a way that guests feel comfortable and cozy, but in addition, they had their own limited space. The interior combines as soft sofas and armchairs, coffee tables with sashes, and barniestoiki with high chairs, which indicates the consideration of the interests of each visitor. Coffee shoppers are offered espresso and coffee drinks on the basis of it, hand-made from selected coffee beans, in addition teas and cold drinks. In addition to coffee, visitors are offered desserts and pastries, hot and cold sandwiches, salads and snacks accompanied by sale of cups, glasses, coffee and tea in banks, coffee-presses.

Starbuks employs mostly young people from 18 to 27 years old (working directly at a coffee house). In addition to work, most of them are students of universities, in addition, many of them came from other cities, so they rent apartments or live in a dormitory.

Stakeholders of the company:

visitors to coffee houses (young people, 18-30 years old, students, senior students, mostly girls)
employees of the company (employees of coffee shops - students, mostly girls, a large number of other cities, 18-27 years old)
mass media
suppliers
public authorities
shareholders

Analysis of the company's internal documentation, training materials, as well as the official websites of the company, helped to conclude that Starbucks includes a policy of social responsibility in all aspects of its work. The company demonstrates engagements in several societal, ethical and environmental activities as Starbucks has mixed its CSR planning as part of growth strategy in total, which is evident from its website. It could be noticeable to mention that the firm successfully differentiate its own CSR communication and develop it to address above listed diverse stakeholder categories. It has used various digital communication devices for enhancing target audience and reach of CSR communication.

More specifically, it can be said that lack of self-beneficial motives and consequences in report and within website, which could give a rise to stakeholder skepticism and suspicion of some hidden motives. This might be a minor drawback for Starbucks which can create a chance that company would be accused of less transparent CSR reporting. However, in fact, firm's long-run engagement to diverse CSR projects is repeatedly emphasized, as well as its approach on integration gives a signal to financial motives, as its CSR commitment is obviously crucial element of overall strategy of business. This concerns the approaches to choosing coffee suppliers (respect for human rights, labor standards for coffee companies), attitudes towards the environment, and staff.

The company has a program of obligations, which is called the *Stark Jobs Share Plainet*.

Starbucks' Shared Planet initiative - the obligation to do business with the benefit of people and the planet. This is a series of strategic initiatives that the company is taking to make the business a positive force in a variety of areas - from helping communities to environmental

initiatives such as waste reduction, water resource protection, green building and attention to climate change.

Figure 1. Starbucks Shared Planet



It is undeniably vital to note that everything is interconnected. Working with farmers on a long-term basis can improve the quality of the product. The best quality product can affect the price improvement. Better prices can mean improving the quality of life of farmers, their families and communities. Keeping a farm is responsible from the environmental point of view can improve the whole process as a whole and, ultimately, have a positive impact on the planet.

The company works with farmers to help them improve the quality of coffee and invest in their communities to ensure a better life for them and renewable supplies of high-quality coffee in the future.

Responsibly grown and purchased coffee means that the company helps to ensure:

- ✚ *Transparency* (they know which part of the price the company paid, went directly to the farmer who had grown coffee)
- ✚ *Good working conditions* (farmers fulfill or exceed the fulfillment of labor rules for payment of minimum established wages, the non-use of labor of children or slaves and the provision of safe working conditions)

- ✚ *Low environmental impact* (farmers are working to improve the biodiversity of the farm by reducing or eliminating the use of pesticides and protecting water sources)

Responsible growing and purchasing is a key initiative within *the Struxks Shared Plate*. This means paying the prices that deserve premium quality coffee, working in accordance with best practices and instructions, and supporting local social initiatives that improve overall community health.

Economic Transparency - Suppliers are required to provide evidence of payments for green (unroofed coffee throughout the coffee supply chain, including checks that show how much cash went directly to farmers for their coffee.

Social responsibility - at the workplace of farmers and coffee processing specialists, safe, fair and human working conditions must be ensured. This includes the protection of the right of workers to provide adequate living conditions. Compliance with the minimum wage requirement, the non-use of labor of children or slaves and the absence of discrimination are mandatory.

Caring for the environment - in the cultivation and processing of coffee, measures should be taken to protect the environment, including garbage collection, water quality protection, water and energy conservation, conservation of biodiversity and the reduction of the use of chemical weapons.

The third party controllers check the farms and coffee processing stations in accordance with the Rules of SAFE. Enterprise works in agreement with Schenectic Intelligent Systems (SCS) to maintain an efficient and reliable verification process. Partnership with Sustainable Development (CI) Since 1998, Starks and CI have worked together to create a link between farmers and conservation of nature, in part by

developing principles of responsible procurement within the framework of the SAFE Rules. The program resulted in an increase of 60% in the income of farmers who grow coffee by new technology, and 220% in the number of coffee plantations located in the tropical forest zone without damage to biodiversity. In 2008, Starbucks renewed its cooperation with CI to address the challenges of global climate change.

The educational initiative provides multilingual, intercultural educational programs for small children in 18 supported Starbucks Schools in the regions of Solol and Uejetenango. During the school year 2013 the schools received trainings and received resources to improve the skills of students in reading, writing and arithmetic, while helping to create a dynamic learning environment. Through the use of bilingual and intercultural educational strategies in the classroom, the program has strengthened local culture, which helps the transition to formal education for small children.

The most significant actions include the company's cooperation with the international organization Partnership for Hope. In frames of the Starbucks project, he takes on graduates from Moscow's children's homes. Assistance in adapting to new conditions is provided by specialists from the fund. As experts say, difficulties and barriers practically pass through half a year of work in the coffee house. Guys become more communicative and self-confident and their abilities. Every year, about 23,000 people are released from children's homes. Starbucks helps to shape the personality of graduates in the surrounding society and is a good stage on the path of development.

Additionally, as a way of fulfillment of customer interest within its stakeholders audience, the firm allocates funds from constant cards of the buyer at a rate of 5% from the sum put on balance.

Now the company positions itself as a network of quick service coffee houses with sound reputation. After the media content analysis, the following conclusions can be made about the company's existing image:

Starbucks management is taking a pride in that their company is "the leader in sales, roasting and making the most coffee in the world" (Lopez, 2007: 22).

2017 CSR ranking of Hiring Success Journal states that Starbucks occupied 3rd place according to Social Responsibility Initiatives while Forbes Journal's 2017 Ranking of global firms announces this company as a 3rd admired company due to financial records. And it gives a rise to formulate an opinion that Financial Success of Starbucks is highly related to its CSR involvement.

It is a company that has achieved tremendous success due to uncompromising positions on quality issues. Starbucks managers are proud of the quality of the products they sell, instilling a desire for excellence by applying to all partners the quality requirements stated in the declaration of intentions of the company. This declaration asserts that the company's partners will "*adhere to only the highest quality standards for buying, roasting and fresh coffee supplies in their work.*" Starbucks is an old and established player in the world market of coffee houses. It offers a convenient place for work, communication, business meetings, recreation.

We can say that at the moment the image of the company looks like this: Starbucks is a world-famous brand that provides quality and delicious coffee, a leader in its segment, a quiet comfortable place for meetings and recreation, a company with a great history and experience. Examination of its activities gives us a conclusion that since its establishment in 1970, the firm has been carrying out a commitment towards improvement of communities and sustainability of our planet.

Currently, it has a reputation as a company having above average sensitivity regarding social responsibility.

Let's examine the overall of profitable benefits are considered to be received by the company as an effect of CSR - Integrated growth policy. In order to describe overall picture of organization's gained financial success within last years Stock Performance can be chosen which is provided by the following illustration:

Figure 2. Starbucks' stock performance



Source: NASDAQ.com

As it can be seen since 1995, the price of the shares of company followed an upward trend due to following indicated reasons gained through CSR mechanisms:

- ✚ Loyalty from Consumers – As we have revealed in second section of this chapter, customers are more likely to opt for and pay for a product of CSR-oriented company over a product possessing the same standards and according to our findings, Starbucks is one of such companies. This factor plays a key role within the reasons behind obvious economic growth of a firm demonstrated in share prices and other growth parameters as well.
- ✚ Operating Expenditure Decrease – As it has been discussed, we now have an idea about Starbucks' activities in the field of

negative environmental effects reduction. This can be considered as a cost-avoidance driver of a company since it avoids energy inefficiencies and possible sanctions. Thus it could be viewed as a guarantee of long-term efficiency, leading to soundness of economic records.

- ✚ Goods (Supply) Chain Strength – As a result of social responsible attitude and efficiency support of the Starbucks toward its providers, in particular farmers, it is thought that supply chain is likely to be more strong and effective character which is ultimately expected to result in the most efficient delivery and the best quality of final product which is important factor for increasing price and revenue base.
- ✚ Acceptance from public – Having a relevant and prominent reputation and brand image as a socially responsible company facilitates its enlargement into new markets, contributing to enhancement of market share which is one of indicators of financial-performance.
- ✚ Satisfaction of Business Partners – Firms' Csr – based business strategy leads to effort, loyalty, commitment and interest from partners which are above average and it is resulted in their willingness to long -term retain of relationships and negotiations which is one of conditions for soundness of financial performance of Starbucks.

Despite existing actions and their relevance to its financial records through effecting current image of the firm, there are developed measures which will allow Starbucks to create and maintain the image of a socially responsible company, increase staff loyalty to management

and to the company as a whole, to solve the possible costs of a large staff turnover to coffee houses.

a) The program of assistance to young families and students - educational and housing (employees of the company, potential employees, the main target audience).

The purpose of the event: to show the care and attention of the company to employees; Solve the problem of employees with housing and study.

Description of the event: the company has significant financial resources that can enable it, in partnership with a large construction firm and government agencies, to reward 10-15 best network employees with a premium of 5000 to pay for renting an apartment / room.

It will be a real help to young families and students. This program will help the company create a positive image of the employer who understands the problems of his personnel caring for him, in the minds of workers, both existing and potential.

Importance of the event: the program will help keep employees in the company for more time, help solve the problems of employees with housing.

b) Educational program for students. It will include assistance to coffee shop workers (young people aged 18 to 27, students) in obtaining and paying off educational loans.

c) Corporate events for coffee shop workers. In each organization, at least once a year, special corporate events are held for employees, where they gather together, celebrate a holiday or just relax together.

The purpose of the event: to show the care and attention of the company to employees; solve the problem of employees with communication, establishing a contact and a friendly atmosphere.

Description of the event: to allocate for each coffee house region one day a month, so that the whole staff of the coffee house could get together and spend time together.

Importance of the event: corporate events are important for creating an atmosphere of support and understanding in the coffee shop. The company employs young guys who need to spend time not only at work and studying, but also to rest and gather with friends. The events will help to establish contact, both between existing employees of coffee houses, and new ones, which in the future will help in effective communication on the shift and productive work.

d) Money refund for transportation. The purpose of the event: to show the care and attention of the company to employees; To solve a problem of employees with additional expenses for journey to a place of work.

Description of the event: the company will pay for travel to employees who work in coffee shops located far from the metro. Money will be returned along with wages.

Importance of the event: the event will help employees of remote coffee houses to solve the problem with additional expenses.

To conclude, as a result of planning and holding events in the sphere of CSR, a number of advantages are gained and is expected to be gained .

Organized events will help to demonstrate the company's social responsibility, increase staff's loyalty to the company and management, and support the company's existing image which are some of the key indicators in order to achieve positive financial gains, especially in the long-run.

3. STUDY - BASED ANALYSIS :

DETERMINATION OF THE NATURE OF RELATIONSHIP BETWEEN CSR AND FP

3.1. Methodology

In order to addressing the question set for the purpose of this thesis, Review of Study Approach has been conducted. This is a systematic review of studies that are existing and already conducted by various authors and requires consolidating them for finding of an answer to the problem which is relevant to the goal of this paper. For collection of articles, several academic databases and manual research were used. These research databases included Econ Biz, Google Scholar and IDEAS. The main reasons behind their selection as a tool for centralizing academic studies were that they give an opportunity of a free and open connectivity and mostly contain publications on business/economy related fields. Moreover, relevant filterization options have been offered. Manual research was realized through searching via browsers including Chrome and Opera. As key foundation words, *socially responsible*, *empirical evidence*, *financial performance* and *CSR* were entered to search instruments for finding appropriate existing academic publication base. Measures for Elimination and Inclusion have been set up during the selection process of studies for reviewing. One of the Inclusion standarts was that studies should be included in the timeframe covering 1988-2018 because of the desire towards delivering more current results. Another one was that selected research works should use empirical approach in order to be more reliable evidence. Turning to elimination terms, they were: 1) Studies should cover more than ten companies and

should not be for the purposes of TV, radio, etc. in order to eliminate biases.2) Research works without abstracts and out of general standarts were also not considered while consalidating articles to be viewed for increasing facilitation. According to these criterias, abstracts and titles were viewed and 30 publications were selected as the most relevant studies for review analysis after elimination of the research studies presented by the authors. Three groups were drawn for demonstrating influence of CSR on finance records of a company, being positive effect, negaive one and both.

3.2. Results

This section of the thesis is devoted to articulate statistical reports of reviewed sample of studies which are empirical in nature, methodologies used in these papers, and associated features and results of them as well.

Firstly, it has again been approved that CSR is becoming to be more priority of interest in comparison with past years since more companies now are trying to combine CSR with their overall strategy of management. It can be expressed in the distribution of papers according ot their belongness years. The following table divides the time range into 2 periods and number of studies from second period outweighs those from the first one:

Table 1. Year Division of Reviewed Literature

Research Year	1988-1999	2000-Present
Numbers of research	7	23

Source: Own Investigation

The usage of methodologies for the goals empirical studies were found as follows: 73.3 % of studies (22 out of 30) used method of statistical correlation for finding out the proper effect of CSR on FP while 70% also integrated it with other methods. Overall, methods under the category of “other” have been combined in various modes. We can conclude methods used by researcher in the form of Table 2 :

Table 2. Method Types

Methods of Studies
Correlation
Other:
Multivariate Regression Model
Logistic Regression Model
Structural Equation Model
Other supplementary Models

Source: Own Investigation

For the aims of conduct of the above techniques studies have involved various variables to empirical study process. There were indicators for CSR as non-dependent variables and indicators as dependent variables which stand for financial performance of a firm.

According to authors of previous empirical studies , measure which is responsible for Corporate Social Responsibility level of the firm was regarded as an index of diferent social responsibility factors or mixture of these factors which are :

Environmental impact
Number of Social projects
Customer satisfaction
Employee satisfaction
Employee turnover
Shareholder Interest fulfillment

Philanthropy

This information was provided via usage of companies' website information, CSR publications, Rating schedules and inquiries by authors. Respondents were asked to give a mark to above points for companies within given ranges and authors obtained a CSR figure for each company within their samples in their empirical studies.

Review of studies gave us a conclusion that used FP variables mainly can be distributed into three types: 1)Accounting-related and 2)Market-based 3)Mix of them. Following table categorizes these two dimensions as below :

Table 3. Financial Performance variables

FP PERFORMANCE INDICATORS USED IN STUDIES
Accounting - Based variables
ROI
ROE
ROA
GPM
Others
Market- Based variables
MARKET SHARE
Q RATIO
STOCK PERFORMANCE
RISK OF COMPANY
Others

Source: Own Investigation

Total of FP data were collected through publicly available accounting records and financial reporting of organizations, as well as stock exchange index.

Q Ratio was used as a main one among overall FP indicators. This ratio (also Tobin's Ratio) indicates difference between market stock value of the company and value required for the replacement of company's asset. This difference is rooted from the external factors including CSR.

Hence, authors opted for selecting it because of its good match to research question.

Another most used determinant was Share or Stock Performance of companies which were mostly collected through Dow Jones and Nasdaq data. It was mostly regarded as Stock growth and Stock Price. It is noteworthy to mention that in the Chapter 2, this indicator of Starbucks has also been used for describing profitable gains through high reputation which is claimed to be mainly generated from strong CSR orientation of it.

As mentioned Chapter 2, Risk level of company is obviously related to reputation of firm which has a high relationship with CSR practices and hence it was frequently used in studies.

During the reviewing process, frequency of the use of Market Share as a representative of company's FP for finding how it is affected by CSR Index was another important issue and it is thought that researchers preferred it because of the idea that CSR-oriented companies experience a customer base enhancement as a result of easy acceptance of societies in different region in the light of the well-known image as it was the case in our Starbucks analysis.

Overall, several studies claimed that the consequences of CSR policies are more quickly demonstrated in Market-based measures. However, authors also mentioned that this indicators were available only for firms which are listed.

On the other hand, we can identify major indicators on accounting basis as follows:

a) Return on Equity : It was approximately used by 90 % of researchers and appeared in most of the abstracts as a key word during selection phase. It indicates how many quantity a firm generates as a result of usage of the amount invested by shareholders.

b) Return on Asset: As there is an opinion that CSR increases efficiency and thus costs, the use of this indicator which is responsible of efficient usage level of asset has been justified for demonstrating effects of CSR by scholars previously making empirical researchs.

c) Return on Investment: This indicator defines to what extent the company's investments are profitable. It can be noted that it was less frequently used and in 100% of studies, it was used in combination with others rather than being used solely.

d) Gross Profit Margin: The selection of GPM by past researchers could be explained according to the view that when company have reputation people have more willing to pay a relatively high premium for its goods and it can be expressed in high profit levels within long-term. In total, the use of these indicators by studies had the more frequent character compared to market-based ones because they were more easily available on the Corporate Annual Statements. However, there were no one unified consensus on the question that which one is better for researching relevant relationship between the phenomenon and FP.

After Review Process of Findings of Empirical studies, it has been revealed that three types of effects of CSR on FP can be cited which are 1.positive, 2.positive and 3.combination of both. The table below provides the general list of studies reviewed according to their outcomes:

Table 4. List of Research Findings

IO.	Name of the Study	The nature of the impact of CSR o
1	Novrianty Kamatra, Ely Kartikaningdyah (2015)	positive effect on FP
2	Amal Abou Fayad, Razan Ayoub, Maysam Ayoub(2017)	positive effect on FP
3	Ahmed et Al (2012)	positive effect on FP
4	Eunice Mareth Querol-Areloa(2017)	positive effect on FP
5	Balbanis, G., Philips, H.Y. and Lyall, J. (1998)	positive effect on FP
6	Brammer et (2006)	negative effect on FP
7	Rahmawati S Honggowati E. Supriyono(2003)	positive effect on FP
8	Jean B McGuire, Alison Sundgren, Thomas Sc.(1988)	both
9	Lijun Jiang Qishen Yang (2015)	positive effect on FP
10	Theofanis Karagiorgos1(2010)	positive effect on FP
11	Omesa Everlyne Moraa (2016)	positive effect on FP
12	Tsoutsoura, Margarita (2004)	positive effect on FP
13	George Balabanis (1998)	negative effect on FP
14	Blacconiere and Patten (1994)	positive effect on FP
15	Lo, C. et al.(2008)	positive effect on FP
16	Setiawan and Darmawan (2011)	positive effect on FP
17	Cheung et al. (2010)	positive effect on FP
18	Aliyu Baba Usman N. Afza Binti Amran(2015)	positive effect on FP
19	Carter et al. (2000)	positive effect on FP
20	Dafna M. DiSegni M. Huly Sagi Akron, (2015)	positive effect on FP
21	Davidson III andWorrell (1992)	both
22	King and Lenox (2001)	positive effect on FP
23	Pelozza, J. and Papania, L. (2008)	both
24	Graves and Waddock (2000)	positive effect on FP
25	Klassen and McLaughlin (1996)	negative effect on FP
26	Mingming Feng Xiaodan Wang Jagjit S. Saini(20	positive effect on FP
27	Fombrun and Shanley (1990)	positive effect on FP
28	Benjamas Janamrung P. Issarawornrawanich (2015)	both
29	Shao, G.(2010	positive effect on FP
30	Ho Ngoc Thao Liafisu Sina Yekini (2014)	positive effect on FP

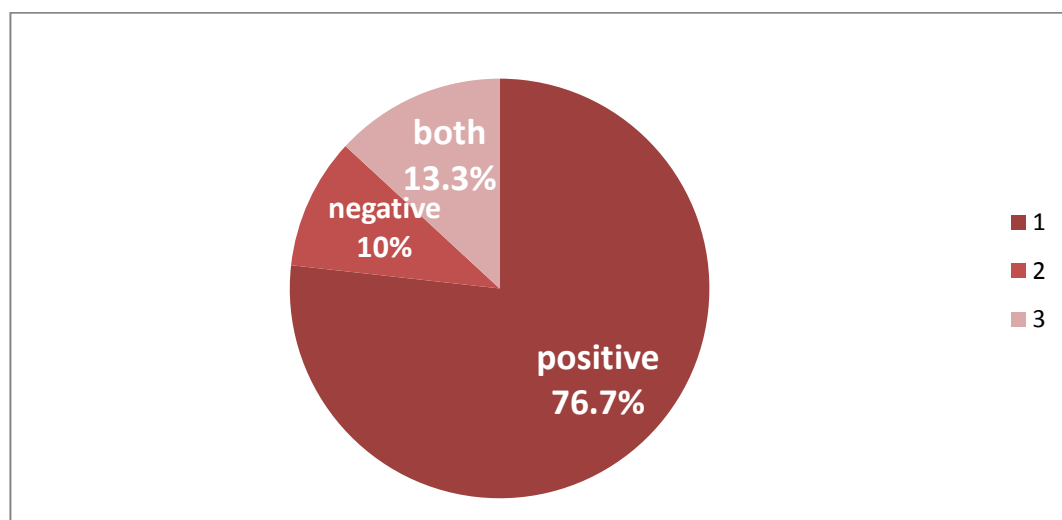
As it can be seen, 24 out of 30 studies suggested us that CSR initiatives are likely to have positive results on Financial records, and they justified this effect according to the factors that are discussed in the Chapter 2 of this thesis. Nevertheless, only 3 of 30 found a negative impacts of FB derived from CSR engagement and they explained the results according to the cost increase. Proponents of the positive relationship noted that

cost concerns can be true for short-run but in fact, there is a possibility of opposite-consideration in long-run. However, it is believed that as the dominant result was positive one, there can be inappropriatenesses regarding short vs long run differences and inadequate choice of samples. Finally, only 4 out of 30 identified that there can be both negative and positive effects through CSR in financial performance as a consequence of empirical analysis. The results were also dependent on time periods as importance of social issues has gained more importance after 2000. Hence, as we see, only one of negative effect outcomes was achieved from the studies carried out in the years before 2000. In addition, there can be variations because of the numbers of the data and variables used within the empirical findings.

The main concern of authors was noted as a lack of data in this field while conducting empirical work.

To conclude, results were summarized as follows by the use of pie chart below:

Table 5. Summary of Results



By the use of Review Technique, 30 empirical studies in the field of CSR and FP have been consolidated, which covers more than a thousand

companies. It has been found that with 76.6% of total, the dominant effect on FP generated by demonstration of CSR implementation in companies is positive one. The reason behind negative results (4%) need a further investigations which will also include the future empirical findings on the relevant question and elimination of accuracy concerns.

CONCLUSION

As a result of the dissertation research, the author fulfilled the tasks set and made the following conclusions.

The dissertation defines corporate social responsibility as the integration of CSR principles into its practical activities based on taking into account the expectations of internal and external stakeholders in order to strengthen business reputation, reduce non-financial risks and, ultimately, increase the profit of shareholders.

As a result of the analysis of the theoretical foundations on the subject matter, the main types and directions of CSR, the mechanisms for implementing and managing CSR, the notion of corporate social policy were identified.

Assessment of corporate social responsibility in the work is considered as a process of assessment and quantitative or qualitative expression of socially responsible activities of the company. This paper claims that eco-financial performance of a company is likely to be beneficially affected from application of CSR principles in long-run because of the following defined drivers:

- ✓ Enhanced Sales
- ✓ Improved capability of workforce attraction
- ✓ Lowering cost

✓ Business Risk Avoidance

The image of a firm and CSR are considered separately. As a result, this paper justifies that through CSR programs companies can show the best utilization of human factor in strategic financial development practices. Company of Starbucks which is globally recognized leader in its field and also widely known as crucial player in CSR is the representative case study in this thesis. Existing and projected Socially Responsible Activities of the Starbucks Company have been reviewed and their main characteristics are defined in this thesis with the use of publicly available sources for the purpose of this research. The main objectives of the events:

- ✚ to show the care and attention of the company to stakeholders
- ✚ solve the problem of stakeholders with a shortage of money for food
- ✚ solve the problem of stakeholders with housing and study
- ✚ solve the problem of employees with communication, establishing contact and friendly atmosphere
- ✚ solve the problem of employees with additional expenses for travel to work place

It can be concluded that combination of events as a way of addressing interest of stakeholders increase the loyalty of employees to the company which is expected to have beneficial effect on financial performance decreasing workforce turnover, and also show to coffee shop visitors that the company as a whole (not only the management but also ordinary employees) reflects on the importance of social projects and conducts them which could guarantee persistent sales records by loyal people.

For justification of aforementioned points, existing Literature Base of empirical studies done within last 30 years with regard to the CSR and

FP connection has been analysed on qualitative and quantitative manner. Sample of the bunch of studies has been prepared, relevant research studies have been selected and statistical findings are demonstrated accordingly after examination process. It has been found that the majority of empirical findings have resulted in positive impact of CSR on FP. We can consider benefits of CSR which were cited in the Chapter 2 as contributing factors of the dominance of findings revealing positive impact.

Due to successfully accomplished tasks, the goal of the thesis was achieved and recommended measures were developed for further use of CSR in the improvement of financial performance of a business:

- ❖ Within the design phase of CSR strategies, the company's specific features should be taken into consideration in order to effectively address CSR-related root causes of the growth problems while having a "social" impact. Because problem areas can differ from company to company. For example, if a company has staff turnover problem, its CSR strategy should have more focus on employee fulfillment issues.
- ❖ Strict Project Management should be organized - how effectively are the budget resources that are to be allocated for the implementation of the activities, how fully the initial provisions were made when the budget was approved, how great is the transparency of the distribution of funds. Moreover, regular feedback should be made through surveys and other means in order to evaluate performance of CSR implementation and ensure that there are no variation from initial goals.
- ❖ To Ensure that implementing CSR initiatives are up-to-date in order to achieve maximum effectiveness level.
- ❖ Companies whose main segment is young aged category can make an agreement with Schools and Universities for involvement of students

and children in voluntary work within the implementation phase of projects which could decrease staff cost and increase loyalty accompanied by “word of mouth”.

- ❖ Being in a regular communication with non-government and other institutions for attraction of feasible grants for implementation of initiatives in more cost-efficient manner.
- ❖ To merge with other company which is engaged in the same form of CSR within the same region in order to cover costs in mutual basis.
- ❖ To appoint specialist for regular analysis of “social sector” in order to report that what issues have never been addressed in the CSR field for avoiding repetition.
- ❖ Delivery of brochures to customers and Mass Media as an invitation for being a part of charity activities in order to maximize transparency, publicity and costs.

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