

A STUDY ON THE IMPACT OF CORPORATE SOCIAL RESPONSIBILITY ON ORGANIZATIONS LEVEL OF PROFITABILITY

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Abstract - Investigations were done over a long period to see whether or not there is a correlation between Corporate Social Responsibility (CSR) and organization profitability. The major reason for disparity is due to the complexity in measuring CSR. Scholars later found out that Correlation co-efficient can be used to measure this. Main objective is to find out whether there is a correlation between the two variables or not within the hospitality industry. The data is taken from the financial statements of John Keells PLC (JKH), the selected firm for this study that comprises of two city hotels and nine holiday resorts. Due to the qualitative nature of CSR, it is taken as a percentage on other operating expenses, as CSR is a part of it under JKH. Measuring profitability is done by four ratios; Net profit margin, Operating profit margin, Return on Assets (ROA) and Return on Capital Employed (ROCE). The calculation showed a negative correlation between three of the indicators and CSR and a positive correlation between ROA and CSR, marking an overall negative correlation between CSR and profitability. Note that the even though most of the researches done relevant to this topic have given out a positive result, it could have a negative result too as CSR is a concept that generates results in the long run thereby reaching sustainability.

Key words: - CSR, Profitability, Correlation, Sustainability

I.INTRODUCTION

A. Background of the study

At present other than for the firm undertaking their normal day to day operations, their schedules have been adjusted to incur a considerable amount of time and money on social responsibility. Here this is mainly because customers at present is more ethically driven plus has a

better nag towards companies that are involved in CSR related activities. People might argue saying that CSR might merely be a window-dressing but this involvement will not only give the firm a better financial performance but also will increase its level of demand and will also attract better personnel to work within the firm, a better reputation and a renowned brand image. Therefore with this in mind companies within the Sri Lankan context should consider this option to invest in the society at large cause at the end of time it's not only the financial performance or the position that will matter but also the company's doings will too affect the future their heading towards.

This research is conducted on the hospitality industry as it is a multibillion dollar industry serving millions of people globally and is also expected to grow even more over the next few decades. Thereby demand for hotel accommodations has too risen. This increase in number has added pressure on the hospitality industry and is at present increasingly responding towards the CSR aspect as it not only affects the public image of a company but also its level of profitability. Hotel owners are faced with the challenge to respond to CSR activities while satisfying their demand, remaining attractive to investors and lastly still making profits. Also they are faced with a situation of cost rising and demand becoming more sensitive to environment and social performance.

Most researchers have studied the impact of CSR on hospitality, tourism and service industries and have found that CSR activities resulted in positive effects. This point can be further proven where researcher Qu (2009), showed that CSR has a positive and significant impact on hotel operations but in the area of CSR with CFP. Also Porter and Kramer (2006) stressed on the point that CSR should be a core strategy for sustainable competitive

advantage within the tourism and hospitality industries. Moreover Greyser (1999) said that the organizational culture that recognizes the impact of social responsibility can positively affect the organization's level of financial performance by as much as 8%. It is true that CSR does incur a large cost, but it ultimately might lead to a profitability situation, but this whether it exist or not can only be told only after the completion of the research done.

This study aims to determine if there is a positive or a negative correlation for the hotel industry. So in order to prove this point, I have chosen John Keells Holdings PLC (JKH) as my hotel group, under which has two city hotels listed and nine holiday resorts among which two are in Malaysia, so that I could bring about a valid conclusion between the two variables CSR and profitability. I have further chosen the leisure section or the hotel sector of this firm to support the study of analyzing the relationship between CSR and profitability within the society at large and thereby being noted as an ethical hotel group.

I. Research problem: The study is to show whether there is a positive impact or a negative impact of Corporate Social Responsibility on the level of profitability by taking into consideration a leading firm within the Sri Lankan context of the hospitality industry, which is JKH.

II. Problem statement: The research will simply show the impact of Corporate Social Responsibility activities on the level of profitability by analyzing within the hotel industry with special reference to John Keells Holdings PLC.

III. Purpose of the study: The main purpose to conduct such a research is to identify whether CSR activities generate a positive or a negative impact on the level of profitability for the hospitality industry with special reference to JKH. In other words it will help in understanding whether conducting CSR activities is worthwhile or value adding or whether it is simply a waste of key time and money.

IV. Research objectives: Ultimate aim of this research is to see the impact of CSR activities, whether it is a positive or a negative impact on the level of profitability. Nevertheless to individually examine the correlation between CSR and the profitability indicators; operating profit margin, net profit margin, ROA & ROCE and to see

whether the relationship between CSR and profitability within the hotel industry stands true.

V. Research question: Is conducting CSR activities value adding or is it simply a waste of time and money, when analyzing its impact on the level of profitability within the hospitality industry when compared against the levels of profitability of John Keells Holdings PLC?

VI. Research hypothesis:

H0:- Existence of a positive correlation between CSR and the level of corporate profitability.

H1:- Negative correlation existing if relationship claims to be false.

III. METHODOLOGY

A. Measurement of CSR

Numerous studies are done by various researchers to measure CSR in numerous numbers of ways. Here Waddock and Graves (1997) introduced the first formulae to calculate CSR, which is the Kinder Lydenberg Domini (KLD) rating system. KLD uses a combination of factors, which includes the *financial statements, articles of companies, academic journals (especially law journals) and also the government reports* in order to screen CSR along eleven dimensions.

Ahmed (2012) used two general methods to measure CSR in his study, which are the Reputation Index (Moskowitz, 1972) and CSR activities listed in a firm's annual report. Setiawan and Darmawan (2011) measured CSR from disclosures provided by sustainability reporting provided by the Global Reporting Initiative (GRI). The most popular methods are KLD and the Reputation Index. In Sri Lanka, the use of the KLD is not possible, as the hotel industry firms within the study are not part of the S&P 500. However as KLD measurement is a tedious process to measure CSR of the intended company for this study, I have therefore used the amount of CSR investment incurred (a combination of infrastructure investment and services rendered to the society at large) per year by the firm (from year 2009 to 2013) as a percentage on the firm's yearly other operating expenses, which will

ultimately make it easier to build up a correlation among the two main variables.

B. Level of profitability

Profitability is generally measured through various indicators among which I have chosen the most important of them all. These ratios are there to help analyze a company in terms of its level of performance. Study focuses on calculating the level of profitability in terms of the operating profit margin, net profit margin, return on assets (ROA) and last Return on Capital Employed (ROCE). These are the most commonly used measures and will therefore provide the most comparable results (Griffin and Mahon, 1997).

Net profit margin is the ratio which is defined as the amount net profit the firm is generating per year after incurring the expenses for that particular year. Operating profit margin is the amount of operating profit the firm generates per rupee of sale. ROA shows the return a firm generates from the total amount of assets invested by them. Finally ROCE shows the total amount invested in a company (long term loans plus share capital). Information on the above mentioned four indicators are collected from the annual reports of the firm.

C. Research Design

For this study of analyzing the relationship between the firms level of profitability and CSR within the hospitality industry an exploratory research type would be ideal. This is a research design that has its primary objective to provide insight information and comprehension of the problem situation confronting the researcher. This type involves in breaking down the broad vague problem into smaller, more precise problems. Helps in building up a precise investigation, identify alternative course of action, clarify concepts, the key variables, the relationships among them and most importantly the hypotheses to be tested.

This research design involves in finding data through a literature survey which in other words is the secondary data. Under this there are three forms, namely internal data, industry data, published data, but for the research

only published data within the firm's annual financial statements has been taken into consideration.

The population taken for this analysis is the hospitality industry in Sri Lanka and as it is such a vast census to analyze all firms within it, here out of all the firms listed one of the leading firms within the industry is chosen as the sample data. In here it is the leading company within the hospitality industry within the nation, namely John Keells Holdings PLC in which has two city hotels and nine holiday resorts listed which are very popular among all Sri Lankans and even Foreigners in today's world. Here I have taken five years starting from the year 2009 to the year 2013 (2009/10 to 2013/14) for the analysis of this study. The reason to select these particular years is that such year's show a rapid growth within the firm and has been able to progress starting from the initial years and finally reaching up to its peak years due the start off and involving in Corporate Social Responsibility activities.

Prime hypothesis of this research is where,

H0:- Existence of a positive correlation between Corporate Social Responsibility and the level of profitability

H1:- Negative correlation existing if the relationship claims to be false

Keeping this as the primary aim of the study there are some secondary hypothesis involved within this and they are;

H2:- There is a positive relationship between CSR and operating profit margin

H3:- There is a positive relationship between CSR and net profit margin

H4:- There is a positive relationship between CSR and Return on Assets (ROA)

H5:- There is a positive relationship between CSR and Return on Capital Employed (ROCE)

The data sources for this study is mainly through the literature survey or in other words through the secondary data analysis. This is where other researchers who have surfed on the relevant topics CSR and profitability, and so

the information relevant which is gathered by them is used for this research.

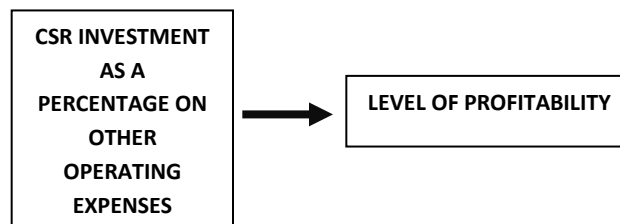
Data collection method is through the published data within the annual reports of the firm and of course the firm's website is also used whenever and wherever needed. Also as mentioned profitability will be measured through the help of financial ratios and CSR is measured, in fact I have used the amount invested by the firm for social responsibility matters (infrastructure investment + services) as a percentage on company's annual other operating expenses to see the impact of it on profitability. However note that in year 2009 and 2010 the total sum of investment on the community is given and not a breakdown of it into infrastructure investment and services. Finally to show the relationship between the two main variables, the research will use the help of 'Spearman's Rank Correlation', which ultimately will show whether it proves the facts shown under literature is true as to having a positive relationship or whether it is simply false.

C. Conceptualization

This will give out the independent variable and the dependent variable of the study. Here the independent variable will be CSR as the way it changes will show an impact on the level of profitability of JKH. Hence automatically profitability will be the dependent variable as it will not stand on its own; instead it will react positively or negatively to the change in the level of investment on CSR (infrastructure investment + services) as a percentage on other operating expenses.

Here the level of profitability is measured through separate four profitability ratios as its indicators namely operating profit margin, namely Net profit margin, ROA and ROCE even though the main hypothesis shows the relationship between the independent and dependent variables. Therefore other than for the prime hypothesis secondary hypothesis is also calculated to show the individual impact on each of the ratios by CSR investment.

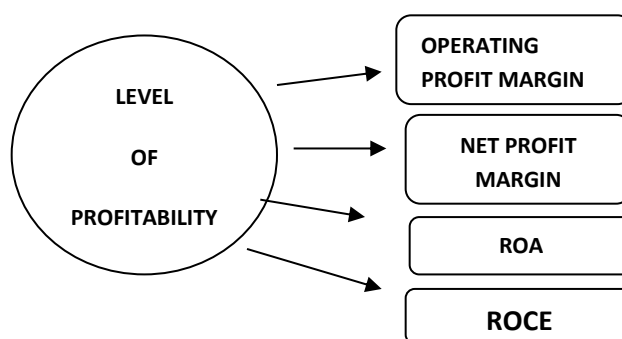
Here the level of profitability will now act as the second order factor as it has more than two ratios, which act as dimensions to measure it. The dimensions will now automatically become the first order factors.



Independent Variable

Dependent Variable

Figure 1:- Identification of independent and dependent variable



Second order factor

First order factor/

Dimensions

FIRST ORDER FACTOR (DIMENSIONS)

Figure 2:- First order factors (dimensions) and second order factor

D. Operationalization

Here shows the way or the manner in which each of the two main variables (independent and the dependent variable) is measured.

Firstly CSR concept even though it can be measured through the KLD indicator introduced by Waddock and Graves (1997), it will not be used as it is a tedious process and the formulae itself does have limitations when used it within the Sri Lankan context as more qualitative indicators are involved in the KLD indicator itself. Therefore instead of creating any confusion only the amount of CSR investment, which is a combination of the infrastructure investment and services(excluding this

division in the years 2009 and 2010) incurred by the firm per year as a percentage of firm’s annual other operating expenses is taken to measure the level of CSR. Here only the investment is taken as the human resource involvement is not measured in monetary terms and is so only in number of hour’s terms which makes it difficult for comparison, which might lead the study to become more qualitative. Therefore in order to overcome all of such matter only the investment is used as a percentage of other operating expenses.

Secondly is the level of profitability concept. This is measured through four profitability ratios as indicators of it namely, operating profit margin, net profit margin, ROA and ROCE.

Operating profit margin shows the amount of operating profit JKH earns per rupee of sale. This is calculated by dividing the firms operating profit or the earnings before interest and tax (EBIT) by the firm’s annual revenue, where all figures are pertaining to the leisure or the hospitality section of the firm.

Net profit margin shows the firms final profit for the year after deducting the annual expenses per rupee of sale. This is calculated by dividing the net profit by the annual revenue for that period, where the figures are still relevant to the hospitality section.

ROA shows the return firm gains from the invested total assets for the particular period within the hospitality industry. This is calculated by dividing the annual revenue by the total assets for that period.

ROCE shows the amount invested in the company for the hospitality section in terms of long term and share capital. This is calculated by dividing the operating profit or the EBIT by the total capital employed (equity + non-current liabilities).

Also finally the relationship among the two variables is checked or looked through ‘Spearman’s rank correlation’ which will be ideal in this situation to see whether there is a positive relationship or a negative relationship. Note that the correlation will only vary within the range of -1 to +1.

II. EXPERIMENTAL DESIGN AND RESULTS

A. Input data

For the data analysis and also for its presentation, data was gathered from the annual reports of JKH PLC which consists of having two city hotels and nine holiday resorts listed under this groups mentioned within the methodology of this study. Here firstly the input data is given in table o1. Here as it is an exploratory research, the key variables are analyzed individually and then a correlation is found by combining them. Here amounts relevant to the hospitality section are taken from the leisure section of the report and amounts relating to CSR are taken from the social responsibility section of the report

Table o1:- Input data of CSR measurement and profitability ratios

	2009/10	2010/11	2011/12	2012/13	2013/14
Profitability					
Revenue	11500	13810	17422	20593	22548
EBIT	1485	2799	4442	5730	5912
PAT	973	2319	3707	4770	4824
Total Assets	32539	33711	41275	49795	52662
Capital Employed	29574	30694	36718	45041	48267
CSR					
Community investment					
*Infrastructure investment			9378	5938	29561
*Services			20540	19469	29597
Total	30000	46000	29918	25407	59158
Other operating expenses	1493864	1912944	2607936	2647574	3058503

From the above data the four ratios and the CSR percentage is calculated, where operating profit is EBIT divide by revenue, net profit is net profit divided by revenue, ROA is revenue divided by Total assets and finally ROCE is operating profit divided by capital employed. Keep in mind that all such is relevant only to the hospitality section of JKH PLC. This analysis of each item or indicator of both the main variables is shown within table o2.

B. Analysis

Table O2:- Profitability ratios and CSR measured as a percentage of other operating expenses

	2009/10	2010/11	2011/12	2012/13	2013/14
Profitability ratios					
*Operating profit margin	13%	20%	25%	28%	
*Net profit margin	8%	17%	21%	23%	
*ROA	35%	41%	42%	41%	
*ROCE	5%	9%	12%	13%	
CSR as a % on other operating exp.	2%	2%	1%	1%	

Thus leaving the individual data aside now the relationship between the two variables, CSR and profitability is assessed. Here this analysis is to see whether the prime hypothesis is true or false, firstly the secondary hypotheses should be measured and the relationship should be looked at. Therefore this relationship is analyzed through Spearman's rank correlation or in other words it is Spearman's rho. This is denoted by the Greek letter (ρ) or rho. The formula that is used to denote the correlation is shown below.

$$\rho = 1 - \frac{6 \sum d_i^2}{n(n^2 - 1)}$$

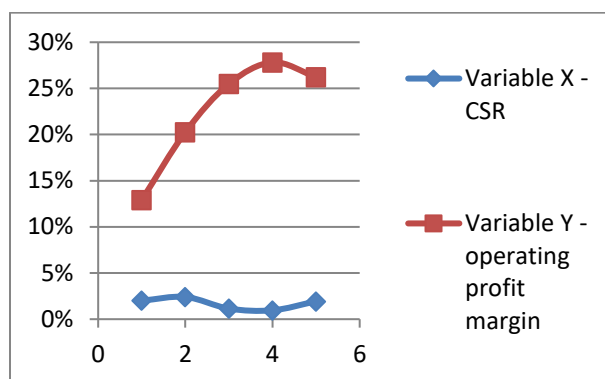
Firstly the relationship between CSR measurement as a percentage on other operating expenses and operating profit margin as the first profitability ratio taken as an indicator on the level of profitability is taken into consideration. Here note that as d_i in the equation is the difference between x_i and y_i ranks. Here variable x will be CSR (independent variable) and the variable y will be operating profit margin (dependent variable on behalf of measuring the level of overall profitability of the JKH).

Table 03:- Analysis of correlation or the relationship between CSR as a percentage on other operating expenses and operating profit margin (data table).

	Variable X - CSR	Variable Y - operating profit margin	Rank X	Rank Y	d	d^2
2009/10	2%	13%	4	1	3	9
2010/11	2%	20%	4	2	2	4
2011/12	1%	25%	1.5	3	-1.5	2.25
2012/13	1%	28%	1.5	5	-3.5	12.25
2013/14	2%	26%	4	4	0	0
						27.5

Moving over when the correlation was calculated through the above shown formula a negative correlation between the two variables was shown. It was a relatively low negative correlation value of -0.375 . This makes the

second hypothesis to be false turning it into a null hypothesis.



Graph 01:- Analysis of CSR percentage and operating profit margin in graphical format.

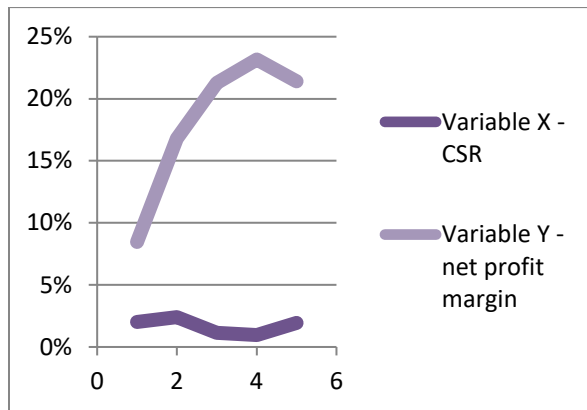
This shows as to how the investment on CSR has grown over the five years that are taken for the analysis of this study and as to how operating profit of the firm has grown irrespective of the investment.

Next this study moves into measuring the relationship or the correlation between CSR as a percentage of other operating expenses and net profit margin. This matter is done so as shown within table 04

Table 04:- Analysis of correlation or the relationship between CSR as a percentage on other operating expenses and net profit margin (data table).

	Variable X - CSR	Variable Y - net profit margin	Rank X	Rank Y	d	d^2
2009/10	2%	8%	4	1	3	9
2010/11	2%	17%	4	2	2	4
2011/12	1%	21%	1.5	3.5	(2)	4
2012/13	1%	23%	1.5	5	(4)	12.25
2013/14	2%	21%	4	3.5	1	0.25
						29.5

When this relationship was further analyzed through the correlation formula a relatively moderate negative correlation was driven. It is a negative sum of -0.475 . This will cause the third hypothesis to be false and so it will be a null hypothesis.



Graph 02:- Showing the analysis of the growth in the two variables CSR and the net profit margin.

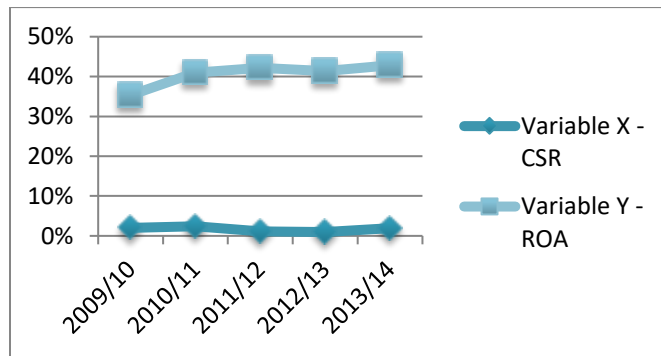
This graph too shows as to how little the investment on CSR has changed over the five years analyzed and the huge growth in net profit margin of JKH which is irrespective to the amount invested on social responsibility.

Next moving on we step into the third ratio, ROA as an indicator to measure the level of profitability of JKH and its relative rank correlation or the relationship it has with the level of CSR as a percentage on other operating expenses. This analysis is shown in table 05.

Table 05:- Analysis of correlation or the relationship between CSR as a percentage on other operating expenses and ROA (data table).

	Variable X - CSR	Variable Y - ROA	Rank X	Rank Y	d	d ²
2009/10	2%	35%	4	1	3	9
2010/11	2%	41%	4	2.5	1.5	2.25
2011/12	1%	42%	1.5	4	-2.5	6.25
2012/13	1%	41%	1.5	2.5	-1	1
2013/14	2%	43%	4	5	-1	1
						19.5

Through this table when the correlation was measured between the tested variables a relatively low positive correlation was found unlike the other two ratios measured previously. It is a positive correlation of **0.025**. This causes the fourth hypothesis to stand true.



Graph 03:- Analysis of the relationship between CSR and ROA in graphical format.

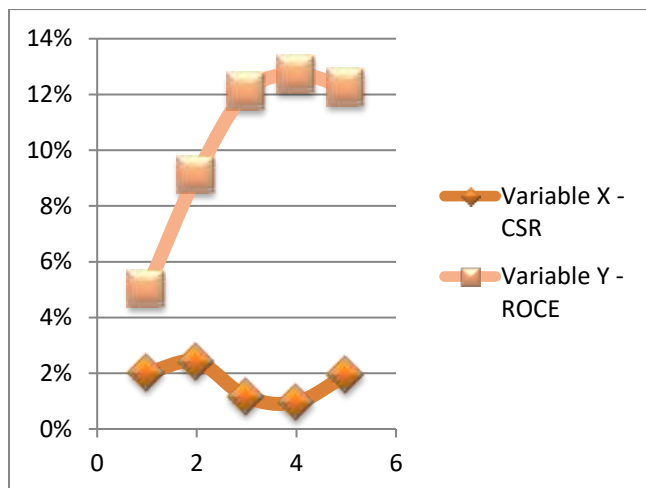
Here once again the CSR investment growth which is very little is shown and unlike the previous two margins, here ROA has gone up to a margin growth only starting from 35%.

This now leaves only one ratio, the last of the four, which is ROCE's relationship with CSR as a percentage on other operating expenses to be analyzed and measured. This is elaborated further in detail in table 06.

Table 06:- Analysis of correlation or the relationship between CSR as a percentage on other operating expenses and ROCE (data table).

	Variable X - CSR	Variable Y - ROCE	Rank X	Rank Y	d	d ²
2009/10	2%	5%	4	1	3	9
2010/11	2%	9%	4	2	2	4
2011/12	1%	12%	1.5	3.5	-2	4
2012/13	1%	13%	1.5	5	-3.5	12.25
2013/14	2%	12%	4	3.5	0.5	0.25
						29.5

Thus the correlation of this too was measured and unfortunately a relatively low negative answer was derived. It is a negative correlation value of **-0.475**. This causes the fifth hypothesis to be a null hypothesis.



Graph 04:- Analysis of CSR and ROCE in graphical format

This like the other three diagrams too show the marginal growth in the investment on social responsibility, but unlike ROA, ROCE has grown rapidly over the five years analyzed.

III. Discussion

A. Introduction

Here discussion is done step by step to arrive at the final conclusion. Firstly the level of profitability section is analyzed. Here sit will start of by identifying the growth in the four percentages over the four years taken for the analysis of this study.

Here the operating profit of JKH has grown starting from 13% in year 2009 to 20% in 2010, 25% in 2011, 28% in 2012 and 26% in 2013. Here a growth must be mainly due to the gradual reduction in the level of operating expenses like administration and selling & distribution expenses. Here may be JKH has been able to manage their expenses better in the upcoming years than the previous years.

Next the net profit margin has too drastically increased from 8% in 2009 to 17% in 2010, 21% in 2011, 22% in 2012 and 21% in 2013. Here this may be too because of the reduction in operating expenses and also due to the reduction in in finance charges, which mainly might be any interest charges on bank over drafts or loans. This may be also due to the reduction in the level of tax charge due to the lower profit before tax, which can be taken as one of

the few strategies followed by leading firms in the Sri Lankan context.

The ROA of the firm has too grown slightly over the past five years starting from 35% and then to 41%, 42%, 41% and finally 43%. This may be due to the slight growth in revenue or must be even though there had been a rapid growth in revenue the amount of fully depreciated assets might have been very high causing a reduction in total assets which sets off the growth in revenue causing to have only a slight growth in ROA.

Finally its ROCE which too has grown starting from a small amount of about 5% and then moving to 9%, 12% 13% and finally 12%. This may be due to the rapid growth in the operating profit of the firm as elaborated earlier and also due to the reduction in capital employed. Capital employed is a combination of long term debt and equity and here debt might have reduced (may be a repayment of the debts taken have been done during these five years causing not only a reduction in capital employed but also a growth in net profit of JKH.

The level of CSR invest is the next to look at. There has been no drastic change in the investment and instead only slight change is shown when taking the CSR level as a percentage on other operating expense. It is taken as a percentage on this as social responsibility cost incurred is outside the box of firm’s day to day operating expenditure and so the percentages have started from 2% in 2009, to 2% in 2010, 1% in 2011, 1% in 2012 and 2% in 2013.

Spearman’s rank correlation or in other words the Spearman’s rho which is denoted by (ρ) is calculated to measure the relationship among the two variables. This will denote further whether there is an impact by CSR on the level of profitability and also further if there is an impact on each of the four dimensions mentioned. For this purpose the formula shown in the methodology was used to do the needful.

The correlation between CSR and operating profit margin is a relatively low negative correlation of (0.375). This denotes that there is an impact on operating profit by the level of CSR investment but is not significant, in fact it has a relatively low impact. Also this negative correlation sets the second hypothesis tested or the first out of the

secondary hypothesis to be false making it turn into a null hypothesis.

When the correlation between CSR and net profit margin is analyzed a negative correlation of (0.475) is found. This denotes that there is an impact but it is only a moderate influence and so JKH does not have to stop investing in ethical social responsibility activities. Here it is the second of the secondary hypothesis also is proved to be false making it also turn to a null hypothesis.

Correlation between CSR and the third profitability indicator, which is ROA, is quite opposite to the earlier two indicators as it has ended up getting a positive correlation of 0.025. This means that the impact CSR has on ROA is relatively low or not that significant. Here despite the earlier two the third out of the secondary hypothesis claims to be true.

Lastly is the correlation between CSR and ROCE. This too shows a negative correlation of (0.475). This denotes that there is an impact which is moderate or the significance of the relationship is only moderate. Here too like the previous indicators the last of the secondary hypotheses turn out to be false too making this too turn into a null hypothesis.

V. CONCLUSION

A. Introduction

Evidence from this study conducted concludes that profitability of firms within the hotel industry has some level of correlation and a level of dependency with CSR activities. Case involving JKH group which has two city hotel and nine city hotels suggest that Sri Lanka should involve in CSR practices even though it doesn't show a significant level of correlation between the two variables. Even though three of the ratios proved to have a negative correlation, ROA had a positive correlation when further analyzed and measured.

The earlier researchers done by scholars on the relationship between CSR and profitability provide conflicting results and they are positive, negative and neutral. Most of such researches used control variables like number of employees, financial risk a firm faces, type of industry and also the research and development

activities done. Unlike the previous studies, this study does not use control variables, but it classified the relevant information into city hotels and holiday resorts and found a correlation based on the ways of measurement. Based on the simple definition of CSR, it concerns about the society, environment and the environment. It is more likely to be ethically driven. Therefore according to Sheldon and Park (2010) there are six types of CSR, but this study was done to see if there is a relationship between CSR and profitability and as to what extent whether it is positive or negative.

This study will be useful for businesses and services in Sri Lanka as CSR has its own benefits for operations and is regarded as strategically important for the managers of a firm to understand the relationship of the activities that result in affecting the operations of the company.

The study done examines data over five consecutive years and so the results seem very solid as it has considered longitudinal data, unless the manner in which the CSR calculation is done in another way which can result in a different conclusion. However negative correlation does not mean that the investment on CSR is not value adding at all as several other benefits and advantages received out of this subject is noted down at the introduction of this study. Also as CSR is a long term investment too, its real results and benefit to arrive will take a considerable amount of time and money until it is fruitful and end up earning or gaining sustainability. Also make a note that this study also did not take into account as to how long the firm has adopted CSR and implemented it as one of the side operations done in business.

This study was mainly was to check CSR's impact on a firm's profitability and to try to sort out the connection between the two. In fact it was the main problem statement noted in the introduction of this study. CSR does create a large amount of competitive advantage in different points of view, in fact might have been one of the causes for JKH for still to remain as the top leading hospitality provider in Sri Lanka. CSR creates competitive advantages from many different points of views. The difficulty is that it creates indirect competitive advantage which is a problem when having to directly link it with the firm's operations. Also this might cause a difficulty when

measuring CSR as defining it in company's terms is also difficult.

Despite of these measurement problems, there is a strong belief that CSR can be profitable. This will be the focal point of this study. Even though this study has generated a negative correlation it does not mean that JKH should stop investing in social responsibility. Instead it should be looked anyway as a long term sustainability tool and for it to generate better profitable results it will take more time than the time span analyzed within this study. Therefore it should be accepted as a business strategy and should be made a more concrete practice.

CSR should not be a question that is asked as to whether or not to work with the activities, but rather should look into ways in which how it should be applied. However it is believed that in order for CSR to be profitable it should the relevant activities with care. Even though while charity is good, it is best to choose CSR activities that are related to the strategies and goals and objectives of the individual organizations and that the CSR activities are good for the company and all of the stakeholders. Corporate Social Responsibility activities should not be pasted on but are, instead, integral to the long-term success of the company. Business and society are dependent upon each other and both must be healthy or neither will be successful into the future.

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