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**[IMPACT OF CORPORATE SOCIAL RESPONSIBILITIES ON REVENUE GENERATION]**

A dissertation submitted in partial fulfilment of the requirements of the Royal Docks School of Business and Law, University of East London for the degree of

**[MSc International Business Management]**

**[April 2019]**

**[14,830]**

I declare that no material contained in the thesis has been used in any other submission for an academic award

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Supervisor(s)/advisor <i>Separate the surname (family name) from the forenames, given names or initials with a comma, e.g. Smith, Andrew J.</i>	Manish Unhale
Author Affiliation <i>Name of school where you were based</i>	School of Business and Law University of East London
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**IMPACT OF CORPORATE SOCIAL RESPONSIBILITIES ON  
REVENUE GENERATION: A CASE STUDY OF COCA-COLA**

## Table of Contents

Chapter 1 Introduction .....	11
1.1 Introduction .....	11
1.2 Background/overview of the research.....	12
1.3 Research rationale .....	14
1.4 Research aims .....	15
1.5 Research Questions and Objectives .....	15
1.6 Significance of the study .....	16
1.7 Summary.....	17
Chapter 2: Literature Review .....	19
2.1 Introduction.....	19
2.2 Definition of CSR .....	19
2.3 Stakeholder Theory .....	21
2.4 Motivation and impacts of CSR implementation.....	22
2.5 The Relationship between CSR and Profitability .....	24
2.5.1 CSR-Profitability relationship.....	25
2.6 The financial impacts of CSR.....	27
2.7 Ways to drive profit through CSR .....	29
2.9 Summary.....	33
Chapter 3 : Research Methodology .....	34
3.1 Introduction.....	34
3.2 Research Onion .....	34
3.3 Research Philosophy .....	35
3.4 Research Approach .....	35
3.5 Research Design.....	36
3.6 Techniques of data collection .....	37
3.7 Data Sources .....	37

3.8 Data Analysis Technique.....	37
3.9 Accessibility Issues .....	38
3.10 Ethical Issues .....	38
Chapter 4 : Data Analysis.....	38
4.1 Analysis of Annual Reports.....	38
Profitability Ratios .....	39
Liquidity Ratios .....	42
Efficiency Ratios.....	44
Gearing Ratio.....	46
Cash Flow Ratio.....	47
4.2 Analysis of Sustainability Reports.....	48
Sustainability Report 2014 .....	48
Sustainability Report 2015 .....	49
Sustainability Report 2016 .....	50
Sustainability Report 2017 .....	50
Sustainability Report 2018 .....	51
Chapter 5: Conclusion and Recommendation .....	52
Reference list.....	55
Appendices .....	61
Appendix 1: Mediating Metrics.....	61
Appendix 2: Intermediate Outcome Metrics.....	62
Appendix 3: End State Outcome Metrics.....	63

## **Chapter 1 Introduction**

### **1.1 Introduction**

Brand image is one of the most aspects for a business company or organization. Strong brand image enables a company to experience success and sustainability. In contemporary business market, it has become a strategic tool to achieve strong position in the market.

It is important to state that contemporary customers are aware about environmental and social issues. Unlike before, customers prefer to favour companies that take environmental issues into account as part of business responsibility. Thus, many business companies and firms have started giving increasing importance on corporate social responsibility. According to Crowther and Seifi (2018), the activities of Corporate Social Responsibility impacts the brand image positively as much as legal issues against the company hampers its brand image. Consumers have now started to have influential CSR expectations from the big brands and these expectations are getting stronger with increasing importance of CSR (Grayson and Hodges, 2017).

It has been seen that the brand which are able to develop a stronger emotional connection with the people, have sustained the competitiveness in the industry better as consumers tend to get inclined towards that brand. Thus, it can be said that brands that are based on emotional values are protected during the competitive dissolution prevailing in the industry (Petrenko *et al.*, 2016). Now, the activities of corporate social responsibility help the brands to create these emotional values and build a stronger connection with the consumers. It can be said that CSR and brand image are closely related and CSR activities somehow protects the brand from attacks to the brand reputation or goodwill. It is less likely for the brand to face issues related to reputation or brand image once the organisation focuses on its corporate social responsibility activities (Crowther and Seifi, 2018).

Other than brand image, the activities of CSR also helps in increasing the financial profitability of the organisation. It can be said from the detailing on the relation of CSR and brand image that there is an indirect impact of increasing brand image on the profitability of the company (Petrenko *et al.*, 2016). This is because as people find the organisation engaging in CSR activities and are aware of it, they tend to build a relation or connection with the brand based on emotional values. This, in turn, somehow increases the customer loyalty and also new consumers are attracted to the brand, thus, increasing the organisational sales and

the profitability as well (Petrenko *et al.*, 2016). Therefore, in the presented research study, the researcher aim to deal and investigate the topic of corporate social responsibility concerning revenue generation. The study attempts to understand the way CSR impacts or influence firm's profitability. It is essential to state that the case study of Coca Cola would be taken into account to conduct the study.

The Coca Cola Company is a well known brand that is recognised by its red and white logo itself. It produces a soft drink called Coca Cola or coke and till date the company has introduced over 300 variants of the soft drink such as diet coke, Diet Coke Caffeine- Free, coca cola cherry, mango, vanilla, coca cola zero sugar and various others. The company originated In the United States of America and was introduced on 8<sup>th</sup> of May, in the year 1886. In 2015, the brand was recognised as the third most valuable brand on a global level after Apple and Google. In 2013, the products of Coca cola had been sold in more than 200 countries and the consumers worldwide, consumed the product more than 1.8 billion beverage servings each day. Based on the brand's total revenue, it was ranked on the 87<sup>th</sup> position in the Fortune 500 list of 2018 of the largest corporations of United States. (Luca Ventura, November 30, 2018)

## **1.2 Background/overview of the research**

As stated by Li et al. (2017), businesses used to overlook the factor of corporate social responsibility. Previously, the key objectives and motives of businesses were to consider revenue and profit. Many companies such as Tesco was responsible for creating negative impact on environment in general which affected the surrounding society to a significant extent. The company had been fined an amount of £8m after the company admitted that it had polluted a river with thousands of litres of petrol. To be specific, about 20000 litres of fuel escaped from a tank at one of the petrol stations owned by Tesco ([www.independent.co.uk](http://www.independent.co.uk), 2017). Also The BP Oil Spill was the most massive oil spill in U.S. history. The cause of the discharge was an explosion on the British Petroleum's Deepwater Horizon oil rig in the Gulf of Mexico on April 20, 2010. That explosion resulted in 11 deaths and the release of million barrels of crude oil into the Gulf over 87 days. The well was capped on July 15. (James Chen, May 27, 2018)

There are different types of activities that impact the environment as well as the communities in a negative manner. For example, extensive water consumption, poor waste management leading to harmful chemicals, gas and other additional waste materials, improper working condition in certain areas and so on. However, with time as harmful consequences of industries, business practices continued to show increasing effects in the external environment, people started to become conscious and aware about the various environmental issues. Business organizations which make effort to initiate social corporate responsibilities for the betterment and welfare of society receives positive remarks from target customer population (Chandler and Werther, 2014).

It is essential to state that this strategic of CSR enhances positive brand image of the company. As mentioned by Eteokleous et al. (2016), brand image has become a crucial role in today's business sphere. For instance, it helps in positive promotion and advertisement of a company. It enhances effectiveness of marketing. As the effectiveness of advertising and marketing increases, the brand forms a positive image on the minds of the consumers. As a result, the sales revenue is positively impacted and there is an increase in profitability. Further, brand image also encourages various stakeholder groups to place trust and confidence on the company. In other words, a company succeeds in gaining trust from both its internal and external stakeholders which enhances the company value in the broad market.

Initiating and implementing CSR means that a company has to consider certain business measures which would help to resolve issues of surrounding environment. For instance, health and welfare of people in general, practicing energy conservation, conducting sponsorships for various educational and professional assistance and so on. It is important to state that CSR activities play a major role in thriving business. There are few businesses which do not focus much on their corporate social responsibility activities and consider it as an unnecessary, painstaking activity to conduct business without certainty to success and profit. There were few companies listed for a bad reputation in 2017 as an outcome of Harris Poll where more than 23000 Americans were polled. On this list, a Japan based company Takata Corporation was named as one of the companies with the worst corporate social responsibility policies and irresponsible production systems as due to the company produced airbags caused injuries and 11 deaths in the USA. However, it would be wrong to undermine the capability and overall effectiveness of CSR. The case of the well-known popular global company of international repute can be taken into consideration, the Coca Cola company (Martínez and del Bosque, 2013).

Corporate Social Responsibility (CSR) can be defined as the activities which the companies conduct or rather undertake in order to contribute to the society at large and to create a positive impact on the society. In other words, Corporate social responsibility (CSR) is a self-regulating business model that helps a company be socially accountable — to itself, its stakeholders, and the public. By practicing corporate social responsibility, also called corporate citizenship, companies can be conscious of the kind of impact they are having on all aspects of society including economic, social, and environmental. To engage in CSR means that, in the normal course of business, a company is operating in ways that enhance society and the environment, instead of contributing negatively to them (James Chen, Feb 2019). These activities cover certain aspects such as social impact, development of communities, ethical considerations, sustainability and such others.

Coca Cola is considered as a company which focuses on CSR activities to a noticeable extent. The company makes extensive effort to ensure that it gives back a part of its income for society. The organization is partnered with various institutions, non-governmental organizations working for issues such as water conservation, waste management of industries, people health, providing professional assistance to young individuals (Yin and Jamali, 2016). Coca Cola has gained worldwide reputation for its effort, strengthening brand image. It is relevant to state that the company faced several criticisms regarding the issue of using excessive water and providing beverage containing pesticide. The allegations affected the corporate profitability resulting in reduction of company revenue. Consumers lost trust on the company products, leading to loss of sales and popularity. The scenario proved to be a lesson for the beverage giant to reconsider its business strategies. Coca Cola realised that it needs to play its part in maintaining and improving social issues.

### **1.3 Research rationale**

As mentioned by Dangelico and Vocalelli, (2017), the key reason for presenting research rationale is to provide audience/readers with valid justification for doing the study. Considering the rationale aspect, it is necessary to assert that firm's profitability is a crucial aspect to ensure successful business. Comprehensively speaking, revenue generation is a parametric measurement with the help of which, the success of the company alongside its sales matrix can be ascertained (Dangelico and Vocalelli, 2017). In the business market, competition has become intense, urging companies to use new thoughts and approach for the purpose. However, during the attempt, companies need to understand its overall impact on its

surrounding or external environment. As the business resides and operates within a broader environment, like every entity it possesses certain roles and responsibilities towards the place. As environmentalists and activists promote environment safety, eco-friendly activities, more people have started to become conscious about the factor. Herein lays the importance of CSR. West et al. (2015) have pointed out that people prefer to opt for company products which ensure eco-friendly aspects. It suggests that the company needs to be thoughtful concerning surrounding society. Increasing number of business companies or organizations have realised the importance and effectiveness of implementing CSR activities in business strategies. However, many businesses still hold doubt to initiate CSR. It is unfortunate to state that many companies fail to understand the necessity and long term positive impact of CSR in conducting business (Lauritsen and Perks, 2015).

As stated by Lauritsen and Perks, (2015), CSR helps to stress on legal and moral ethics of the company. It enables the company to acquire trust of people. CSR activities are often regarded as additional expense which can be avoided; however with the initiative a company can certainly increase its chance of success and sustainability in the long run. Coca Cola is one company which experienced significant setback as it faced accusation of excessive water consumption and wastage, products containing pesticides and such. It affected the company's reputation. The incidents helped the company to reassess its business measures, give much importance on CSR leading to gradual improvement of the company and its profitability. With the case of the Coca Cola Company, the current research study shows that revenue generation and corporate profitability are crucial factor for business development and to strengthen brand name, CSR plays a major role.

#### **1.4 Research aims**

It is essential to state that the research attempts to investigate and assess corporate social responsibility of organizations such as Coca Cola concerning revenue generation. It aims to understand the way the CSR impacts or influence revenue generation. While discussing about the particular factors, it takes into consideration perception of target customer population.

#### **1.5 Research Questions and Objectives**

The key questions of the study are:

- How does Coca Cola's involvement in CSR as an effective marketing strategy affect the firm's profitability?
- How the variance in CSR dimensions may influence the revenue generation and concomitantly, corporate profitability of global companies like Coca Cola?

The objectives of the proposed study are:

- To investigate the essentiality of CSR for the considered company Coca Cola in the current business market
- To evaluate scope of CSR as a standard strategic marketing tool in context of the considered company for the research
- To identify the deviation of CSR and its effect on revenue generation
- To propose strategies to effectively adapt CSR practices for enhancing firm's profitability among target audience

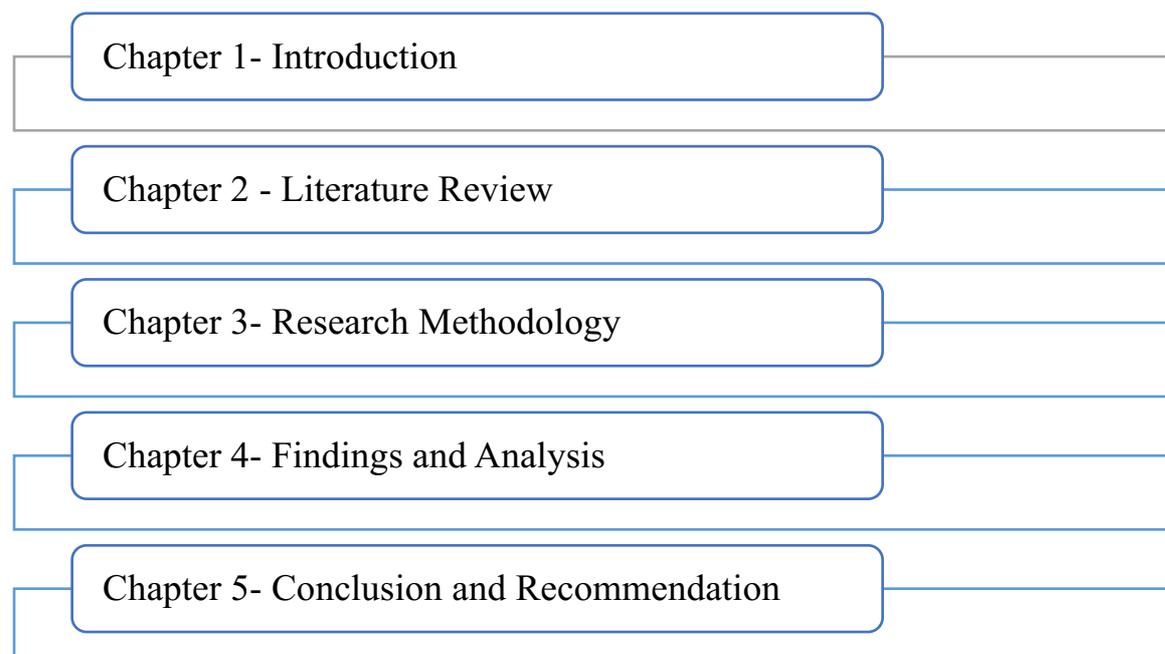
### **1.6 Significance of the study**

It is important to note that the study would be helpful to serve several purposes. It would help to have better and clear understanding about corporate social responsibility and the way it impacts customer perception leading to amplified firm profitability (Tsaia *et al.* 2015). It would be useful for business and environmental researchers to consider CSR as a crucial factor concerning business development. The research study will provide an insight regarding the CSR activities of the considered company that is Coca-Cola and will highlight the contributions of the company to the society at large and the environment as well. Through this research, the readers will be able to understand how the activities Corporate Social Responsibility is beneficial to both the communities and the society as well as to the company. The research study will detail how the CSR activities actually create a goodwill for the company, establish and enhances its brand image and ultimately increases profitability as well as sustainability. Organizations are often unable to understand the interrelationship between CSR policies and profitability. They are aware of the fact that both these factors are useful in the success of an organization. However, their inability to build a relationship between CSR and profitability often becomes the reason why they are unable to integrate these two factors. However, in the study of organizations, it is a proven fact that once an organization focuses on these two aspects, it becomes easier for that organization to achieve more success financially.

## 1.7 Summary

Summarising the entire chapter of introduction, it can be said that business companies or organizations give much importance on CSR to make them reliable or trustworthy in front of customers. It is true that CSR is not a mandatory factor to conduct business. However, if a business wants to make itself appealing towards its target customer population and enhance the firm profitability, implementing CSR activities is a necessity. The first introductory chapter of the dissertation emphasizes on what actually Corporate Social Responsibility is and how it is beneficial for the business organisations. The chapter discusses the growing essentiality of CSR activities by the business organisations and how it has developed over the period of time. The chapter discloses few examples of what CSR activities comprise of and few examples of companies which have failed to contribute positively to the development of communities and the environment and had been recognised as one of the companies with worst CSR policies. Further, the Corporate Social Responsibility activities of Coca-Cola has been focused upon and it has been said that the CSR activities of Coca-Cola is a noticeable feature of the company which will be researched upon further in due course of the research. The chapter also details the research questions and the objectives of the research. Further, the research rationale and the significance of the research study has been detailed in the chapter.

## 1.8 Structure of the Research Report



In the first chapter, the introduction to the research study has been provided along with various sub sections which discussed the research rationale, significance of the study and the research objectives. The second chapter is the literature review. In order to strengthen validation of the presented study, real time evidence and proofs are necessary. The second section of literature review would demonstrate critical analysis and discussion of previous study, existing literature for the purpose. The third chapter discusses the research methodology, that is, the process of the research study or how the research study has been conducted. In this chapter, the data collection process, the approach and philosophy of the research has been explained. The fourth chapter is findings and analysis or the data analysis chapter where the collected data will be analysed and the information obtained therein will be discussed. The final chapter is the conclusion and recommendation where the key points of the research and what has been included in the research report will be written and few recommendations will be provided in relation to the considered company which is Coca-Cola and its CSR activities.

In the particular chapter, an overview or background of the study is given to determine reasons which have led to the decision of conducting the research. Section of research rationale gives justification concerning the study. It demonstrates the necessity of the study. Research aims show the main purpose and motive of the study. Research questions and objectives specifically highlight key points which assert the study objectives in clear detail. The significance of the study stresses on the importance for doing the study.

## **Chapter 2: Literature Review**

### **2.1 Introduction**

This segment of the dissertation mainly deals with the illustration and representation of academic raw data relevant to the chosen research topic. The particular section entitled as literature review deals with the consideration of existing and previous literary contents available in books and journals which are related to the chosen topic of interest. This section has dealt with a detailed demonstration of the discussion and analysis of corporate social responsibility and its impact on revenue generation, from a global viewpoint. In this dissertation, the author is going to focus and explore the impact of corporate social responsibility (CSR) on a firm's profitability by the achievement of the research objectives as mentioned in the previous chapter. Depending on the research objectives, the author has been successful in the identification of four distinctive aspects as primary focuses of this chapter; (i) definition of CSR; (ii) benefits or motivation for the implementation of CSR; (iii) relationship between CSR and profitability; and (iv) measurement of financial impacts from CSR and (v) The marketing strategies of Coca-Cola. The conduction of literature review has been helpful for the validation and enrichment of the propose research topic with relevant data, facts and information.

### **2.2 Definition of CSR**

The recent global trend in the field of marketing and management has shown the emergence of corporate social responsibility (CSR) as a crucial attribute. This attribute has been seen to amplify the social responsibility of the companies and firms with respect to their social, economic and environmental influences. Furthermore, the definition of CSR has not been completely static since different authors have represented multiple viewpoints and ambiguities with regards to this aspect (Tsai *et al.*, 2015).

The European Commission had published an official definition of CSR as being a voluntary activity in combination with both social and environmental concerns contemplating into business and operations that gets associated with the firms' stakeholders. Some researchers like Suliman and colleagues (2016) have this thinking regarding CSR that it is that aspect of a company which fulfils internal and external self-actualization demands. This irrevocably depicts the fact that a company adopts CSR initiatives in order to implement awareness

towards societal needs. In addition to this, research by West *et al.*, (2015) has defined CSR as the firms' continuity towards commitment from the ethical as well as economical perspectives and that the companies need to contribute towards their economic development by considering all the relevant ethical needs and prospects. Similarly, most of the authors have conceptualized CSR as highly effective for business ventures for the intake of their respective social responsibilities. The human rights and benevolence of the CSR initiatives from company perspectives has been illustrated a lot for the encouragement of the companies pursuing a win-win situation for both profitability and social responsibility.

Nevertheless, the most intriguing definition of CSR set forth till date had been author Carroll's since this definition of CSR had been cited multiple times in a number of researches. Carroll's representative model has been used as the basement for defining the understanding of CSR in this dissertation as well. According to Carroll (1979), CSR can be defined into four components, economic, legal, ethical and discretionary responsibility. The definition coming from this author's end has been as follow; (a) economic responsibility depicts the economical characterization of a company and from every aspect, the companies have the compliance of being economic and profitable in order to satisfy their customer demands; (b) legal responsibility represents the fact that companies need to fulfil their economic responsibilities abiding by the legal rules, regulations and keeping the lawful obligations in mind; (c) ethical responsibility has been considered as the most difficult part for businesses with respect to handling since it indicates that companies should not only abide by the laws but should also comply through ethical considerations, codes and norms of practices; and (d) discretionary responsibility is the voluntary choice by companies' leaders and/or managers (Keissling *et al.*, 2016).

CSR holds some major benefits for the success of any organization. Some of the reasons why CSR should be implemented within any organization irrespective of its structure and operations are as follows;

Firstly, CSR is able to improve the public reputation of an organization. The public image or brand image is highly essential for corporates as brand image is the ultimate driver behind the increase in their outreach and sales revenue. The CSR policies of any organization reflect the level of dedication and commitment of the employees of an organization. Hence, when the consumers become aware of the CSR policy and also the fact that the organization adheres

such policies effectively, the customers are bound to perceive a positive image of that organization in their minds.

Secondly, the proper adherence of CSR policies also helps an organization in attracting the investors and shareholders. The investors also perceive strong image of an organization which has a set of stringent CSR policies and which is also able to follow those guidelines. As a result of which, more investors become interested in investing such an organization (Keissling *et al.*, 2016).

Thirdly, the employees also tend to develop high level of commitment for an organization which is strict about its rules and regulations. It is a proven fact that employees are highly motivated for working in a company which is inclined towards its CSR policies. Hence, by using CSR policies efficiently, it becomes easier to increase the level of employee engagement.

### **2.3 Stakeholder Theory**

Stakeholder theory provides the structure for better understanding, investigating and analysis of the relationship between CSR and company profitability. This is also important for addressing the company's initiatives in meeting the demands and balancing the accomplishments of those in direct or indirect influence of the company (Lauritsen and Perks, 2015). In addition, this also helps in understanding the firm's stakeholders for the ultimate achievement of sustainable success in the complicated business environment.

Stakeholders have been represented as those having the authority to influence the entire company with the legitimate relationship with the company and the urgency of stakeholder's claim on the company as well. According to the stakeholder theory, if a company analyzes and understands the association in between the business and its individuals or groups who are under the influence of the business, then the company might have a better way of tacking the business effectively (Kim *et al.*, 2015). The general stakeholder groups identified by most of the companies include customers, employees, shareholders, local community and suppliers. On the contrary, other stakeholder groups can also be identified relying upon the company's dissimilar business patterns.

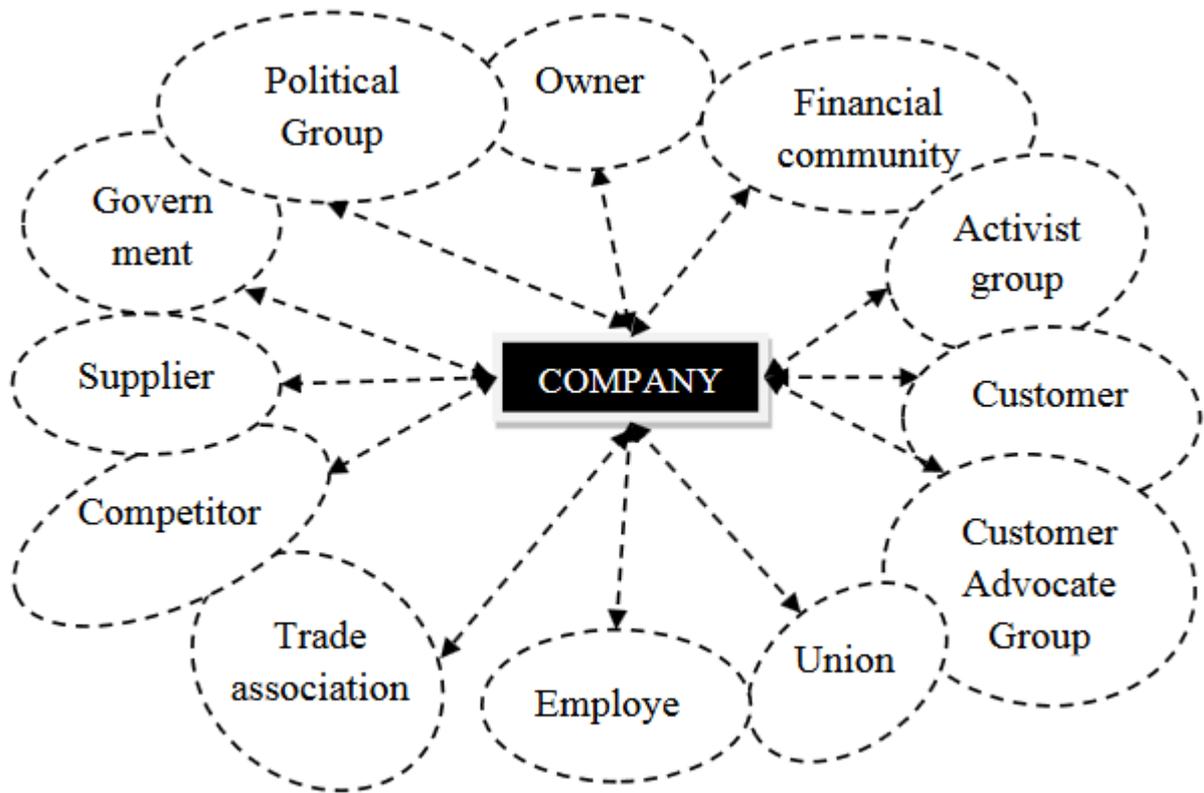


Fig. 1: The Stakeholder map (Source: divaportal.org, 2019)

Different stakeholder groups have got different expectations from the company they are associated with. On the contrary, it is not possible for the company to fulfill all the expectations at the same time because of perforating conflict of interest such as the shareholders' interest often gets amplified against the maximizing customers' benefits (Eteokleous *et al.*, 2016). Henceforth, the companies often select some of these aspects to bestow concentration and be more attentive.

#### 2.4 Motivation and impacts of CSR implementation

Researchers have suggested that the factors which have been found to be responsible for imparting motivation towards a running business for the implication of CSR are social, political, economical and environmental forces. Social forces or the direct forces for most of the companies are from the market, customer and stakeholders for the sake of implementing

strategic decisiveness for the performance of social responsibility. Political forces are subdued from the national as well as international tribunals and law embodiments requisite for the company's CSR strategic implementation (Grant, 2016). The environmental forces are the ones that are to be abided by the company to resurrect their environmental governance and take up the responsibility of maintaining waste management for a pollution free environment. The economic forces being another crucial governing factor that correlates social responsibility with the company's profitability. The primary reason for the companies to remain associated with CSR activities is to enhance their profit marginality and henceforth, CSR is regarded as the valuable investment in the long-term perspective. It has been stated that the profitability of the firms has been closely associated with CSR and this is very much important to remain collaborated with because every company has got some social responsibility in relation to their financial performance (Yin and Jamali, 2016). CSR has been seen as something far more important than just a social regulatory compliance and the profitability of CSR gets deduced from the realization that CSR is not just a work of sustainability but also an approach for the addition of profit to any form of business.

There have been 7 identified motivations for the incenting of companies for remaining associated with social responsibilities and these are; (a) achievement of the long-term financial strategy, (b) being eco-efficient alongside the reduction of the company's environmental impacts, (c) increment in the company's competitive advantage, (d) being an opportune citizenship, (e) enhancement of the corporate image, (f) meeting pressures and requirements for the stakeholders, and (g) avoidance or delaying of regulatory burden (Seele and Lock, 2015).

Many of these aforementioned incentives can be achieved by a company after the implementation of CSR strategies. There has been several decent and positive impacts of CSR strategic implementation on a company and these are as follows;

- Creation of the profit margin
- Amplification of the company's image, brand value and reputation
- Enhancement of the company's sales and market share
- Reduction of costs such as maintenance, operation etc.
- Increase in the appeal to investors and financial analysts
- Provision of better relationship with communities and governments
- Improvisation of awareness to laws, regulations and environmental consciousness

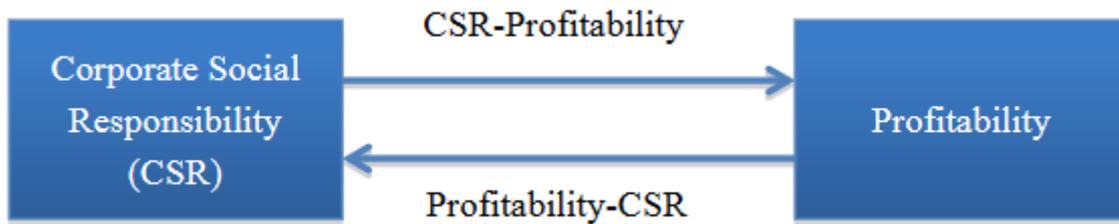
- Improvement of the equity in between employee and the company
- Improvement of the goodwill of the customers
- Decrease of the firm's financial challenges
- Resulting of higher productivity due to efficiency
- Lowering down of recruitment and training costs
- Closing relationships with stakeholders and shareholders (Dangelico and Vocalelli, 2017)

Researchers have defined *profitability* as one of the prime motivations alongside being the most significant beneficiary for the companies in the process of CSR strategic implementation. It has been demonstrated that most of the other optimistic impacts have had direct or indirect influence on the profitability of the companies to different extent. On one hand, the costing required for the reduction of energy wastage, waste, maintenance and operations have had direct relation with firm's profitability. On the other hand, some of the intangible assets such as governmental association, customer loyalty, employees' encouragement etc have had indirect influence on the firm's profitability. CSR helps the companies to establish a long term relationship with their customers, employees, investors and suppliers and also enhances sustainability of the culture (Hakim and Disman, 2018). It is undeniably true fact that CSR improves company reputation and also amplifies their brand name that irrevocably accelerates their sales and customer growth. This is always followed by a strong sustainable environment that assists in attracting and retaining excellent staff and also provides safe working condition for the staffs. The increase in employee satisfaction and their loyalty has also been seen to enhance the productivity of the firms alongside their profitability.

## **2.5 The Relationship between CSR and Profitability**

The correlation between a company's profitability or the firm's financial performance and CSR has been the topic of discussion since a long time. Multiple numbers of empirical studies have been conducted so far by different researchers with diversified findings on this context. Since most of the articles do not vehemently differentiate between the company profitability and the firm's financial performance with specification, henceforth, this dissertation will be focusing on narrowing down the meaning of net profit with respect to

company profitability and shall also refer to the positive financial performance of the company from a holistic viewpoint (Brun and DeBoer, 2015).



*Fig. 2: The two-way relationship between CSR and profitability (Source: divaportal.org, 2019)*

From the above depicted diagram, it is understandable that the relationship between CSR and company profitability follows a two-way mechanism. The researchers have not only studied on the way CSR influences the profitability of the companies, but also have focused on the extent of influence the financial performance of the companies has on CSR. From this synergistic viewpoint, some of the researchers have undertaken deep-seated research and come up with the fact that the causality in between CSR and company profitability is actually unequal. It has also been proven that profitability has got much more influence on CSR than the latter has on the former. Nevertheless, this thesis is trying to focus on the analysis of CSR-profitability association that is, the financial impacts from CSR performance.

### **2.5.1 CSR-Profitability relationship**

#### ***Positive relationship***

Most of the empirical researches conducted so far have established the fact that CSR has positive influence on the profitability of the companies. Researchers have also supported the fact that companies implementing good CSR performance also employ strong and better financial performance compared to those who do not implement long term CSR strategies. It has also been argued that social responsibility has been a smart investment for companies irrespective of the absence of appropriate evidence for the proving of direct association with the capital markets (Deegan, 2014). Moreover, this has also been believed that the improvement if companies' CSR has got both immediate and continuing positive financial influences on the corporation. The strongest yet positive association between social responsibility and firm's profitability usually happens in the third year after the implementation of the CSR strategies.

Furthermore, a good performance of CSR performance induces an improvement in the reputation of the company and the market opportunities towards the company. With specification towards the food and beverage sector, this is undeniable fact that customers are more inclined towards purchasing products from those companies who advertise products related to the social responsibilities (Lanis and Richardson, 2016). For instance, food producers represent their care towards natural environment, animals and children.

More particularly, the environmental initiatives such as energy consumption, waste reduction and management and social initiatives such as the care for employees' health and safety etc are associated with positive financial performance. On the contrary, it has been concluded that the environmental protection activities have got high costs thus they may be negatively correlated with profitability (Fernando and Lawrence, 2014).

### ***Negative relationship***

Some of the researchers have also stated this fact that company's CSR policies cannot always go together with profitability because of the fact that CSR strategic implementation with a cost-promoting profit aim and objective in mind is narrow and unethical. Although a large number of firms still have this intuition in mind of making profit by implementing CSR strategies in their organizational work premises, stakeholders are not willing to forfeit profit to increase social responsibility performance. CSR requires the companies to realize their social responsibilities first and then undertake their application irrespective of the fact that this might lead to profit or non-profit for the organizations. This does not necessarily mean that there is no space for ethical consideration with respect to maximization of profitability (Moussa and Hassan, 2015); since it has been argued that a company needs to have conditional consideration for profit maximization and profit can be gained through fulfilling other duties as well. CSR and company profitability can also go through in a systematic way. Some of the researchers also have this notion that CSR strategic implication is a way of investment which may bring in less contribution on profitability. Some of the overhead charges such as establishment of the environmental technology, maintenance of plants and employee training, strengthening of the financial burden for the company and concomitant initiation of economic disadvantages.

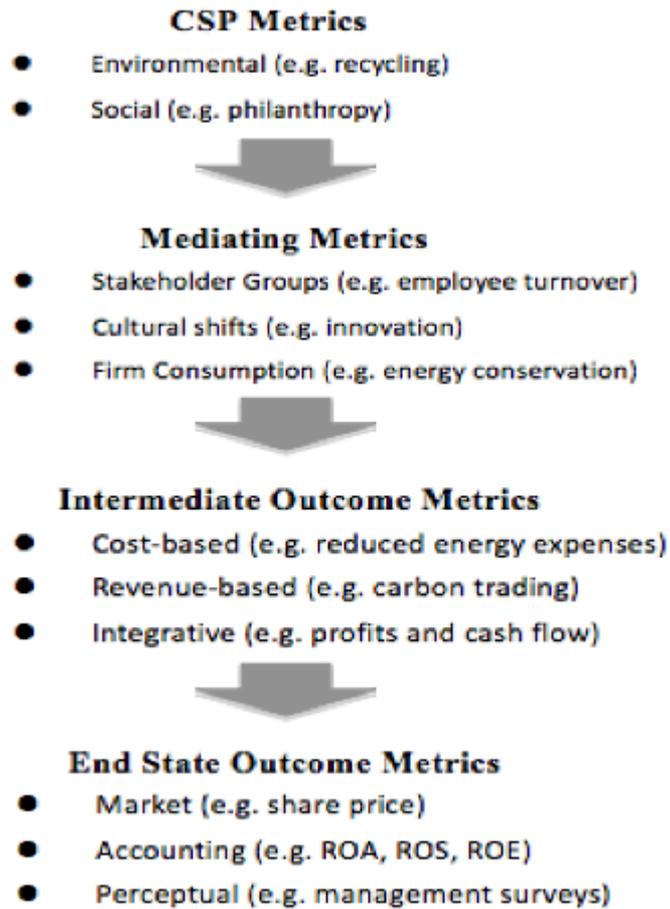
### ***Unclear or neutral relationship***

Some of the researchers and their study findings differ from the aforementioned two aspects of CSR-profitability relationship. It has been stated that there lies no statistically significant

association in between CSR and firm's profitability. Some scholars also believe that there is no definitive consensus in this relationship research owing to the complexity and subjectivity. Moreover, there also lies no clear pattern through which the pattern of the relationship between these two variables can be identified (De Luca and Prathar-Kinsey, 2018). Research suggests that empirical studies have the potentiality of omitting financial influences from the R&D investment on a company and while considering this fact, the effect of CSR on firm's profitability gets modified from positive to neutral or unclear association. It has also been pointed out that there is only an indirect association dependent on the CSR and firm's profitability relationship through the mediation of some of the intangible resources such as innovation, human capital, reputation and culture. Provided the CSR strategic implication is unable to develop all these attributes in the company's financial performance, neutral or negative relation emerges from within (Yakovleva, 2017).

## **2.6 The financial impacts of CSR**

For the sake of having a transparent knowledge and understanding of the CSR-profitability relationship, it is very much crucial for the establishment of a systematic measure for the determination of the financial impacts emanating from CSR and the structural framework for the evaluation of the CSR impacts on financial profitability of the company. According to the research conducted by Peloza (2009), the collection and reviewing of CSR measurement methodology ascertained from around 159 studies, almost 65% of the environmental metrics and 55% of the social metrics represented similarity with respect to positive association of CSR with firm's profitability. However, these findings had been found to be statistically insignificant but they suggest the positive likelihood of the environmental as well as social metrics related with the firm's profitability. Moreover, a total of 36 unique measurements for measuring the financial impacts of CSR have been found by Peloza. These measurement metrics have been collected and categorized into three distinctive stages namely mediating metrics, intermediate outcome metrics and end state outcome metrics.



*Fig. 3: Stages of Financial Impact from CSR (Source: divaportal.org, 2019)*

In the CSP metrics, where the full form of CSP is Corporate Social Performance and this is a way to make CSR more applicable and put into realistic implementation, this stage eventually focuses on the primary CSR initiatives or practices associate with environmental and social perspectives such as recycling, philanthropy etc (Martinez-Ferrero *et al.*, 2015). Mediating metrics (Appendix 1) are essential for the evaluation of the relationship in between the company's CSR and profitability since they act as the governing factors for the demonstration of causalty amongst firm's CSR and profitability. Intermediate outcome metrics (Appendix 2) have been found to be less likely than the end state outcome metrics (van Zijl *et al.*, 2017). The latter comprising of accounting-based (ROA, ROS, ROE) approach, market-based (share price) approach and perceptual approach (management surveys) have been the most common measures for the researchers for the evaluation of corporate social performance (Maroun, 2016). End state metrics (Appendix 3) are considered to be important assessment factorials since they provide the finality of the business and this

can be judged solely at the initiative level. Henceforth, each stage or metric has various advantages and disadvantages need to be considered in this dissertation.

## **2.7 Ways to drive profit through CSR**

It is often observed within large organizations that if they are able to integrate their CSR initiatives with their business operations effectively, then that will result in higher profitability and ROI. If an organization is serious about its sustainability initiatives, then it is not impossible to gain specific advantages from it (Martinez-Ferrero et al., 2015)..

One of the most effective strategies in this context is somewhat like this. An organization is first required to identify a particular area in the society which is already being talked about and which is directly or indirectly related to the products and services of an organization. Once an organization starts putting important efforts to achieve success in that specific area, it is not very difficult to estimate the relevant KPIs. Further, once the operations of the company are integrated with its CSR initiatives, the stakeholders of an organization also become convinced about the fact that the organization is putting efforts for the overall benefit of society (Martinez-Ferrero et al., 2015).

Recent researches have shown some effective results in this context. It has shown that if sustainability is adopted efficiently, sales can be increased by 20%. Productivity can also be increased by 13%. Sustainability and CSR policies also have the capability to reduce employee turnover ratio as the level of commitment of the employees increase due to improvement in CSR (Melton *et al.*, 2017). The most important effect of sustainability is often observed on the shares of an organization. Researches have shown that appropriate adoption of sustainability helps in increasing the share price of the organizations by more than 5%. That is because shareholders and investors who are the key stakeholders of an organization start believing that a sustainable organization with strong CSR policies is an ideal place for making investments. Further, an organization with good CSR policies also has the capability to reduce their financial risks to a large extent (Yakovleva, 2017).

From many past researches, it has been identified that the most effective impact of good CSR policies are observed on two factors namely sales and reputation of an organization. A brief overview is given below;

### ***Sales***

An organization that has been able to integrate its CSR initiatives completely with its operations is able to increase its overall sales to a large extent. Many consumers, especially the youths are always willing to buy such things which can be beneficial for the society at large. Most of the customers these days are digitally advanced and they pay detailed attention towards studying how their desired brands are handling social issues and how their activities are affecting the environment. Hence, companies these days understand it clearly that to make a mark in the market, they need to integrate their CSR policies with their daily activities (De Luca and Prathar-Kinsey, 2018) .

### ***Reputation***

For the regular growth of any organization, it is highly necessary that their reputation and brand image stays intact. In today's digital era, if a customer makes any negative comments about a brand in the internet, then it would create a negative image on the brand. It is very difficult to remove such images from the brand. Hence, organizations should create their CSR policies in such a manner that the customers are satisfied and the brand image of an organization is not affected in any ways (De Luca and Prathar-Kinsey, 2018). One of the main ways to do so is integrating organizational activities with CSR policies so that more value is added to the lives of the customers and the brand image of an organization is enhanced.

## **2.8 Marketing Strategies of Coca-Cola**

The widespread popularity of Coca-Cola is evident as the product is known by consumers on a global level. The company operates in more than 200 countries in the world and due to its widespread distribution system, the product reaches every rural corner of the countries in which the company operates (Gillespie and Riddle, 2015). The marketing strategies of Coca Cola has been a recipe for its success and the marketing tactics of the company has made the company popular worldwide to great extents. According to the reports by Business Insider (2018), almost 94 percent of the world population is aware of the logo of Coca- Cola. In order to provide an insight to the marketing strategies of Coca- Cola, there are certain marketing concepts that can be applied in context of the company (Bragg *et al.*, 2018).

*Segmentation, targeting, positioning of Coca Cola*

Applying the STP analysis of marketing in context of Coca Cola, it can be said that in case of segmentation, the company does not target any specific target customers. STP analysis basically provides the notion that the company has to innovate its products in order to satisfy the different needs of the different customer groups (Bragg *et al.*, 2018). Coca Cola does not target any specific target market or does not have a specific subdivision. However, the company constantly innovates its products so as to meet the changing requirements of the consumers. For example, the brand had been endorsed by a variety of celebrities in different countries like Selena Gomez and the design of the bottle and packaging had been changed so that it is convenient for the youngsters. Further, the company came up with the idea of “play a coke” so that more and more consumers participate in the use and play of the product bottle (Bragg *et al.*, 2018). Further, with no specific target market or segmentation of the market, Coca Cola a combination of various marketing strategies in order to make the products successful. The company uses a mix of undifferentiated and mass marketing strategies as well as in case of certain products, the company uses niche marketing so that the sales of the company can be increased in the competitive marketing industry. Perhaps, it can be said that Coca Cola had widely used celebrity endorsements and its associations with sports in order to attract the youth population of the different countries (Bragg *et al.*, 2018)

#### *Marketing mix of Coca Cola*

The marketing mix of Coca- Cola can be discussed here in order to get a comprehensive idea of the company’s marketing strategies. Thus, here the 4 Ps of marketing mix will be discussed in context of Coca Cola:

*Product-* Though Coca Cola had never adopted the marketing strategy of providing different markets with different products, the company always innovated its products to different levels in accordance with the changing preferences and tastes of the consumers (Bragg *et al.*, 2018). In the beverage industry, Coca Cola has the widest portfolio of products which is above 3000 (Gillespie and Riddle, 2015). As per the 2010 records of Nielsen data, Coca cola is the No.1 brand in sparkling beverages, juice, and retail packaged water. There are different varieties of products under the brand. For instance, in accordance with the varying tastes and preferences of the consumers in India, the company acquired few of the brands such as Limca, Maaza, Thumbs up, Minute maid etc (Melton *et al.*, 2017). Hence, in product mix, the understands the varied tastes of the consumers and accordingly introduces or acquires its products. The company also focuses on the packaging and bottling of the products and due to

the favourability and convenience of the customers, the company made the beverage available in different sizes and in bottles, glass bottles, cans etc. This makes the product more feasible for customers to purchase.

*Price-* The pricing strategy of Coca Cola is based on segmentation and the geographical locations of the markets (Melton *et al*, 2017). The different sub brands of Coca Cola have different strategies of pricing and mainly their pricing is based on competitive pricing strategy. Since, the beverage industry is an oligopoly market, there are several brands competing with each other in the industry (Gillespie and Riddle, 2015). Thus, the company uses competitive pricing strategy in order to compete well in the market. The only strong competitor that the company has is PepsiCo and these two leads the industry. The pricing strategy of Coca Cola always takes into consideration the pricing strategy used by PepsiCo. In accordance with the competitive pricing set by PepsiCo, Coca Cola set its prices as well (Gillespie and Riddle, 2015).

*Place-* Place refers to the distribution strategies of the brand and as it has been discussed above that the distribution network of Coca Cola is widespread and even the most rural corners of the different countries can avail the product and they are aware of the Coca Cola logo even (Gillespie and Riddle, 2015). As the company operates in more than 200 countries, it can be well understood that Coca Cola has developed its distribution network extensively (Melton *et al.*, 2017). The network of distribution of the company includes the bottlers which fill the different shapes and sizes of bottles with the beverage and then these are passed on to the forwarding agents. Then these bottles are transported to stockists, then to the distributors and finally to the retailers. The brand generally follows the FMCG pattern of distribution and makes the product available at every supermarket, wholesale store, pubs, restaurants and several other small stores (Melton *et al.*, 2017).

*Promotion-* The brand Coca – Cola actually sets a benchmark for advertising, promotion and branding (Gillespie and Riddle, 2015). The promotional strategy of the company focuses of mass marketing and aggressive marketing of its products through various modes of promotions and advertising. There are different marketing channels through which Coca Cola promotes its products. These channels have been discussed below:

A. TV advertisements- Coca – Cola extensively uses TV advertisement campaigns in order to promote the product. The company strategically devises different ad campaigns so that the consumers are attracted towards the company (Melton *et al.*, 2017). The Tv advertisements

are launched in various national languages across the globe. For instance, for the Indian market, Coca Cola launched “Taste the Feeling” ad campaign which aimed at reminding the customers about the happy moments that a bottle of coke brings to their lives and how they can share their joys with a bottle of coke. Further, the brand signed numerous celebrities in different countries and endorsed the product (Confos and Davis, 2016).

B. Sponsorships- this is another channel through which the brand markets its products extensively. Coca Cola has become one of the most popular and recognised sponsor brands (Melton *et al.*, 2017). There are certain popular events that the brand had sponsored. In the sports arena, Coca Cola always ensured its presence. Further, the company sponsored one of the most popular and reputable TV shows like American Idol and the brand officially sponsored all the ten seasons. The company also sponsored the Olympic games first time in 1928 and since then the company had been associated with the game for a long time (Confos and Davis, 2016).

C. Social media- Coca Cola also uses the social media platforms in order to reach the customers. The company has used the social media platforms like Facebook, Twitter, Pinterest, google + in order to launch advertisement campaign through social media. The company is not very active on Facebook and uses an unusual strategy to promote itself on this platform (Confos and Davis, 2016). Since, the brand is popular among the customers, the consumers are attracted towards the brand even without the brand trying very hard. The brand sometimes posts an update on Facebook but is not very active. The brand is very active on Twitter and the company has attracted over 3 million followers. The company tweets unique posts and remains active throughout and interacts with the people commenting over the tweet. This helps them to maintain a personal interaction with people. Further, the platforms of Google + and Pinterest is also used by the company in order to promote its product (Confos and Davis, 2016).

## **2.9 Summary**

This chapter reviewed the widely available literary sources which are similar to the selected area of research for the current study. The concepts and ideas of CSR as well as firm’s profitability have been discussed from viewpoint of different authors. In addition to this, the theories of CSR and revenue generation have been analysed as well. Finally, the interrelations of the selected variables have been discussed.

## Chapter 3 : Research Methodology

### 3.1 Introduction

In the present research study, the researcher is trying to understand how CSR leaves an impact on the overall revenue generation of an organization. The focus of the research study is on Coca Cola, which is a globally recognized company. In this chapter, a research onion will be shown to for clearing the sequence of the research methodology chapter. A research philosophy will also be included in this chapter so that the research pattern can be discussed. The research approach which has been used by the researcher to move forward in this study will also be included in this chapter. The data collection techniques will be discussed by explaining the research design. The sources which have been used by the researcher for data collection and also the techniques of data analysis will also mentioned in this chapter.

### 3.2 Research Onion

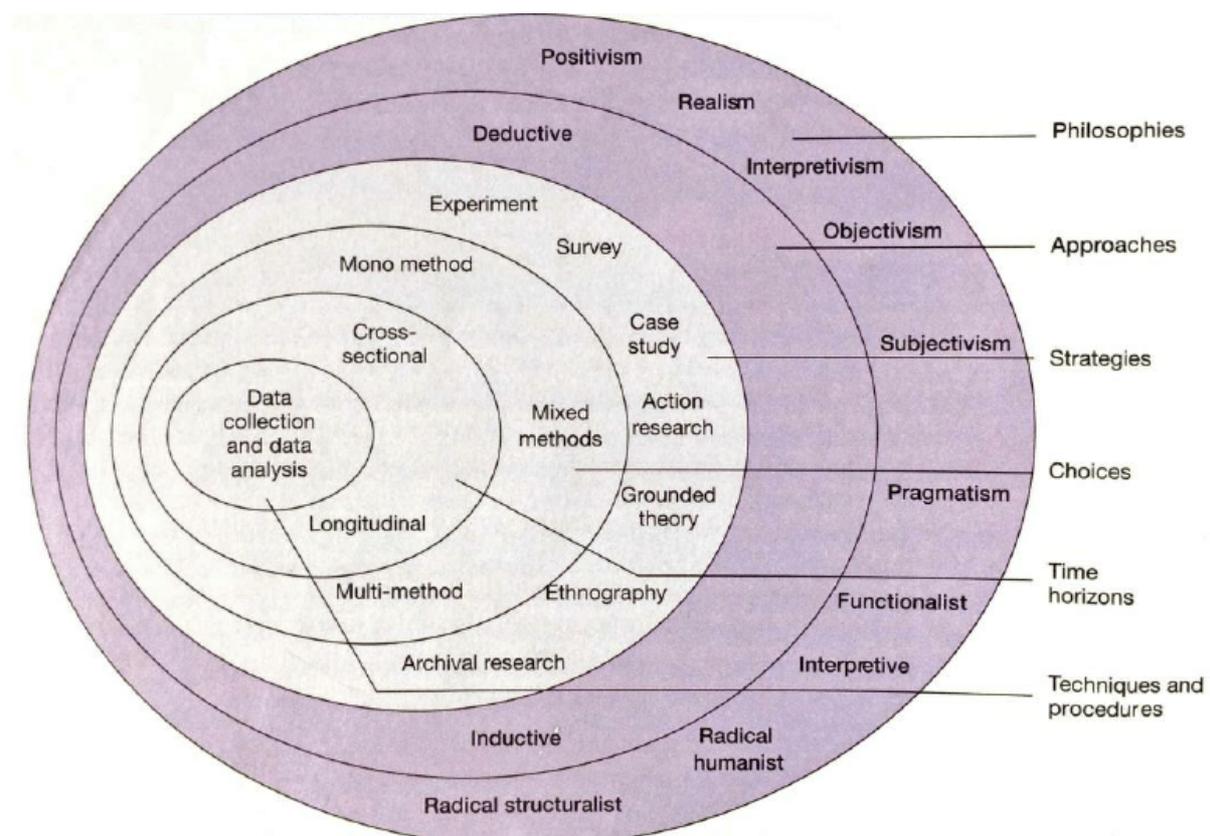


Fig. 4: Research Onion (Source: Kumar, 2019)

Research onion helps a researcher to make sure that the research activities are conducted in appropriate sequence. If a research is not conducted in the proper sequence, there remains the

possibility of failure of the research. In case of this research on the Coca Cola, the sequence which has been followed is positivism research philosophy, deductive research approach and collection and analysis of datasets. In the present case, this sequence will be easier for the researchers to build a relationship between CSR and profitability of Coca Cola.

### **3.3 Research Philosophy**

There are generally three types of research philosophies which are adopted by researchers. They are positivism philosophy, realism philosophy and interpretivism philosophy.

In case of positivism research philosophy, a researcher typically depends on building hypotheses and collecting datasets. The researcher also makes sure that he confirms the accuracy of the hypotheses based on further research and analysis of collected datasets. Additionally, in case of this research philosophy, a structured and organized approach is followed by the researcher (Kumar, 2019).

The interpretivism research philosophy focuses on the basic difference between normal research study and social factors.

In case of the present research study related to Coca Cola, the research philosophy selected is positivism research philosophy (Kumar, 2019). This research philosophy is largely independent in nature and the researcher is required to analyse the existing information to make sure that an appropriate outcome has been recovered. In the present case, the datasets which will be collected are from the financial statements of Coca Cola and such information is most likely to be complex in nature. Hence, the application of this approach will make sure that such datasets are simplified and the final outcome derived from the research is more understandable.

### **3.4 Research Approach**

The two major types of research approaches adopted by most of the researchers are inductive research approach and deductive research approach.

Inductive research approach is a type of approach where the researcher initiates the research process by recording his observations from the world. On the basis of such observations, the researcher is able to formulate his own empirical model with required assumptions and

generalisations. The need for developing hypotheses is not there in case of inductive research approach (Silverman, 2016).

The concept of deductive research approach on the other hand is completely opposite of inductive approach. In this case, the researcher first develops a set of hypotheses depending on the theory available to the researcher and the researcher designs the steps of his research strategy based on the hypotheses.

As per the understanding of the researcher, deductive research approach is more convenient in this case. That is because in this case, the researcher is required to move forward in the research based on the initial theories or hypothesis (Silverman, 2016). In the present scenario, the researcher has formulated that CSR policies of Coca Cola and revenue generation are interconnected. Based on the data collection and analysis, the researcher will find out the nature of such interrelationship.

### **3.5 Research Design**

The purpose of research design is to provide a structure which will be followed by the researcher to conduct the research successfully. The three popular types of research designs used by researchers are descriptive research design, explanatory research design and exploratory research design.

The descriptive research design is a type of research design where interpretations are described by the researcher by observing a targeted research population closely. The only question whose answer can be acquired from a descriptive research design is “What”. Some popular methods which are related to this type of research design are survey, practical observations and more.

The explanatory research design is generally used in those research cases, where it becomes mandatory for a researcher to find out the cause and effect relationship between various research variables. This research design can be used in those cases when the impact of a certain change is needed to be measured.

The exploratory research design is applicable in those cases where the researcher selects a problem or field of area which have been investigated in the past but no meaningful outcomes were acquired from those investigations. The researcher tries to focus on such a field to acquire more effective solutions.

In case of Coca Cola, the research design which will be used is explanatory research design (Taylor *et al.* 2015). This research design will help the researcher in analysing the existing datasets through appropriate techniques and the findings derived from the research will also be analysed to explain the nature of the outcome.

### **3.6 Techniques of data collection**

In every research study there are two types of datasets namely primary datasets and secondary datasets. Primary datasets are collected directly from the respondents while secondary datasets are collected from existing sources.

In the present research study, datasets have been collected from existing sources and hence, secondary datasets are appropriate for this study. The researcher has collected all the datasets related to CSR activity of Coca Cola and its financial performance from the financial statements of the company and those datasets have been used later to analyse the interrelationship of these two factors.

### **3.7 Data Sources**

For the present research study, secondary datasets have been used to continue the research. The researcher has collected most of the datasets related to this research study from the financial statements of Coca Cola. The annual reports of Coca Cola Company from 2014 to 2018 have been accessed from <https://www.coca-colacompany.com/investors/archives-annual-other-reports> i.e. The official website of Coca Cola. The financial information related to profit and loss statement, cash flow statement and balance sheet have been acquired by the researcher to get information for this study. Additionally, the CSR related information of Coca Cola have also been accessed from the following website - <https://www.coca-colacompany.com/stories/sustainability-reports>. Additionally, the researcher has also consulted various books, magazines, academic journals, websites and other relevant sources to get an idea about how the research should be conducted successfully.

### **3.8 Data Analysis Technique**

To analyse the collected datasets acquired from the annual reports of Coca Cola, various types of financial analysis techniques will be used. The financial statements like cash flow, income statement and balance sheet of Coca Cola will be analysed with the help of ratio

analysis technique (Miller *et al.* 2012). Further, the sustainability report of Coca Cola will also be compared with respect to the financial reports in order to interpret the inter-relationship between CSR and revenue generation. Graphs and charts will be used accordingly to make the findings easier for the researcher.

### **3.9 Accessibility Issues**

While performing the present research study, the researcher did not have to face any issues or challenges related to data collection. All important datasets required by the researcher were easily accessible from the financial statements of Coca Cola and the researcher did not have to go through any challenges for the collection of those datasets. Additionally, there were several journal articles available which also discussed the similar topic and the researcher had gained idea from those academic research articles regarding how he should continue the study.

### **3.10 Ethical Issues**

The researcher has confirmed that none of the actions taken by him during the research study would affect the reputation of Coca Cola Company. The researcher had used all the datasets strictly for research purpose and none of those datasets were used for any personal purpose of the researcher. The results of data analysis have also been presented in the research as per the findings. None of the outcomes have been manipulated by the researcher to change them according to his personal expectations. Though most of the information and datasets which have been used by the researcher are from the financial statements of Coca Cola and which are available for any stakeholder, the researcher has collected consent from the company as it has used the information for completing the research. The research understands the importance of consent of information and has applied this concept at every steps of the research. The researcher had to use many information related to the stakeholders of Coca Cola. The researcher has assured that none of those investigations will harm these stakeholders either directly or indirectly. If any stakeholder of Coca Cola requests the researcher to maintain his anonymity, the researcher will maintain such requests.

## **Chapter 4 : Data Analysis**

### **4.1 Analysis of Annual Reports**

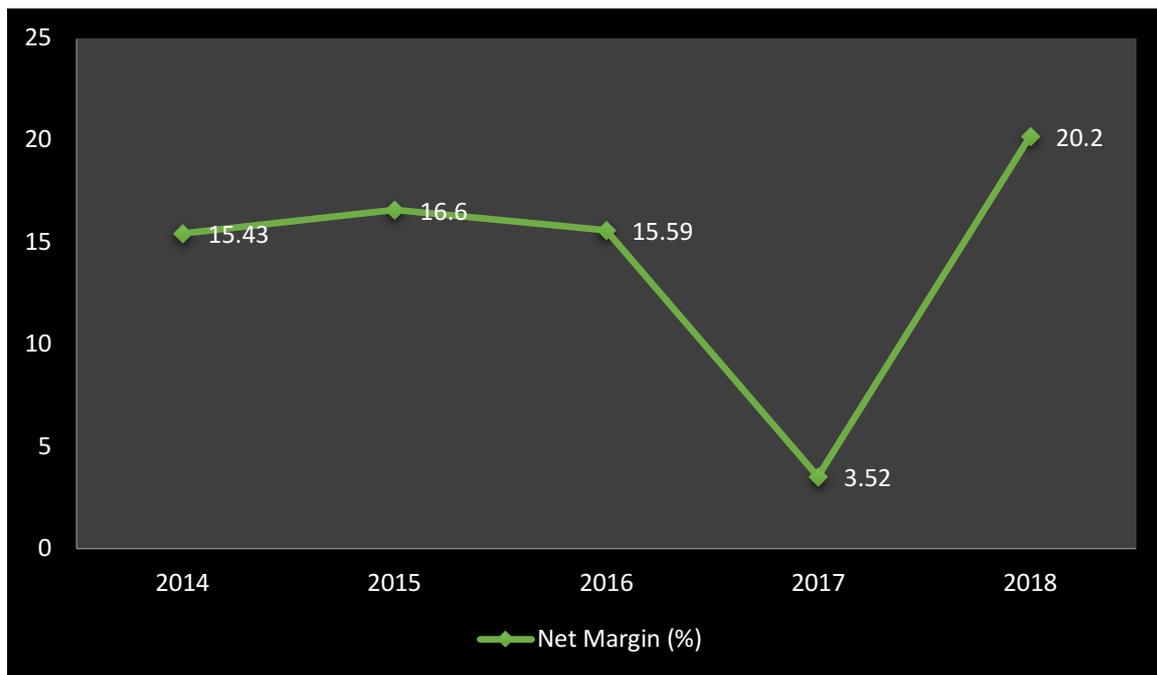
In this part of the research study, ratio analysis technique has been used to analyse the financial statements of Coca Cola from 2014 to 2018. The ratios which have been used are profitability ratios, liquidity ratios, efficiency ratios, gearing ratio and cash flow ratio.

### Profitability Ratios

The profitability ratios which will be analysed in the present research study are net profit margin, return on assets, return on equity and return on invested capital. These ratios will help in determining the capability of Coca Cola to earn profit from its operations.

#### Net profit margin

Ratios	2014	2015	2016	2017	2018
Net profit margin (%)	15.43	16.60	15.59	3.52	20.20

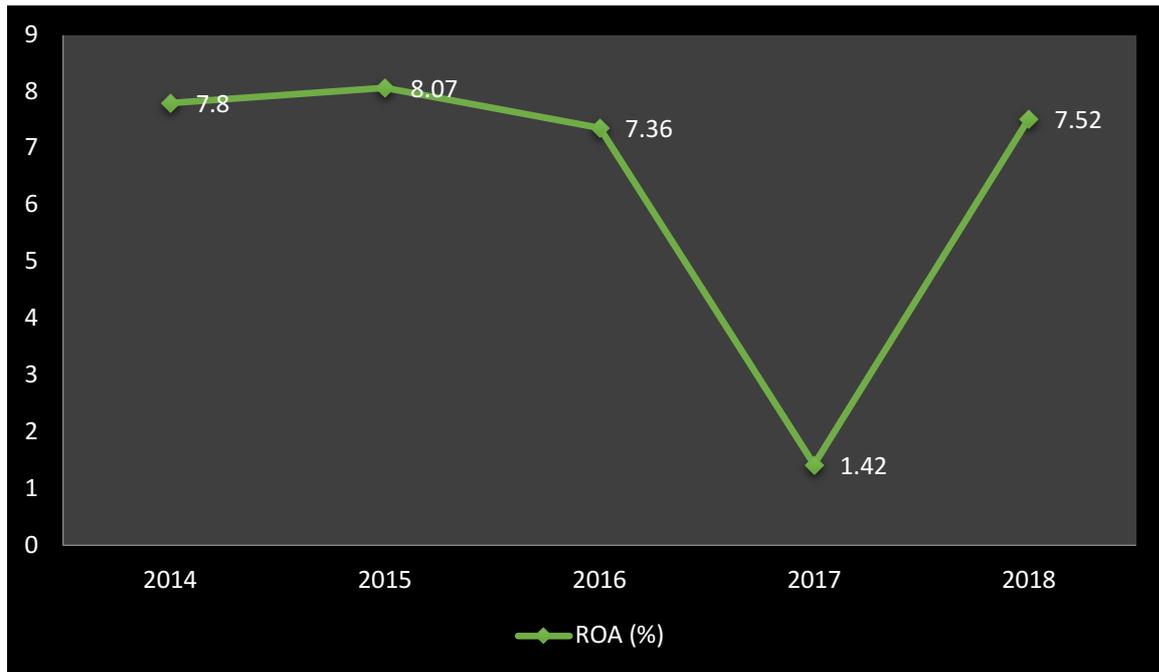


The net profit margin of a company indicates the proportion of sales that could be converted into profits by the company. It is obvious that the net profit margin of the company must increase for the company to be profitable (Easton and Sommers, 2018). In context of Coca Cola, the net profit margin ratio has shown almost consistent performance from 2014 to 2016 with slight fluctuations. However, in 2017, a major decline is observed in the net profit margin of Coca Cola. However, the organization has soon realized this fall as it reaches its highest value of net profit margin in 2018. The analysis shows that the highest net profit

margin achieved by the company was in 2018 over five year period that has been considered here for analysis.

***Return on Assets (ROA)***

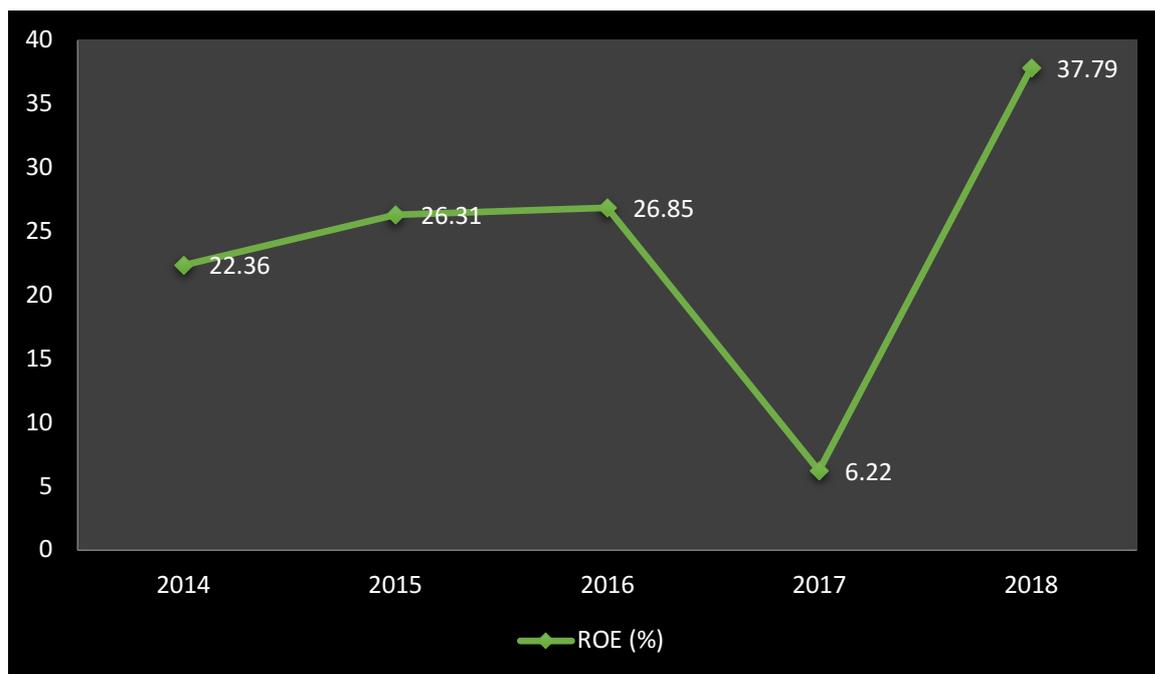
Ratios	2014	2015	2016	2017	2018
ROA (%)	7.8	8.07	7.36	1.42	7.52



The percentage of return on assets or ROA indicates how profitable the assets are in generating the revenue for the company. In other words, the return on assets indicate how much profits the company has earned in employing its assets for generating sales (Easton and Sommers, 2018). The movement pattern of ROA in case of Coca Cola looks similar to that of net profit margin, as observed from the chart above. There are no major increases or declines in the ROA of Coca Cola from 2014 to 2016. However, a critical fall is observed in 2017 when the ROA of Coca Cola had reached its lowest value. After that, The ROA has increased again. The highest percentage of return on assets has been achieved in the year 2015 and the lowest in 2017.

***Return on Equity (ROE)***

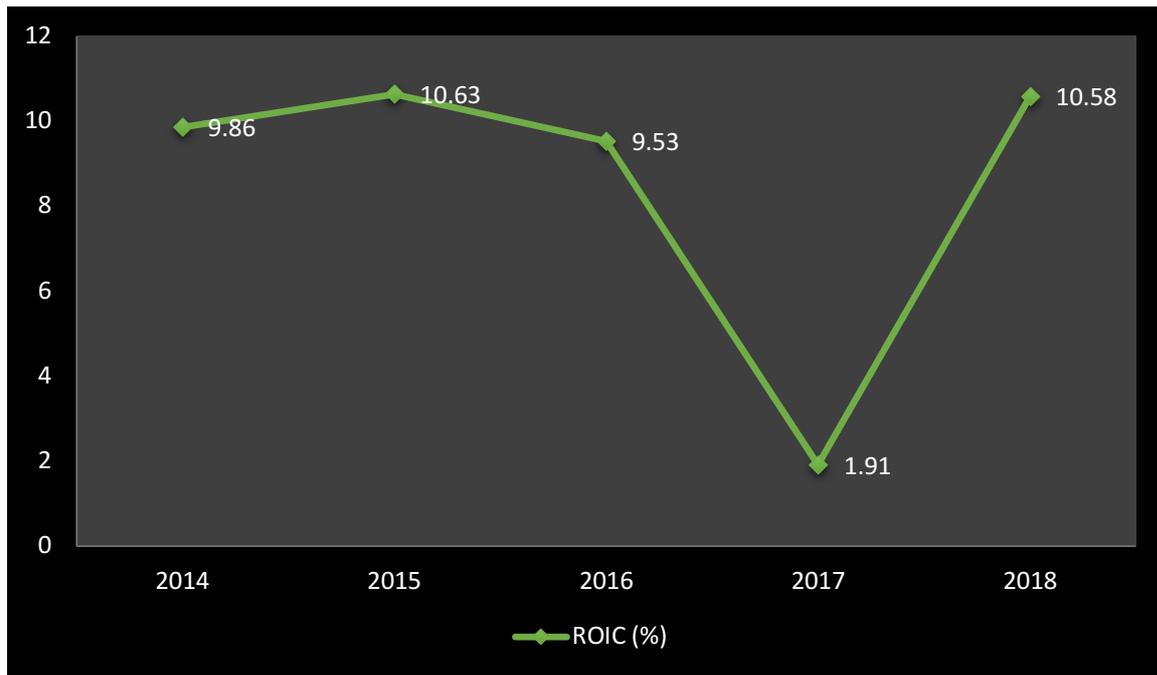
Ratios	2014	2015	2016	2017	2018
ROE (%)	22.36	26.31	26.85	6.22	37.79



The Return on equity of ROE of the company indicates the profitability of the company in relation to its equity in the capital structure that has been employed by the company. In other words, the return on equity measures how well the company utilises or employs its investments in order to generate growth in the earnings of the company (Hieu and Dung, 2018). The ROE of Coca Cola keeps increasing consistently from 2014 to 2016. However, following the similar trend like the last two ratios, a huge decline is observed in the ROE of Coca Cola in 2017. However, Coca Cola recovers from this drop easily and reaches its peak value in 2018. From this scenario, it can be easily stated that the ability of Coca Cola to generate income from its shareholders' funds has improved again in 2018. In case of ROE the company maintained a consistency which somehow decreased in 2017 just like the other financial metrics. However, in 2018, the ROE shot up being the highest over this five year period analysis.

#### ***Return on Invested Capital (ROIC)***

<b>Ratios</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
ROIC (%)	9.86	10.63	9.53	1.91	10.58



The ROIC ratio measures how much return an organization has earned with respect to the total capital employed. Higher value of ROIC explains that an organization is having a sound financial position. In the present scenario, it is observed that the ROIC has increased from 2014 to 2015 but has reduced again in 2016. However, the most critical decline has been observed in 2017 when the ROIC of Coca Cola has reached its lowest. The ROIC has increased again in 2018.

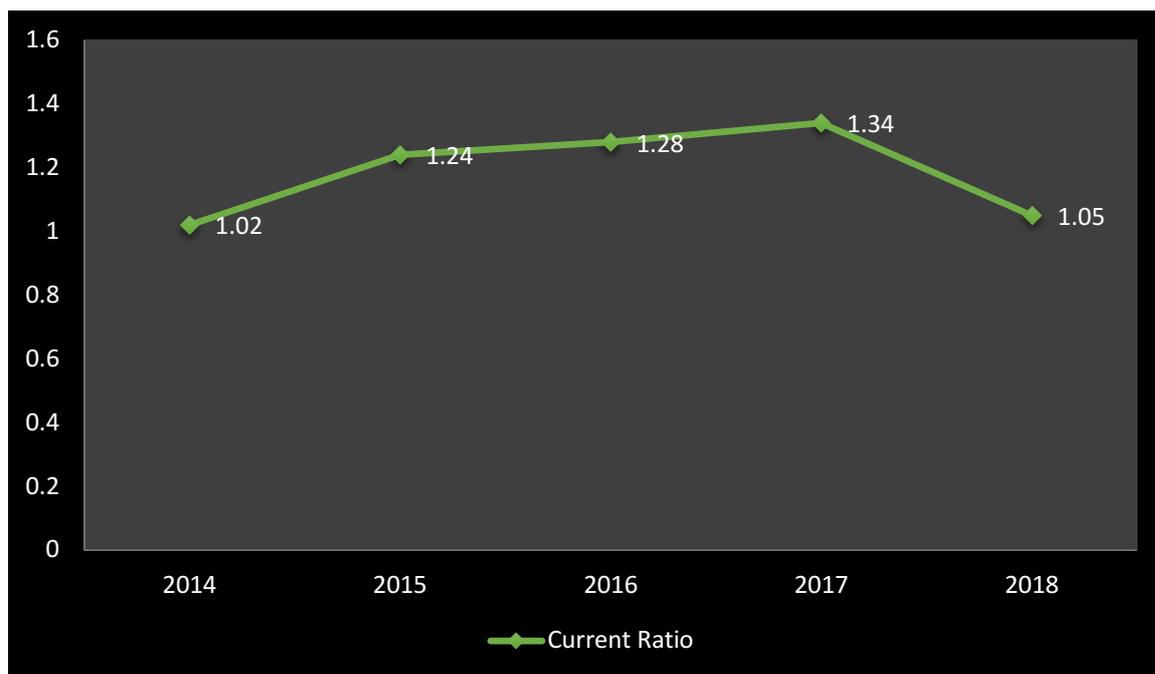
From the findings of the profitability ratios, it can be stated that one common pattern observed in each of the above cases is that in 2017, all the profitability ratios have reached their lowest values in the given time period.

### **Liquidity Ratios**

The liquidity ratios will measure the ability of Coca Cola to meet its short term and long term obligations. The liquidity ratios which have been estimated here are current ratio and quick ratio.

#### ***Current Ratio***

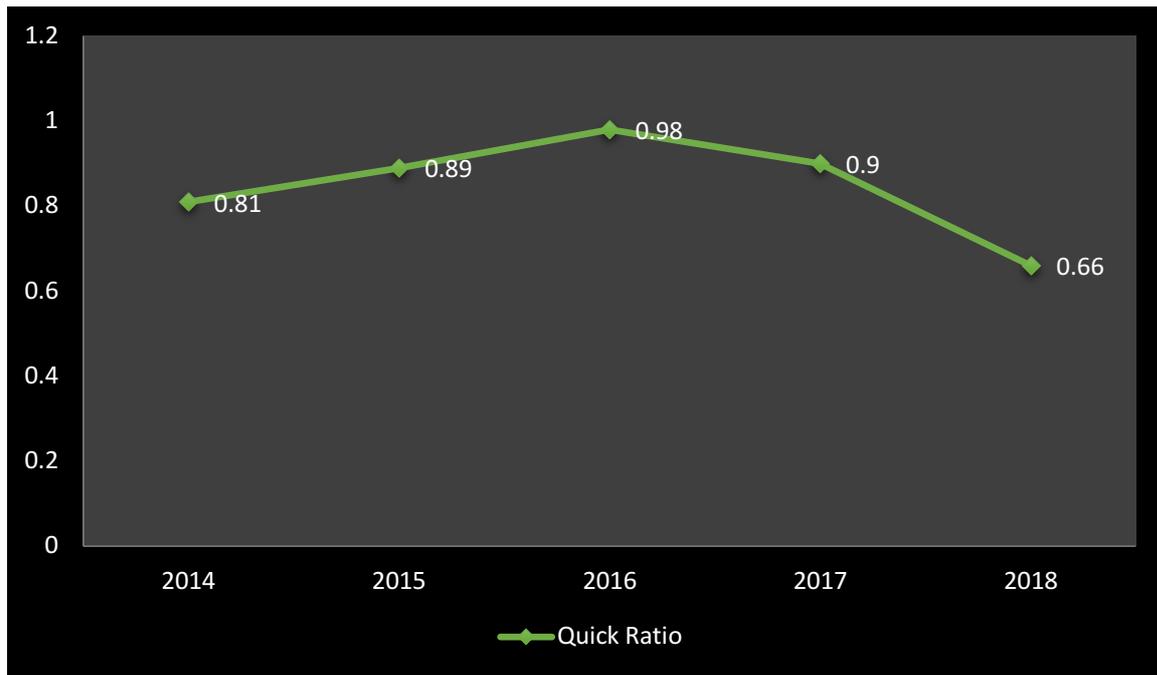
Ratio	2014	2015	2016	2017	2018
Current ratio	1.02	1.24	1.28	1.34	1.05



The current ratio is an indicator of how well an organization is managing its short and long term liabilities with the help of its various short term or current assets like cash, inventory, receivables etc. The current ratio is an indicator of liquidity which indicates the position of the company assets and liabilities in the short term. It evaluates whether or not the company has adequate current assets to pay off its current liabilities (Hieu and Dung, 2018). In the present scenario, the current ratio of Coca Cola has increased continuously till 2017 when it reaches its peak value. However, a decline has been observed in 2018. The current ratio has been maintained by the company in a consistent manner. The ratio suggests the availability of adequate current assets in the company for paying off the current liabilities. However, the company has to ensure that the current ratio does not go below 1 and even does not increase much. Excessive current ratio indicates the under utilisation of current assets in generating sales revenue (Easton and Sommers, 2018).

### ***Quick Ratio***

Ratio	2014	2015	2016	2017	2018
Quick ratio	0.81	0.89	0.98	0.90	0.66



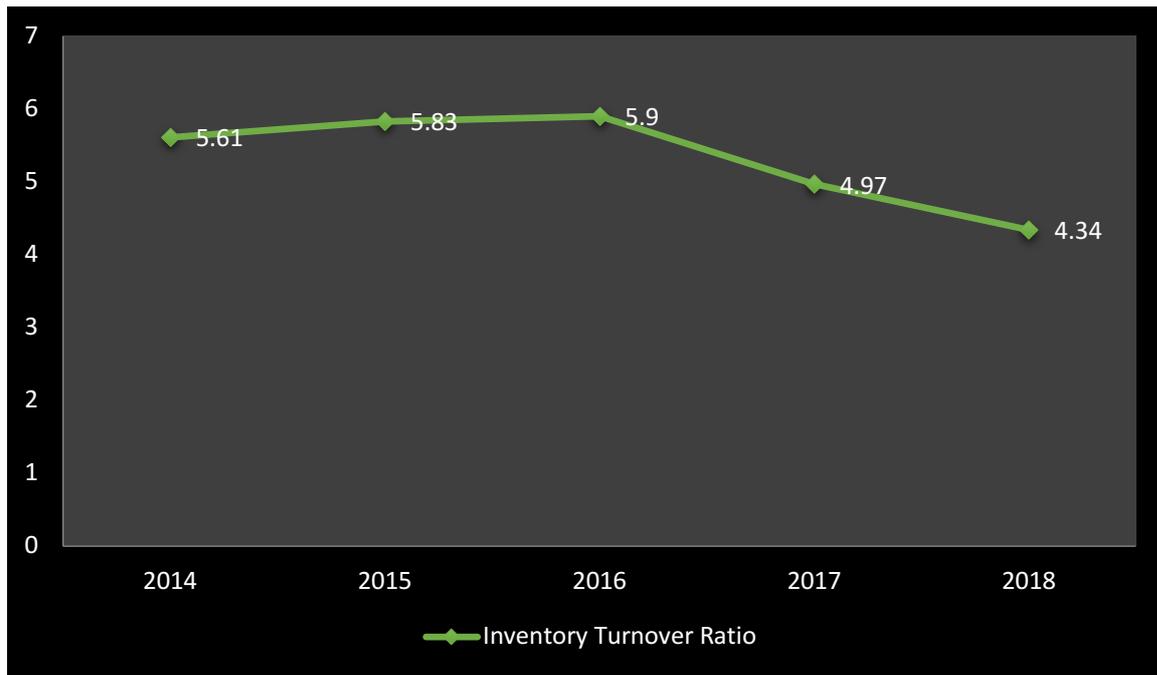
The quick ratio is another liquidity ratio whose interpretation is different from that of current ratio. In this type of ratio, inventory is not taken into considered within the current assets. Hence, higher quick ratio helps in explaining the ability of an organization to repay its short term liabilities. The quick ratios of Coca Cola increases consistently till 2016 but after that it starts declining. In 2018, the value of quick ratio reaches its minimum.

### **Efficiency Ratios**

The efficiency ratios are an indicator of how well an organization manages its assets and liabilities in an efficient manner. The efficiency ratios which will be measured here are inventory turnover ratio and asset turnover ratios in the context of Coca Cola.

#### ***Inventory turnover ratio***

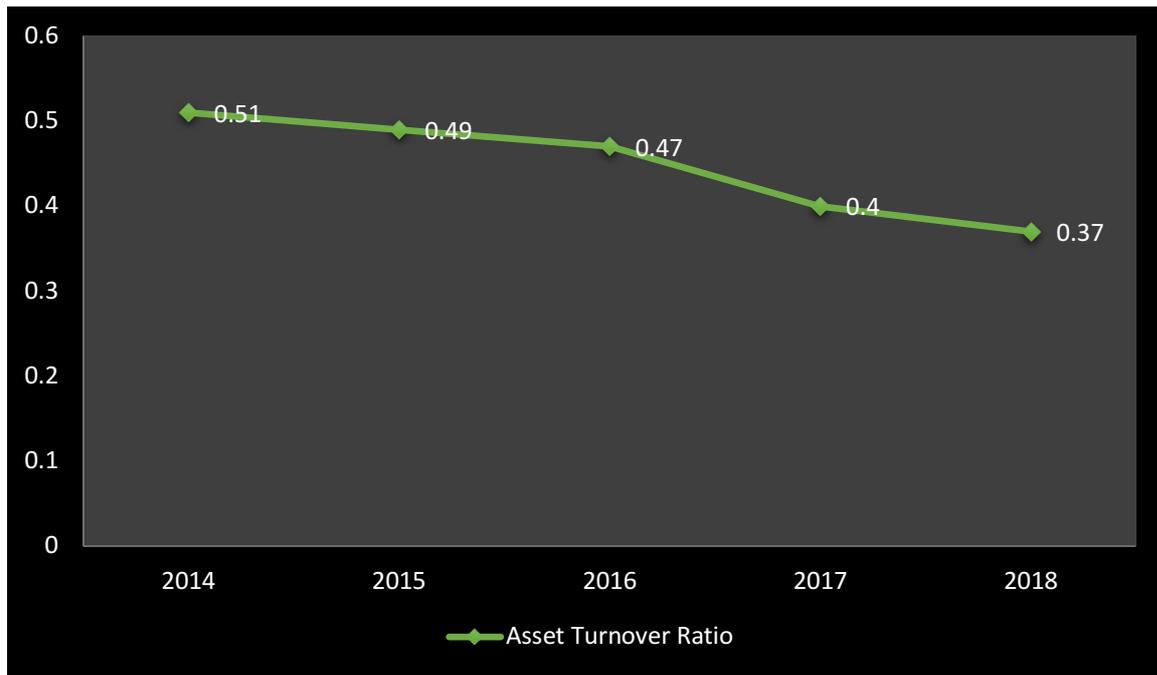
<b>Ratio</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Inventory turnover ratio	5.61	5.83	5.90	4.97	4.34



The inventory turnover ratio indicates how well an organization manages its inventory to increase its income from sales revenue. Hence, in the ideal case this ratio should increase continually to strengthen the efficiency position of an organization. In case of Coca Cola, the inventory turnover ratio has increased from 2014 to 2016 on a constant basis. However, the inventory turnover has declined consistently from 2016 to 2018. This means the capability of Coca Cola to generate income with respect to its assets is at a volatile phase currently.

***Asset turnover ratio***

Ratio	2014	2015	2016	2017	2018
Asset turnover ratio	0.51	0.49	0.47	0.40	0.37



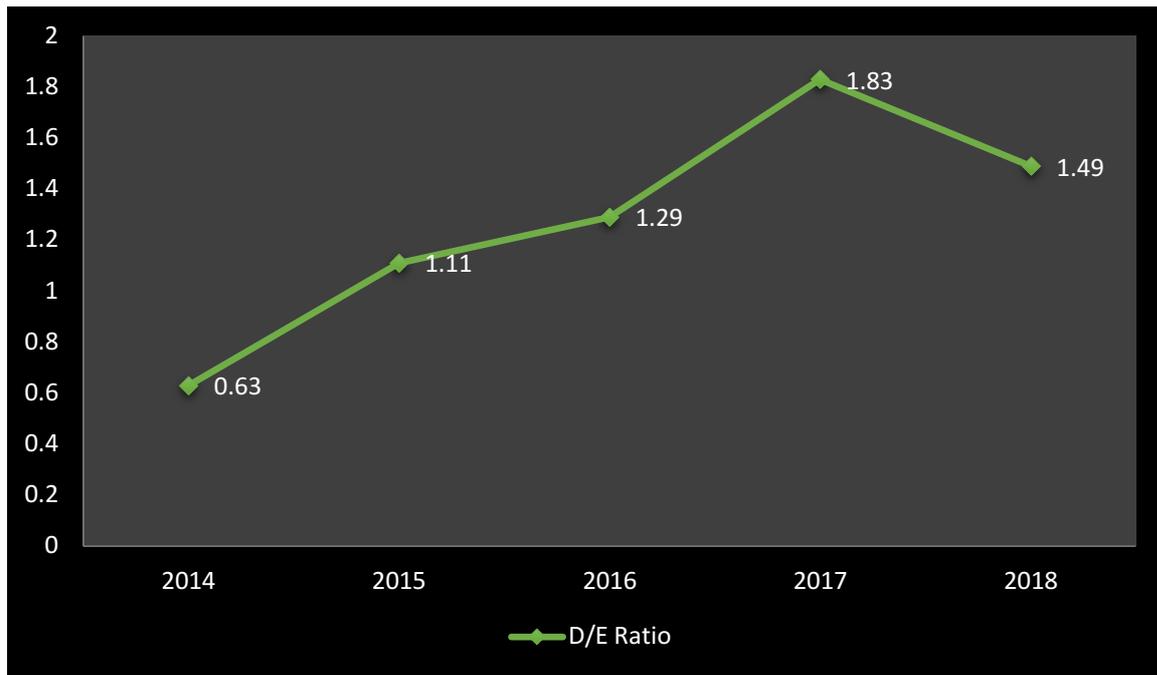
The above chart shows the scenario of asset turnover ratio at Coca Cola Company. Ideally this ratio should increase regularly to make sure that an organization's capability to generate income is increasing through its assets. However, in the present scenario, the situation is completely opposite. Here it is observed that the asset turnover ratio of Coca Cola has declined consistently from 2014 to 2018 and the lowest value is observed in 2018.

### **Gearing Ratio**

The gearing ratio which has been taken into consideration for the present research study is debt to equity ratio. This ratio is an important indicator of the financial structure of an organization.

#### ***Debt to equity Ratio***

Ratio	2014	2015	2016	2017	2018
Debt to Equity	0.63	1.11	1.29	1.83	1.49



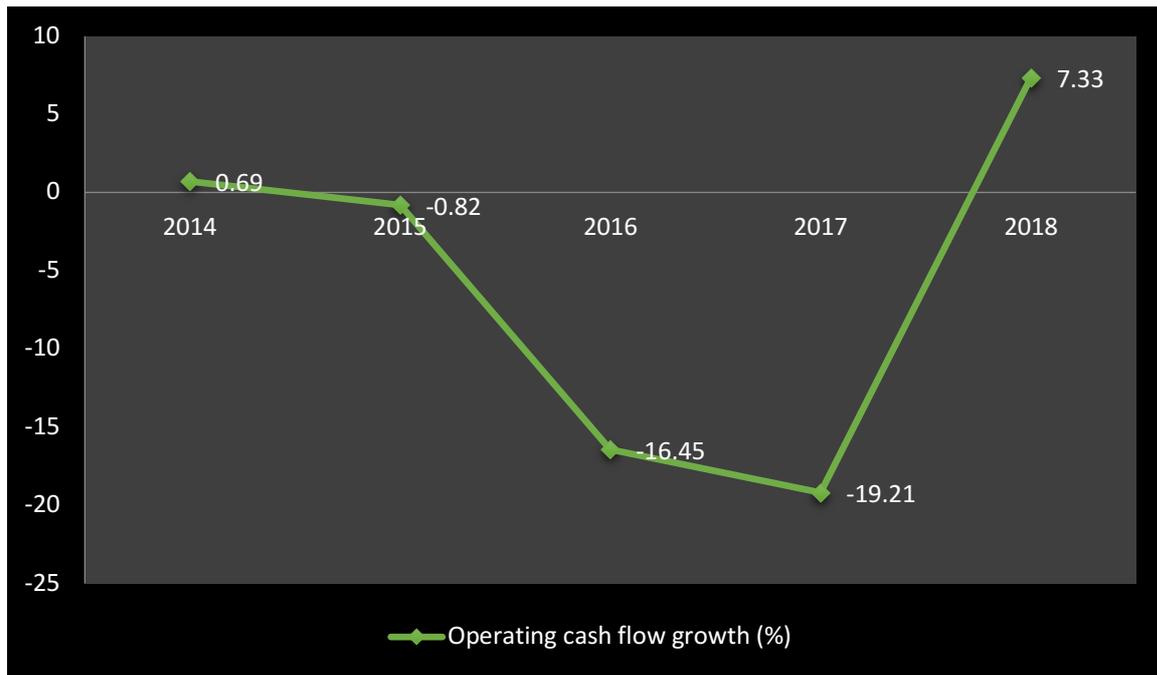
As discussed above, D/E ratio is an indicator of the level of risk associated to the capital structure of an organization. For the financial health of an organization, it is always good to maintain D/E ratio at the lowest level. Higher D/E ratio indicates that the percentage of debts is higher in the capital structure of an organization compared to equity. Hence, the capital structure becomes highly risky. In case of Coca Cola, the D/E ratio has increased continuously till 2017 when the D/E ratio has reached its highest value. This is clearly an indication of highly risky capital structure of Coca Cola. However, currently the D/E ratio is at a decreasing phase, indicating a more stable capital structure with.

### Cash Flow Ratio

The cash flow ratios estimate growth in the cash flows of an organization for a specific period of time. Such ratios are helpful for analysing how the cash flows of an organization have improved for a certain period of time. In the present scenario, the cash flow ratio which has been considered is operating cash flow growth.

#### *Operating cash flow growth*

Ratios	2014	2015	2016	2017	2018
Operating cash flow growth (%)	0.69	-0.82	-16.45	-19.21	7.33



The above chart has shown how the operating cash flow of Coca Cola has performed in the given period of time. It is observed that the operating cash flows have declined starting from 2015 to 2017. An increase has again been observed in 2018. Though cash flows are not similar to the overall profit of an organization, it is always favourable for the organization to make sure that its cash flow increases regularly. Hence, the analysis of cash flow statements of Coca Cola from 2014 to 2018 does not show a favourable result.

#### 4.2 Analysis of Sustainability Reports

In this part of the report, the sustainability reports of Coca Cola will be analysed from 2014 to 2018.

##### Sustainability Report 2014

The 2014 sustainability report of Coca Cola is segregated into three broad parts namely Me, We and World. In the first part of this report, Coca Cola has explained that the organization had introduced 4000 new options in beverage section in that particular year. The organization has also claimed that the percentage of calorie had been reduced from these new beverages. In this part, Coca Cola has also explained that it had taken part in nearly 330 health and welfare programs across 112 different markets. In the second part of the report, Coca Cola has discussed that all the plants of Coca Cola across the world were quality certified with ISO 9001 quality management system. Coca Cola has also focussed highly on factors like women empowerment, human rights and creation of sustainable communities. Unlike the previous

years when the women working at Coca Cola would not get sufficient opportunities to excel themselves, in 2014, Coca Cola had made sure that the women working in this organization are able to apply their potential towards their job responsibilities for the purpose of higher improvement. In 2014, Coca Cola had also put efforts in ensuring that the employees working in this organization are able to work in a more favourable working environment. Factors like employee discrimination, workplace security etc. have decreased compared to the previous year in 2014. In the final part of its sustainability report, Coca Cola has put more attention towards factors like water stewardship, climate protection etc. The organization has tried to maintain water balance of the world and had worked to make sure that risk related to shortage of water reduces. Coca Cola had also taken substantial steps towards making its packaging process sustainable. Recycling and renewal of packaging materials have been initiated in this year to reduce pollution. These activities of Coca Cola have also been important to reduce the threats of climate change. Finally, in 2014 sustainability report, Coca Cola had also mentioned that it had worked towards helping the farmers for ensuring a safe and sustainable agricultural environment.

### **Sustainability Report 2015**

The structure of the sustainability report of Coca Cola is different from that of 2014. The sustainability report of 2015 is segregated into seven major parts. The first part is called wellbeing and it defines how dedicatedly Coca Cola has worked towards the wellbeing of the society in 2015. Coca Cola had claimed in this part of the sustainability report that the percentage of calories had reduced by 4.5% in per litre of the drink. This was indeed a major achievement of Coca Cola. Coca Cola had also claimed in the 2015 sustainability report that nearly 1000000 individuals of the world have been engaged in healthy lifestyle program due to efforts of this company. In the second part of the report i.e. energy and climate change part, Coca Cola had claimed that the organization had achieved a 40% reduction in its overall carbon footprint percentage. This is another major achievement of Coca Cola considering the fact that pollution will reduce largely due to this initiative of Coca Cola. In the third part of its sustainability report, Coca Cola had discussed about recycling and sustainable packaging initiative. The organization had reduced the usage of packaging by 22% in 2015. The water stewardship initiative of Coca Cola is also commendable as in 2015, the organization had reduced its overall water usage by 17%. This means that Coca Cola had taken a significant part in maintaining the balance of water level in the world. Additionally, Coca Cola had continued its active initiatives in developing the agriculture as well as in helping the local

communities by providing proper education. In 2015, Coca Cola had also put efforts in ensuring that workplace diversity on the basis of culture or gender reduces in the organization.

### **Sustainability Report 2016**

The sustainability report of Coca Cola in 2016 focuses on some critical issues and factors. Firstly, Coca Cola had claimed in this report that in 2016, it has made many of the agricultural sources sustainable. In fact, the organization had reported that it had used 100% sustainable sources for acquiring things like lemon, coffee, tea etc. The emission of CO<sub>2</sub> had also been reduced by 14% according to the sustainability report of Coca Cola for the year 2016. The organization had also taken some powerful steps in making donations as the report shows that Coca Cola had donated over \$106 million in the markets of 200 countries to improve their situations and to offer them wellbeing. Coca Cola had been taking important steps towards recycling and packaging for a long time. However, in 2016, the organization had performed exceptionally well in this domain as it had recycled 60% of the bottles and cans previously used by them. This means that the percentage of wastage had reduced to a large extent by Coca Cola. When it comes to workplace diversity and human rights, the steps taken by Coca Cola are also praiseworthy. Coca Cola had made efforts towards women empowerment in this year. Reports have shown that 1.7 million women were given opportunities to improve themselves. The role of Coca Cola in water stewardship was also worth mentioning in 2016. 221 billion litres of water was refilled by Coca Cola in 2016.

### **Sustainability Report 2017**

The structure of the sustainability report for Coca Cola in 2017 is completely different from that of the previous years. A lot of issues have been targeted in this year for Coca Cola which were not part of the sustainability reports of previous years. Firstly, focus has been given on reducing wastage from the operations of the organization. As per the 2017 sustainability report, Coca Cola had helped in recovering 59% bottles and cans to make sure that overall percentage of wastage reduces by this brand. Apart from the reduction in plastic bottles, Coca Cola has also put efforts in reducing factors like Aluminium, steel, glass etc. From the sustainability reports of Coca Cola for the previous years, it is clear that the organization has always been active in its water stewardship activities. In 2017, the organization had reported that more than 100% water sources were replenished by Coca Cola which is equivalent to 248 billion litres. Coca Cola had claimed that this replenishment had taken place due to its

participation in 281 water projects of the world. Women empowerment has also been a focus point for Coca Cola for a long time now. As of the reports of 2017, Coca Cola had successfully enabled around 2.4 million women in important designations within the organization to make sure that they get opportunities to excel themselves. Coca Cola also has a goal to increase this quantity to 5 million by 2020. The women have been promoted to major roles across 11 new countries of operations of Coca Cola in 2017. The climate change initiatives of Coca Cola in 2017 are also commendable. As per the reports, Coca Cola had successfully reduced its CO2 emission percentage by 19% in 2017. This action of Coca Cola will undoubtedly create a positive impact on the environment. The major concern of Coca Cola is related to ensuring that the crops like coffee and tea are not affected in any ways due to the increasing pollution and climate change. When it comes to donations, Coca Cola had also ensured that it had made some substantial donations across the globe. The total amount donated by Coca Cola in 2017 was \$138 million. The purpose of such a donation was ensuring that initiatives like water stewardship, women empowerment etc. are more strengthened. Finally, in the sustainability report of 2017 for Coca Cola, it had been mentioned that the organization has been highly focussed in ensuring that its employees are having a favourable time in working at the company. In 2017, Coca Cola had hired 180 experts across the world whose only responsibility would be to track how the employees of Coca Cola are being affected by its various global actions. This will ensure larger focus on employee motivation within the organization.

### **Sustainability Report 2018**

The sustainability report of Coca Cola for 2018 is the latest report of the organization. The structure of this report is completely different from the previous years and it has been segregated into three parts namely individuals, community and environment. In the individuals' part of this report, Coca Cola has focussed strictly on its consumers and their wellbeing. Coca Cola had tried to make sure that its consumers are benefitted regularly and calories and other elements are reduced from this beverage to make sure the consumers of Coca Cola are able achieve a healthy life style. Quality management has also received a lot of importance in case of Coca Cola for the year 2018. The second part of this report is related to the development of the community or the society at large. Coca Cola had realized that the overall development is only possible if the society is able to achieve improvement regularly. Accordingly Coca Cola has taken some useful steps for the development of the society and its stakeholders. Reducing workplace diversity and engaging women in important roles is also a

major part of the sustainability report of Coca Cola. The organization is trying hard to make sure that by 2020, it is able to reach its target of employing 5 million women in high designations. In the final part of the report, Coca Cola had discussed about achieving environmental sustainability. The focus of Coca Cola is still remaining towards scenarios like water stewardship, climate change, recycling etc. Coca Cola had been taking active steps towards these initiatives and is confident to fulfil its sustainability goals by 2020.

## **Chapter 5: Conclusion and Recommendation**

The research study focuses on various aspects related to the considered company that is Coca Cola. The study has extensively detailed the marketing strategies of the company as well as the corporate social responsibility activities that the company is involved in. Relating the CSR activities of Coca Cola, the profitability of the considered company has been shown in the data analysis chapter where the financial position of Coca Cola has been evaluated with the help of ratio analysis. In accordance with the ratios, the financial position of the company has been interpreted and presented with the help of graphs. Further, the sustainability reports of the company have been analysed. From the overall analysis that has been done, it has been seen that the year 2017 had been unsuccessful for the company as the profitability decreased as well as the sustainability report of 2017, show that there were many issues that were identified in 2017 which the company had to resolve. In 2018, there were a lot of improvements that the company had made which again boosted the company performance. However, there are few recommendations which the company can work upon for better results. The company has to focus more on the quality of products they are offering the consumers with. There must be a transparency between the company and the consumers which will enable the consumers to trust the consumers even more (Melton *et al.*, 2018). The report has largely explained CSR and the impacts of the activities related to CSR on the company performance, company goodwill, profitability as well as financial performance. Now, since it has been very well understood that CSR activities are beneficial to the company as well as the communities and society at large. Thus, it can be said that CSR activities of Coca Cola needs further developments and improvement so that it creates a positive impact on the consumers and that the company can contribute more to the development of society and environment (Melton *et al.*, 2018). Thus, few recommendations have been discussed below on how Coca Cola can improve its CSR activities.

**A.** All activities that the company has been undertaking till date has created a major impact on profitability. In order to maintain that Coca Cola has to be careful of its operations and the quality of the product they offer. It is necessary that the company minimises the discharge of affluent in rivers or harmful gases and that they adhere to the environmental laws. Prevention of any such legal issues will help the company build up a much better reputation (Crowther and Seifi, 2018). The company has to ensure that the environment is protected and also has to ensure environmental sustainability. Other than this, Coca Cola has to ensure that the products offered by them, or the recipe of Coca Cola drink does not cause any harm to the consumers. There must be a transparency in the communication between the consumers and the company as it has been mentioned above (Petrenko *et al.*, 2016).

**B.** Further, the company can arrange for health campaigns and support the government policies of health and safety and as well support the campaigns of the government on the growing rate of obesity. This will help the company to create a stronger positive impact on the consumers (Petrenko *et al.*, 2016).

**C.** As it has been mentioned in the section where the sustainability reports of the company have been analysed that Coca Cola is trying to empower women, create values, support human rights and others. It is necessary for the organisation to contribute to the eradication of poverty and promotion of education to greater extents (Crowther and Seifi, 2018). It can also arrange for vocational training, special education in few countries which will help the countries develop. It is also important to develop the institutions for differently abled children and adults and these are some of the huge contributions that the company can do as these aspects are often overlooked by other large organisations while planning their CSR activities (Crowther and Seifi, 2018).

Hence, summarising the points of recommendations, it can be said that firstly the product quality and environmental sustainability has to be looked upon and if need be the recipe of coca cola has to be changed to make it harmless to consumers. Further, there must be transparency in communication and maintaining this the company has to detail its activities in the annual reports (Grayson and Hodges, 2017). The company can involve promotion of education and development of institutions for the differently abled people, elimination of poverty as well as can support certain health campaigns to promote the importance of staying healthy among the consumers (Grayson and Hodges, 2017).



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## Appendices

### Appendix 1: Mediating Metrics

Category	Metrics Included	Advantages	Disadvantages
Input/output approach	<ul style="list-style-type: none"> <li>● Energy consumption</li> <li>● Waste reduction</li> </ul>	<ol style="list-style-type: none"> <li>1. Simplest measure the cost saving from initiatives like pollution control</li> <li>2. Simply involves calculating savings</li> <li>3. It is straightforward process because there is a ready market for pricing such outcome (e.g. the price of energy etc.)</li> <li>4. Data is available</li> </ol>	1. The metric should be based on the assumption that the financial benefits of CSP do not change, namely, the price for manage waste and energy do not change
Employee	<ul style="list-style-type: none"> <li>● Employee retention</li> <li>● Satisfaction</li> </ul>	1,2,3 as above 4. The most common mediation process	No
Innovation	<ul style="list-style-type: none"> <li>● Cultural shifts</li> <li>● Improved interdepartmental processes</li> </ul>	1,2,3 as above	No
Reputation	<ul style="list-style-type: none"> <li>● Customer loyalty</li> <li>● Purchase intention</li> <li>● Regulators</li> </ul>	1,2,3 as above (Note: the reputation here concerns the reputation and brand of the company in the eyes of customer and regulators, and it differs from that mentioned in End State metrics.)	No

## Appendix 2: Intermediate Outcome Metrics

Category	Metrics Included	Advantages	Disadvantages
Cost-based approaches	<ul style="list-style-type: none"> <li>● Reduced energy expense</li> <li>● Operational efficiencies</li> <li>● Changes in risk profile</li> </ul>	<ul style="list-style-type: none"> <li>● Several companies translate energy conservation and waste reduction to direct cost saving</li> </ul>	<ul style="list-style-type: none"> <li>● Firms may only focus on the cost saving while overlooking the costs increase of CSP</li> </ul>
Revenue-based approaches	<ul style="list-style-type: none"> <li>● Customer loyalty</li> <li>● New markets</li> <li>● Competitive advantage</li> </ul>	<ul style="list-style-type: none"> <li>● Companies can get revenue-generating benefits (e.g. develop competitive advantage)</li> </ul>	<ul style="list-style-type: none"> <li>● No</li> </ul>
Integrative approaches	<ul style="list-style-type: none"> <li>● Cash flow</li> <li>● Net profit</li> </ul>	<ul style="list-style-type: none"> <li>● More holistic perspective</li> <li>● Integrate cost approach and revenue approach into one</li> <li>● Long-term view</li> </ul>	<ul style="list-style-type: none"> <li>● No clear interpretation to link cash flow and net profit to company's corporate social performance</li> </ul>

### Appendix 3: End State Outcome Metrics

Category	Metrics included	Advantages	Disadvantages
Market-based approaches (Most common in use)	<ul style="list-style-type: none"> <li>● Share price</li> <li>● Mutual fund returns</li> </ul>	<ul style="list-style-type: none"> <li>● Easy for the firm to monitor over time</li> <li>● It is standard for the firm to compare with competitors</li> <li>● Share price is readily available</li> <li>● Capture the entire CSP value</li> <li>● Compared with accounting-based approach, less susceptible to differential accounting procedures and evaluates from investor's point of view rather than focus on previous performance (McGuire et al., 1988)</li> </ul>	<ul style="list-style-type: none"> <li>● A single stakeholder group may drive share price</li> <li>● Sole concentration on investors' evaluation is not sufficient</li> </ul>
Accounting-based Approaches (Widely in use)	<ul style="list-style-type: none"> <li>● Return on assets (ROA)</li> <li>● Return on equity (ROE)</li> <li>● Return on sales (ROS)</li> </ul>	<ul style="list-style-type: none"> <li>● Essentially measure how efficient a firm uses assets to generate value</li> <li>● ROE is less immediate than the effects on ROA and ROS (Blomgren, 2011)</li> <li>● Compared with market-based approach, Accounting-based measures, particularly ROA, proved to be better predictor of CSR (McGuire et al., 1988)</li> <li>● It can be calculated if the relevant data is available in company's annual report</li> </ul>	<ul style="list-style-type: none"> <li>● May misrepresent the financial impacts for CSP in the short term</li> <li>● Tap only on the firm's past performance (McGuire et al., 1988)</li> </ul>
Perceptual Approaches	<ul style="list-style-type: none"> <li>● <i>Fortune</i> magazine rankings</li> <li>● <i>Business Week</i> ranking</li> <li>● Internal management surveys</li> </ul>	<ul style="list-style-type: none"> <li>● Provide both internal and external perspectives</li> <li>● Corporate Reputation Index is valid measurement to measure the overall CSP (Stanwick, P. &amp; Stanwick, S., 1998)</li> </ul>	<ul style="list-style-type: none"> <li>● It is proved not very useful</li> <li>● Heavily influenced by other factors (e.g. share price)</li> <li>● Too subjective (McGuire et al., 1988)</li> </ul>