

## Discharging Corporate Social Responsibility by Bole Lemi and Adama Industrial Parks, Ethiopia

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### Abstract

The concept of corporate social responsibility has become a major issue in the modern world. The idea behind this concept is that business organizations should play a positive role in the community and consider the environmental and social impact of business decisions. In order to overcome global economic challenges the government of Ethiopia has established and launched industrial parks in different parts of the country. Among these parks Bole Lemi and Adama Industrial Parks were the major ones committed to producing and exporting textile and garment products. Although most of the industries in these parks are established to make profit, they are also responsible to protect the environment and contribute to social benefit of the community at large. Due to these facts, this study examined the current practices of corporate social responsibility, the major reasons for discharging corporate social responsibility, and its effect on the sustainable competitive advantage of the industries. In order to achieve these objectives, the study used a concurrent mixed research approach with descriptive and explanatory research designs. Data were collected from 612 sample respondents who were selected randomly from different industries operating in the industrial parks. Both descriptive and inferential statistics with structural equation modeling were used to analyze the data. The findings of the study confirmed that, the environmental and economic dimensions of corporate social responsibility practices are well implemented in the parks. However, the philanthropic, legal and ethical dimensions are not practiced well in the parks. The major reasons for discharging corporate social responsibility practices were the law of the land where the business regulations required them to do so, beyond that, they also have their own company policy to discharge corporate social responsibility practices. One surprising finding was that employees in the park did not participate in the company corporate social responsibility practices. Finally, the study revealed that environment and economic dimensions of corporate social responsibility have a positive and significant effect on sustainable competitive advantage. On the contrary, the philanthropic dimension has a significant but negative relationship with sustainable competitive advantage of the industries. Legal and ethical dimensions have no relationship with sustainable competitive advantage of the industries. Based on these findings, the study recommends that the industries operating in the parks should also focus on doing business in an ethical manner by considering the norms and standards of the global and local community. Moreover, the industries in the parks should also give due attention to their employees by creating conducive working environment, paying fair and competitive salary as well as providing training and education opportunities. The government should also design a policy in order to determine minimum wage practices in the country to make the salaries fair and equitable.

**Key Words:** Corporate Social Responsibility, Sustainable competitive advantage

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## 1. Introduction

Over the years and across the globe, there has been an increasing discussion on Corporate Social Responsibility (CSR) policies in the business sector since following the release of Bowen's book (1953) entitled, "Corporate Responsibility of the Businessman" and promoting the idea that companies have social obligations to the community where they work. Whereas the idea of CSR has been around for some five decades, it is in the last 15 years that we witnessed an unprecedented increase in CSR language, tools, actors, strategies, and practices in industry all over the world. Due to globalization and climate change, governments across countries have been forced to address societal concerns and to be responsible and accountable to the planet. The principle of CSR focuses on organizations to incorporate proper social, environmental, and economic actions in addition to satisfying the concerns and financial interests of shareholders. In this regard, the activities of organizations should have a positive impact on customers, suppliers, environments, communities and employees (Nadaf & Nadaf, 2014).

In this regard, the government of Ethiopia has launched the construction of industrial parks in different parts of the country in order to transform and meet the country's aspirations to be industrialized. The industrial parks of Ethiopia are a core component of the Government's plan to make the country a leading exporter of manufactured goods in Africa. Among the industrial parks built and owned by the government, Bole Lemi and Adama Industrial parks are well-established in terms of creating employment opportunities and exporting manufactured outputs.

Bole Lemi Industrial Park (BLIP) has two phases 172 hectares and 181 hectares respectively the park is specialized in Apparel & Textile. Currently, the park is producing 100% exportable products and sheds are fully occupied. On the other hand, the Adama industrial park established on 120 hectares started operation in 2018. The park specializes in Apparel and Textile and is producing 100% exportable products. The Adama industrial park also produces leather and machinery equipment.

It is well understood that industries should be responsible for the community at large while making financial profits as well. In regard to CSR, industrial parks in Ethiopia have designed a legal framework to protect the environment in which they are operating and also benefit all relevant stakeholders in particular and the society in general. Thus, the major purpose of this research is to investigate the current practices of CSR in Bole Lemi and Adama Industrial Parks in Addis Ababa and Adama, respectively. The study also examined how CSR practices affect operational sustainability of the industrial parks.

## 2. Problem Statement

Corporate social responsibility (CSR) promotes a vision of business accountability to a wide range of stakeholders, besides shareholders and investors. Key areas of concern are environmental protection and the wellbeing of employees, the community, and civil society in general, both now and in the future. The concept of CSR is underpinned by the idea that corporations can no longer act as isolated economic entities operating in detachment from broader society. Traditional views about competitiveness, survival and profitability are being swept away.

CSR is an organization's obligation to engage in activities that protect and contribute to the welfare of society, including general communities, customers, shareholders, the environment, and employees. The adoption and implementation of CSR leads to higher level of credibility, improved image or reputation of the organization, higher employee retention (low turnover) and

builds customer relations (Eyasu & Endale, 2020; Kim & Park, 2011; Lin, Chen, Chiu, & Lee, 2011).

Corporate social responsibility (CSR) has attracted increasing attention from policymakers, as reflected in the increased level of corporate accountability and transparency toward the consequences of corporations' operational activities for the environment and society at large (Jamali & Mirshak, 2007; Mehedi & Jalaludin, 2020). The topic of corporate social responsibility (CSR) has been the subject of much research and attention in the last two decades, particularly in developed nations. Although CSR has been developed and has attracted much research, the implementation is still in an embryonic stage in most developing countries, particularly in Africa (Jamali & Mirshak, 2007).

Nowadays, the topic of CSR in Ethiopia has become the major topic in the management of industries like food processing, beverages, textiles and leather (Eyasu & Endale, 2020). In Ethiopia little effort has been directed to scientifically investigate the concept of CSR. According to Hailu and Nigatu (2015), in the Ethiopian context there is lack of empirical research on the concept and practices CSR. Hence, the major purpose of this study is to examine the current practices and challenges of CSR. The study also aims to explore the factors that affect the adoption and implementation of CSR and its effect of operational performance in two selected industrial parks. The study answers the following research questions: a) what are the current practices and challenges of CSR in the selected industrial parks? b) what factors determine the implementation of CSR in the selected industrial parks? And c) what is the effect of CSR on sustainable operational business performance of the industrial parks?

### **3. Literature Review**

#### **3.1 Definitions and Basic Concepts**

CSR has been conceptualized in many ways. Despite the increase in interest in CSR research, there is no conceptualization of CSR in the academic literature and empirical evidences in the fields of management and marketing (McDonald, 2006). Although scholars have recently developed conceptual models to understand CSR, the most dominant and well accepted model of CSR is Carroll's (1991). The CSR pyramid shows company responsibilities comprising economic, legal, ethical, and philanthropic aspects. Thus a business is expected to be profitable, obey the law, be ethical and be a good corporate citizen (Carroll, 1991; McDonald, 2006).

The concept of CSR has been realized in different ways and the conceptual tenets have similar meanings. For example, Kotler and Lee (2005) explain CSR as "a commitment to improve societal well-being through discretionary practices and contributions of corporate resources". These discretionary practices are not laws or regulations; rather, they are voluntary commitments of companies. There is no commonly agreed definition of CSR among scholars. However, there is general consensus that CSR is related to company concerns regarding community involvement, socially responsible products and processes, concern for the environment and socially responsible employee relations (Kellow & Kellow, 2021).

For example, Brown and Dacin (1997) define CSR as the organization's status and activities in respect to its perceived societal obligations. Similarly, Kotler and Lee (2005) view CSR as a commitment to improve community wellbeing through discretionary business practices and contributions of corporate resources. On the other hand, the World Business Council for Sustainable Development (WBCSD) defines CSR as "the commitment of business to contribute

to sustainable economic development, working with employees, their families and the local communities (Jamali & Mirshak, 2007).

### **3.2 Theoretical Foundations**

Many studies that attempt to analyze CSR within theoretical frameworks are aplenty, including agency theory, stakeholder theory, corporate citizenship, institution theory, and the resource-based view from strategic perspectives (Gulema & Roba, 2021). Since it is difficult to cover all the theories related to CSR, only the most dominant and well accepted theories are dealt with in this section.

- **Stakeholder Theory**

Stakeholder theory is a managerial theory about business. It asserts that business can be understood as a set of relationships among groups which have a stake in the activities of that business. Stakeholders are those individuals or groups that can affect or can be affected by the achievement of the firm's core purpose. In addition, a business is successful insofar as it creates value for and satisfies key stakeholders continually over time. Managers may find it useful to divide stakeholders into two groups: those who are foundational to the firm's activities (e.g. customers, suppliers, financiers, employees, and communities), and those secondary groups that can affect the firm's objectives (e.g. the government, the media, and interest groups) (Visser, Matten, Pohl, & Tolhurst, 2010).

- **Agency Theory**

Agency theory argues that in the modern corporation, in which share ownership is widely held, managerial actions depart from those required to maximize shareholder returns. Agency theory is a principle that is used to explain and resolve issues in the relationship between business principals and their agents. Most commonly, that relationship is the one between shareholders, as principals, and company executives, as agents (Donaldson & Davis, 1991). An agency, in broad terms, is any relationship between two parties in which one, the agent, represents the other, the principal, in day-to-day transactions. The principal or principals have hired the agent to perform a service on their behalf.

Agency theory attempts to explain and resolve disputes over priorities between principals and their agents. Principals rely on agents to execute certain transactions, particularly financial, resulting in a difference in agreement on priorities and methods. Performance-based compensation is one way that is used to achieve a balance between principal and agent. Common principal-agent relationships included in agency theory include shareholders and management, financial planners and their clients, and lessees and lessors.

### **3.3 Dimensions of Corporate Social Responsibility**

The most commonly used determinant of CSR in the literature is Carroll's (1999) Pyramid Model. The model has four dimensions, each having its own characteristics. The detail of Carroll's model is presented here.

- **Philanthropic Responsibility**

Corporate philanthropy embraces business' voluntary or discretionary activities. Philanthropic activities involve taking part in activities or programs that promote human welfare or benevolence (Carroll, 2016).

- **Ethical Responsibility**

Ethical responsibilities include the behavior of the firm that is expected by society but not codified in law. The factors of ethical responsibility include that the business must be environmentally friendly. The business should always be aware of its activities and how they affect the environment (Carroll, 2016). Ethical responsibility is concerned with ensuring that an organization is operating in a fair and ethical manner. Organizations with ethical responsibility aim to achieve fair treatment of all stakeholders including leadership, investors, employees, suppliers, and customers (Baden, 2016).

- **Legal Responsibility**

The legal dimension of the Pyramid defines a company's responsibility to follow all the laws and regulations that apply to the business operation. Thus, based on this dimension of the pyramid companies are expected to be truthful and transparent about the safety and security of the products or services, keeping employees and customer's safe, ensuring environmental, health and safety requirements are met as per the standard and paying your taxes.

- **Economic Responsibility**

As a fundamental condition or requirement of existence, businesses have an economic responsibility to the society that permitted them to be created and sustained. Economic responsibility is the practice of a firm backing all of its financial decisions in its commitment to do well in the areas it involves itself in. The end goal is not to simply maximize profits, but positively impact the environment, people, and society (Crifo & Forget, 2015).

### **3.4 Empirical Research Reviews**

Numerous empirical research studies have been conducted regarding CSR in different contextual settings. Since it would be unmanageable to discuss all empirical evidence here, a summary of empirical findings is presented.

Li et al. (2020) examined the relationship between corporate social responsibility (CSR) and firm competitiveness in the case of Lithuanian companies. The findings of the empirical research confirmed that separate social responsibility dimensions (environmental, social, economic, shareholder, voluntariness) differently affect separate elements of competitiveness: financial capacity, quality of production, satisfied needs of consumers, efficiency, introduction of innovations, and company image.

Moreover, Chen and Wongsurawat (2011) investigated the causal relationships among four components in corporate social responsibility (CSR) domain. The study posits that CSR is mainly influenced by: accountability, responsibility, transparency, and competitiveness. Data were collected from Taiwanese companies via questionnaires. A path analysis is employed to

determine the relationships, while confirmatory factor analysis is applied to assess the construct validity of the model. The result of the study demonstrated that both accountability and transparency provide statistically significant contributions to the prediction of competitiveness, which in turn has a significant effect on responsibility.

In the Ethiopian context, Amare (2019) examined Corporate Environmental Responsibility in Manufacturing Enterprises in the Akaki River basin on protecting the urban environment with particular emphasis on twenty selected industries. The findings of the research show that corporate environmental responsibility is very low. The majority of Large Scale Industries encompassed in the survey did not show considerable effort on protecting the environment responsibly. The reasons identified by this research are, among others, the absence of corporate environmental responsibility, low pressure from enforcing institutions, and lack of financial and human resources.

Eyasu and Endale (2020) investigated the practice of CSR in agro-processing and garment industries. By using confirmatory factor analysis, the study examined the causal relationship between stakeholders' and CSR implementation in agro-processing and garment industries based on employees' perceptions in the Amhara regional state. Accordingly, the empirical result showed that environment, customer, owner/shareholder, community have a significant positive effect on CSR implementation in agro-processing and garment industries. However, the study also confirmed that employees have a significant negative effect on CSR implementation.

Eyasu and Arefayne (2020) studied the linkage between different dimensions of CSR engagement (customer, employee, community & environmental) with the banking industry's competitive advantage strategy and ranked the contribution of these stakeholders of CSR to their competitive advantage. The results of confirmatory factor analysis via structural equation modeling revealed that separate stakeholders of CSR implementation (customer, community, employee, and environment) had a positive influence on the bank's attached elements of competitive advantage. In addition, the banks are more concerned about customer-based CSR and are considered the most vital factor for their competitive advantage, giving less emphasis on environment-related CSR.

More recently, Gulema and Roba (2021) investigated the internal drivers and external determinants of CSR strategies practiced by multinational enterprises (MNEs) using institutional theory and the resource-based view in the Ethiopian context. The study applied multiple regression as a data analysis technique survey as data collection instrument to gather data from MNE subsidiaries operating in Ethiopia. The study revealed that firms that are oriented to raise competitiveness with collaborative attitudes toward host governments seek more exploring CSR practices. On the other hand, firms' local orientation that is to build legitimacy with accommodative attitudes toward host governments have positive relations with exploiting CSR practices. Furthermore, contrary to expectations, the result confirmed that exploiting CSR practices are positively related to both orientations, which implies that traditional CSR practices are treated as fundamentally important for developing countries.

### **3.5 Research Gap**

The topic of corporate social responsibility (CSR) has been the subject of much scholarly attention in the last two decades particularly in developed nations. As stated above, although the concept of CSR has been developed and attracted much research, the implementation is still in an embryonic stage, particularly in Africa (Jamali & Mirshak, 2007). Traditionally, improving the living standards and wellbeing of society was solely imposed on the government while the sole

purpose of corporate world was to maximize profit for the interest of shareholders. Corporations have long been criticized for irresponsible actions such as pollution, unfair treatment of employees and suppliers, selling shoddy products to consumers and a host of other activities (Eyasu & Endale, 2020).

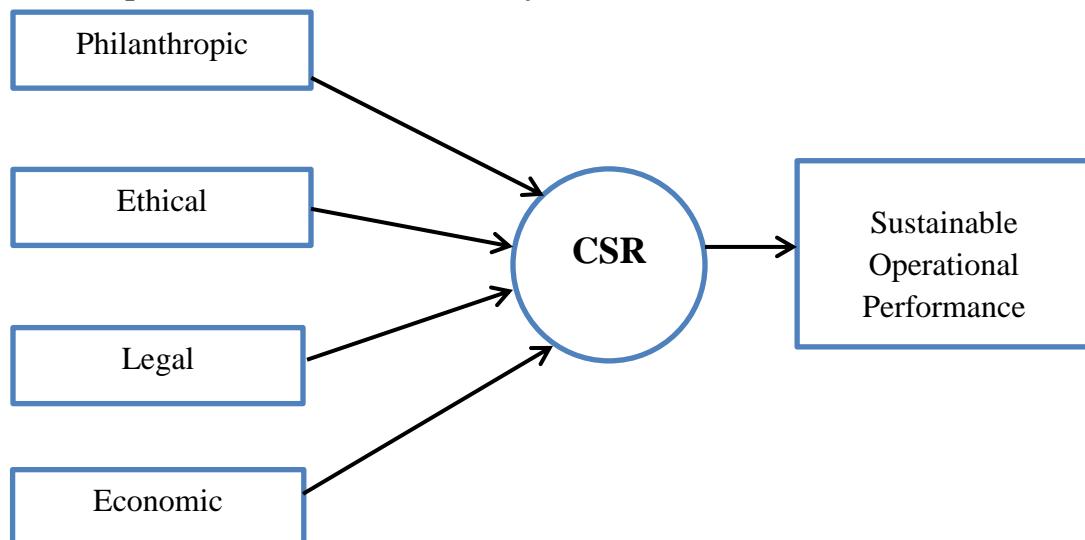
However, according to Oberseder, Schlegelmilch, and Murphy (2013), businesses are expected at once to be profitable, socially and environmentally responsible, humane to employers and become a good global citizens. This involves being clear about the company's purpose and taking into account the needs of all the company's stakeholders, shareholders, customers, employees, business partners, governments, local communities, and the broader public (Eyasu & Arefayne, 2020). In Ethiopia little effort has been made to scientifically investigate the concept of CSR. According to Hailu and Nigatu (2015), in the Ethiopian context there is limited empirical research work on CSR.

According to Cribo and Forget (2015) as cited in Newman, Rand, Tarp, and Trifkovic (2020), one major research gap identified is that there is no consensus among scholars on the effect of CSR on sustainable business practices. Thus, this research will fill this gap by empirically validating the effect of CSR on sustainable operational business performance of the industrial parks. Moreover, the need for capacity building and technology transfer to less developed countries, such as Ethiopia, remains an important developmental agenda. Unfortunately, from the environmental dimension, there is inadequate information on corporate environmental management in developing countries, especially on the African continent (Amare, 2019).

Finally, numerous previous studies used descriptive statistics using frequency, percentage, mean, standard deviation, content analysis, and binary logistic analysis of determinants of CSR practices for selected industries in Ethiopia. However researches conducted using structural equation model to measure causal relationship between variables is still scant. Therefore, the objective of this study is to examine the current practice of CSR and its effect on sustainable operational business performance of Bole Lemi and Adama Industrial Parks.

### 3.6 Conceptual Framework

**Figure 1: Conceptual Framework of the Study**



Source: Carroll (1991) and Hansel et al. (2011)

## **4. Research Methodology**

### **4.1 Research Approach and Design**

Since combining both quantitative and qualitative data yields a more complete analysis and the two complement each other, a mixed research approach was used. Consequently, based on the mixed method research approach a concurrent research approach was utilized (Ivankova, Creswell, & Stick, 2006). Concurrent mixed method research approach involves the collection of both qualitative and quantitative data simultaneously and merging the data and using the results to understand the research problem under study (Creswell, 2008). Finally, based on the concurrent mixed research approach, a descriptive and explanatory research design was applied in order to answer the research questions. This is because descriptive research design helps to understand the current practice regarding the adoption and implementation of CSR in the selected industrial parks. On the other hand, explanatory research helps to examine the relationships between research constructs.

### **4.2 Study Area and Population**

This study was conducted in two selected industrial parks. Thus, Bole Lemi and Adama Industrial Parks were the research areas which are located in Addis Ababa city and Adama city, respectively. The study population comprises all employees and management officials of the public Bole Lemi and Adama Industrial Parks.

### **4.3 Sampling Strategy and Procedure**

Accurate sampling methods and a comprehensive sampling frame are the foundation of empirical surveys (Creswell & Clark, 2017). Hence, in this study probability sampling technique was applied. The probability sampling technique that was used to collect quantitative data through survey questionnaires was simple random sampling technique. In this research, a multi-stage sampling technique was utilized to divide the research areas into two research sites (Addis Ababa and Adama). Multi-stage is a sampling technique which is used to choose a limited number of smaller geographic areas in which simple or systematic random sampling can be conducted. Based on the multistage sampling, the researcher used a simple random sampling technique to select sample respondents from each research site.

### **4.4 Sample Size**

Since to total population of the study is unknown, the sample size of the study was determined by using the formula suggested by Cochran (1977).

$$n = \frac{Z^2 pq}{e^2}$$

Where:

- e is the desired level of precision (i.e. the margin of error)
- p is the (estimated) proportion of the population which has the attribute in question,
- q is  $1 - p$ .

$$n_x = \frac{1.96^2 (0.5)(1-0.5)^2}{(0.05)^2} = 384 \rightarrow \text{Bole Lemi}$$

$$n_x = \frac{1.96^2 (0.5)(1-0.5)^2}{(0.05)^2} = 384 \rightarrow \text{Adama}$$

Based on the above sample size determination calculation, the total sample size of this study was 768 employees and management officials working in different divisions of Bole Lemi and Adama Industrial Parks. In order to get the big picture, the questionnaires were distributed proportionally to manufacturing firms operating in both industrial parks.

#### 4.5 Data Types, Sources and Data Collection Techniques

In order to achieve the objectives of the study, both quantitative and qualitative data types were collected and utilized in this research. On the other hand, both primary and secondary data were collected. Primary sources of data were collected via self-administered questionnaires distributed to selected sample respondents. On the other hand, secondary sources were collected from documents such as strategic plan, annual reports, and guidelines of the industrial parks. In order to collect large amount of data, survey questionnaires were used as data collection instrument. This is because survey questionnaires provide a relatively inexpensive, quick and efficient way of obtaining large amounts of information from a large sample of people. Data can be collected relatively quickly because the researcher would not need to be present when the questionnaires are administered. Consequently, in order to collect both quantitative and qualitative data, the survey questionnaires were both closed-ended and open-ended.

#### 4.6 Data Analysis Techniques

Data analysis consists of examining the database to address the research questions and hypotheses (Almquist, Ashir, & Bränström, 2014). Data analysis in a mixed methods research relates to the type of research strategy chosen for the procedures (Gelo, Braakmann, & Benetka, 2008). Therefore, data collected via self-administered questionnaires was analyzed by using relevant data analysis and statistical techniques. In this regard, both descriptive and inferential statistics were used in order to answer the research questions of the study empirically. Thus, descriptive statistics such as frequency, percentage, mean and standard deviation were used in order to describe the demographic variable of respondents. In order to identify the underlying dimensions of the variables, exploratory factor analysis was used with principal component factoring and varimax rotation. In order to test and fit the data with the proposed model, a confirmatory factor analysis with structural equation modeling was used.

### 5. Results

#### 5.1 Demographic Characteristics of Respondents

Before conducting the preliminary statistical analysis, the data were checked and screened for missing values and the normality of the data distribution. Based on this analysis, out of the total distributed 768 questionnaires 711 questionnaires were returned giving a 93% response rate. However, there were a lot of questionnaires with multiple missing values. Thus out of the 711

collected questionnaires 99 questionnaires were invalid and removed from the analysis. Hence, 612 questionnaires were valid and used for the analysis which makes acceptable level response rate of 80%.

Based on this data, preliminary analysis was conducted. Accordingly, out of the collected data, 317 (51.8%) and 295 (48.2%) was gathered from Bole Lemi and Adama Industrial Parks, respectively. Regarding gender distribution of respondents, the majority are female with a frequency of 397 (64.9%) and male respondents with a frequency of 215 (35.1%) as demonstrated in Table 5.1. Moreover, Table 5.1 shows the education level and current positions of participants. As per the result, the majority of respondents were diploma holders with frequency of 287 (46.9%) closely followed by degree holders with frequency of 283 (46.25). 37 (6.0%) and 5 (0.8%) of the respondents are master and PhD holders, respectively. Out of the total respondents 176 (28.8%) were leaders either plant managers, first line managers, or top-level executives, 436 (71.2%) were experts either technical experts, senior experts, or administrative support experts. Finally, descriptive statistics were performed to check the age and work experience distribution of respondents. Based on the results, the minimum age was 18 years and the maximum age was 58 years with a mean value of 24.47 and standard deviation of 4.189. Concerning the work experience of participants, the minimum was 1 year of experience and the maximum was 35 years with a mean value of 2.79 and standard deviation of 2.273.

Based on the results of the demographic variables, it can be concluded that the majority of the respondents were literate holding the minimum educational level which is college diploma. The other implication of the demographic characteristics of the respondents was the gender distribution. The majority of the respondents working in both industrial parks were female which indicates the commitment of the government of Ethiopia to promote gender equality in all sectors of the country.

**Table 5.1: Demographic Variables**

Variables	Category	Frequency	Percent (%)
Name of Industrial park	Bole Lemi	317	51.8
	Adama	295	48.2
Gender	Male	215	35.1
	Female	397	64.9
Education	Diploma	287	46.9
	Degree	283	46.2
	Masters	37	6.0
	PhD	5	0.8
Position	Leader	176	28.8
	Expert	436	71.2
	Mean	SD	Minimum Maximum
Experience	2.79	2.273	1 35
Age	24.47	4.189	18 58
Total (N)	612		

## 5.2 Results of Exploratory Factor Analysis on CSR Dimensions

In order to reduce data to a smaller set of summary variables and to explore the underlying theoretical structure of the phenomena exploratory factor analysis was performed with principal component factoring and varimax rotation on the five dimensions of corporate social

responsibility. But, before conducting the exploratory factor analysis, the data were checked to see whether they were sufficient for factor analysis. Thus, the results of the KMO measure of sampling adequacy and Bartlett's test of Sphericity as indicated in Table 5.2 below demonstrated the factorability of the data.

**Table 5.2: Results of KMO and Bartlett's Test**  
**KMO and Bartlett's Test**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.938
Bartlett's Test of	Approx. Chi-Square	12265.735
Sphericity	df	406
	Sig.	.000

After checking the factorability of the data through KMO and Bartlett's test, the next step was to conduct exploratory factor analysis on the dimensions of CSR practices. In this research CSR practices were measured on six (6) dimensions namely environment, legal, ethical, philanthropic, employee, and economic dimensions. Hence, a total of 29 items were used to measure CSR practices in the industrial parks. Thus, in order to validate the unidimensionality of the scale items, exploratory factor analysis with varimax rotation and principal component factoring was made on these six dimensions of CSR practices.

The original results of the exploratory factor analysis produced a five factor component in which ethical and legal dimensions loaded in a single factor component. From the philanthropic dimension item four loaded below the minimum threshold value and removed from the analysis. In addition, from the employee dimension 3 items either cross loaded or scored below the minimum threshold value and removed from the analysis.

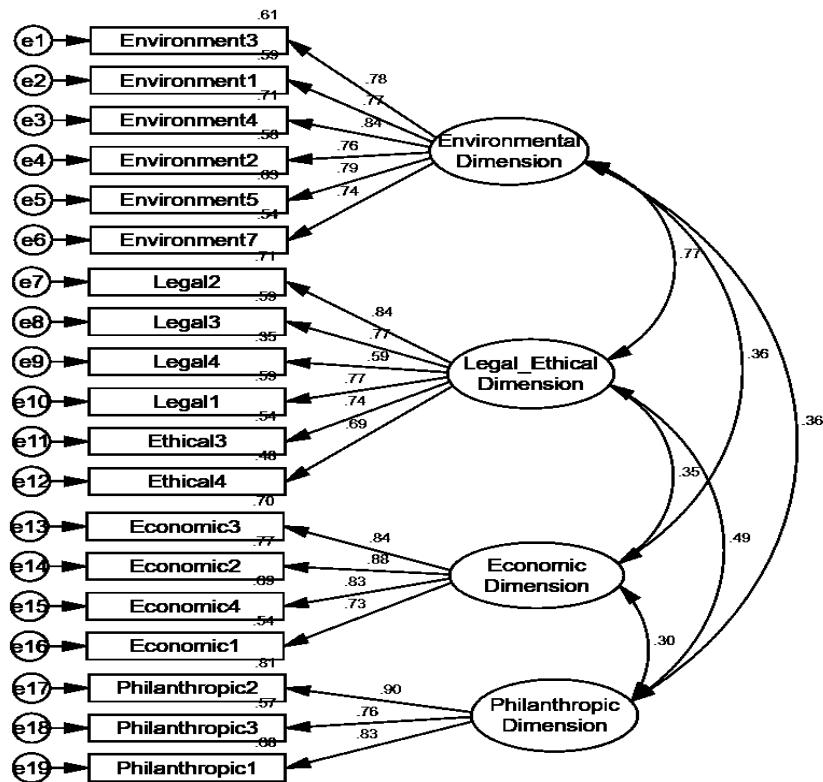
The next step was to perform exploratory factor analysis on the revised items of CSR dimension measurements. Based on this result, a four factor model was produced which explained 70% of the total variance in CSR practices and based on this further analysis was performed.

Based on the results of the confirmatory factor analysis, the industrial parks are not committed to implementing CSR practices related with the employee dimension. However, the result displayed in Figure 5.3 revealed that the parks are committed to the protection of the environment in which all the items except one loaded in a single component above the minimum threshold value. The study also confirmed that industrial parks are engaging in voluntary and charitable activities to some extent which is known as philanthropic dimension of CRS.

**Table 5.3: Rotated Component Matrix of CSR Practices**

Items	Env't	Legal	Eco	Phila
Our company is committed to sustainability of environment protection (e.g. Planting trees).	.850			
Our company has environmental management systems and environmental audit	.784			
Our company maintains a healthy environment free from all sorts of pollution in and around the business area	.769			
Our company implements environmental friendly product and processing system	.744			
Our company promotes environmental awareness by providing information to employees and stakeholders	.723			
Our company complies with the environmental laws, rules, and regulations of the country to protect the environment	.648			
Our company complies with various federal, state, and local regulations		.774		
Our company fulfills all legal obligations to societal stakeholders		.773		
Our company provides goods and services that at least meet minimal legal requirements		.718		
Our company performs its activities in a manner consistent with expectations of government and law		.663		
Our company recognizes and respects new or evolving ethical/moral norms adopted by society		.625		
Our company prevents ethical norms from being compromised in order to achieve business goals		.615		
Our company has fair and regular return on investment			.890	
Our company allocates resources to improve long term profitability			.874	
Our company strives to lower its operational costs			.855	
Our company produces goods and services that are needed/wanted by the customers, at a reasonable price.			.758	
Our company provides assistance to private and public institutions.				.865
Our company commits resources to support culture and arts				.846
Our company is committed to voluntary and charity activities				.839

Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization. a. Rotation converged in 6 iterations.

**Figure 5.2: Confirmatory Factor Analysis Result of CSR Dimensions**

### 5.3 Results of Exploratory Factor Analysis on Sustainable Competitive Advantage

An exploratory factor analysis with varimax rotation was performed on sustainable competitive advantage items. The results of the factor analysis confirmed that the five (5) items used to measure performance explained 71.488% of the total variance which produced a single factor component. Table 5.4 below displays the produced one factor component matrix with the factor loadings of each item. As it can be seen from Table 5.4, all items have scored above the minimum threshold value which is recommended in social science research.

**Table 5.4: Component Matrix of Competitive Advantage Scale Items**

Items	Component Matrix <sup>a</sup>	Competitive Advantage
Our company enhanced its goodwill and reputation		.891
Our company provides high quality products/service		.889
Our company commits itself in time to market		.885
Our company improved its market share and sales volume		.865
Our company provides goods and services with reasonable prices		.678

Extraction Method: Principal Component Analysis. a. 1 components extracted.

- **Factors that Initiate Industrial Parks to Engage in CSR Practices**

A descriptive statistics was performed in order to examine and identify the factors that initiate industrial parks to engage in CSR practices. The findings of the study revealed that, both industrial parks are participating in CSR practices because Ethiopian commercial codes/rules and regulations force them to do so, competition in the industry both from domestic and international firms and those in the parks have their own rules and regulations to discharge corporate social responsibility (CSR). The details of the results are displayed in the subsequent Table 5.5.

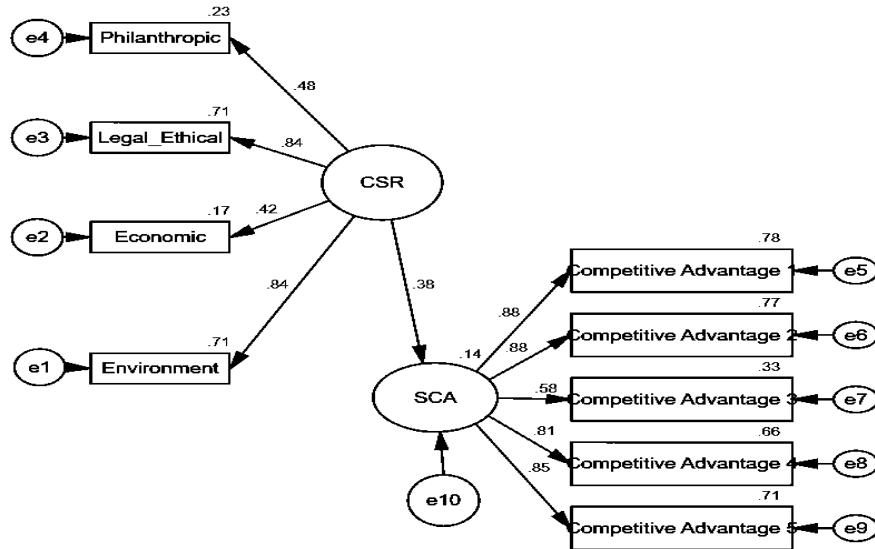
**Table 5.5: Reasons for Discharging in CSR Practices**

No	Variables (Items)	Category	Freq.	Percent
1	Commercial code/rule and regulation of the country forces to do so	Yes	452	73.9
		No	160	26.1
2	Competition in the industry both from domestic and international firms	Yes	428	69.9
		No	184	30.1
3	The company has own rules and regulation to discharge CSR	Yes	409	66.8
		No	203	33.2
4	Discharging CSR affects the profitability of the company	Yes	302	49.3
		No	310	50.7

Based on Table 5.5, the majority of the respondents from the two industrial parks confirmed that, one of the major factors that initiate the parks to engage in CSR practices was the commercial rules and regulations of the country forcing them to do so with a frequency of 452 (73.9%). The competition in the industry from both local and global companies has also significantly influenced the parks to engage in CSR practices with a frequency of 428 (69.9%). Designing and implementing CSR policy by the parks has also contributed to participate in CSR practices with a frequency of 409 (66.8%). However, the most surprising finding of the study was engagement of the parks in CSR practices has nothing to do with the profitability of the companies. As displayed in Table 5.5, out of the total respondents 310 (50.7%) replied that discharging CSR doesn't affect the profitability of their companies.

- The Effect of CSR on Companies Sustainable Competitive Advantage

**Figure 3: The Effect of CSR on Competitive Advantage**



Based on the above figures, all the four dimensions of CSR practices positively affect sustainable competitive advantage of the industrial parks. However, when the dimensions were individually entered in the structural model, only economic and environmental dimensions were significantly and positively related with the company's sustainable competitive advantage. Philanthropic dimension was significantly and negatively related with the park's competitive advantage. However, legal and ethical dimensions were insignificant as displayed in Table 5.6.

**Table 5.6: Results of Regression Analysis**

Model	B	Coefficients <sup>a</sup>			
		Unstandardized Coefficients	Standardized Coefficients	t	Sig.
1	(Constant)	1.969	.148		13.349 .000
	Environment	.216	.049	.215 4.357	.000
	Economic	.404	.031	.473 12.953	.000
	Legal_Ethical	.010	.053	.010 .195	.845
	Philanthropic	-.134	.034	-.151 -3.959	.000

a. Dependent Variable: Sustainable Competitive Advantage

Table 5.6 above displays the results of regression analysis regarding the effect of CSR practices on the industries sustainable competitive advantage. As it can be seen from the table the economic dimension and environmental dimension have a positive and significant effect on the industries competitive advantage with a beta values of .47 and .21 respectively at  $P = .000$ . On

the other hand, the philanthropic dimension of CSR has a significant and negative effect on sustainable competitive advantage of the firms operating in the industrial parks. However, the legal and ethical dimensions of CSR have no relationship with sustainable competitive advantage.

## **6. Discussion**

The concept of corporate social responsibility (CSR) has become noticeably salient in the modern-day global business environment. The interest in CSR, however, is not limited to the world of business and academia as it extends to everyday life. In this regard, corporates need to feel responsibility beyond profit return to shareholders and acknowledgment of its responsibilities to broad, stakeholders, employees, customers, business partners, communities, and the environment. Big corporates need to have faith in the idea that not only public policy but companies, too, should take responsibility for environmental and social issues in their sphere. They should resolve to take responsible actions toward environmental protection as well as self-interest beyond legal compliance (Grossman, 2005).

Currently, industrial parks in Ethiopia are interested in participating in CSR activities. Consequently, most industrial parks are becoming responsible to protect the environment and contribute to the national economy. Previous empirical evidence on the status of corporate social responsibility (CSR) in Ethiopia indicates the lack of well-developed culture of CSR and its integration into corporates.

Due to these facts, this study examined the current practices of CSR at two selected industrial parks. The study is based on Carroll's pyramid model which has four dimensions. To the Carroll Pyramid model, two additional dimensions were added namely, employee and legal dimensions. Based on the exploratory factor analysis result, the employee dimension didn't load on any factor and the ethical dimension loaded with the legal dimension. Thus, the results of the study confirmed that both industrial parks are committed to protect the environment by implementing environmental related CSR practices. Environmental responsibility mainly refers to company's commitment to reducing pollution, greenhouse gas emission, the use of single-use plastics, water consumption, and general waste. It also addresses, increasing reliance on renewable energy, sustainable resources, and recycled or partially recycled materials. Thus, in this regard, it can be concluded that both companies are seriously engaged in environmental protection activities and responsibilities.

Moreover, the results of the study also confirmed that both industrial parks are making profits side by side with implementation of CSR practices. The economic dimension of CSR refers to the practice of making financial decisions based on a commitment to doing well. In this regard, business executives are pushed to look beyond operational cost reductions. Instead, they place their responsibilities to corporate citizenship at the center of all financial choices in order to uphold economic responsibility. On the other hand, the study also attempted to investigate the implementation of philanthropic aspect of CSR. Philanthropic dimension refers to corporation's aims, goals, and objectives for actively bettering society. One huge aspect of corporate philanthropy is donating funds from company earnings to worthy causes within the local community, often in the form of a trust fund or establishment of a foundation. The results of the study revealed that, the industrial parks are engaged in voluntary and charitable donations in order to benefit the local community at large. However, these activities have a negative and significant effect on the sustainable competitive advantage of the industries operating in the parks.

## 7. Conclusion

In general, there has not been visible government commitment in the form of national CSR policies and organized efforts to integrate them into its own socio-economic development efforts. In addition, most businesses in Ethiopia are privately owned, and corporate governance is at a stage where it is only a centre of academic discussions and not afforded much attention. Therefore, to enhance the contribution of corporate social responsibility to national development, the government needs to have clear policies and strategies. It is also crucial to increase public awareness and strengthen civil society's role in voicing society's needs and concerns, and their expectations from corporates in terms of social contribution.

This is one of the few studies that examine the actual issues that industrial parks are having with the implementation of CSR in the Ethiopian setting. Additionally, based on the data the study also contributed to the theoretical and empirical literature on CSR implementation. The regulatory and institutional framework for CSR implementation of industrial parks should be improved by designing policies. This study also suggested that managers of businesses should prioritize the welfare of their workforce, as this will boost workers' commitment to support and take part in the industry's CSR implementation. In this regard, the industrial companies operating in both parks should create conducive working environment, design a policy to protect the safety and wellbeing of their employees, and provide training and educational opportunities to build the capacity of their employees.

Finally, though the philanthropic aspect of CSR has a negative effect on the company's competitive advantage, they must continue investing in voluntary and charitable donation to benefit the local community at large. Furthermore, they need to give attention to maintaining the ethical norms and standards of the community while doing business and making profit. Moreover, the business companies are paying salaries by setting their own minimum wages. However, as it was confirmed from the results of the study, the wages are not sufficient to cover basic needs of employees. Thus, the government should design a policy framework to determine the national minimum wage.

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