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Addis Ababa University
School of Commerce
Business Leadership (MA)

**The Effect of CSR Practices on Organizational
Performance: The Case of Five Star Hotels in Addis Ababa**

By: Fekade Abebe Getachew

ID. No GSD/8438/14

June 2024
Addis Ababa, Ethiopia

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**This Thesis is submitted to Addis Ababa University, School of Commerce for
Partial Fulfillment of Degree of Masters in Business Leadership**

**June 2024
Addis Abeba, Ethiopia**

DECLARATION

I, **Fekade Abebe Getachew**, the under signed, declare that this thesis entitled: “**The Effect of CSR Practices on Organizational Performance: The Case of Five Star Hotels in Addis Ababa**” is my original work. I have undertaken the research work independently with the guidance and support of the research supervisor. This study has not been submitted for any degree or diploma program in this or any other institutions and that all sources of materials used for the thesis has been duly acknowledged.

<u>Fekade Abebe Getachew</u>	_____	_____
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Approved by:

This Thesis has been submitted for examination with my approval

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CERTIFICATE OF APPROVAL

This is to certify that the thesis prepared by Fekade Abebe Getachew, entitled “**The Effect of CSR Practices on Organizational Performance: The Case of Five Star Hotels in Addis Ababa**” and submitted in partial fulfilment of the requirements for the Degree of Masters of Business Leadership complies with the regulations of the University and meets the accepted standards with respect to originality and quality.

Submitted by:

Name of Student	Signature	Date

Signature of Board of Examiner`s:

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LIST ACRONYMS

ANOVA	Analysis of Variance
CSR	Corporate Social Responsibility
DW	Durbin Watson
EVA	Economic Value Added
HR	Human Resource
HRM	Human Resource Management
HRD	Human Resource Development
ICT	Information Communication Technology
IT	Information Technology
MVA	Market Value Added
NGO	Non-Government Organization
OLS	Ordinary Least Square
PVAR	Panel Vector Autoregressive Model
ROA	Return on Asse
ROE	Return on Equity
SPSS	Statistical Package for the Social Sciences
VIF	Variance Inflation Factor

ABSTRACT

This study aimed to investigate the effect of Corporate Social Responsibility (CSR) on organizational performance of Five Star Hotels in Addis Ababa. The study explores five CSR dimensions, namely: employees-oriented CSR practices, community-oriented CSR practices, environment-oriented CSR practices and ethical CSR practices. The study covered sample of 135 employees which were selected based on stratified random sampling from four purposively selected five Star Hotels in Addis Ababa, namely: Sheraton Addis, Hyatt Regency, Radisson Blu and Marriot Executive Apartments. The findings revealed a generally positive orientation towards CSR among sampled hotels, with a strong focus on customer-oriented practices and moderate emphasis on employees, community, and ethical conduct. However, there were opportunities for improvement, particularly in environmental CSR practices. Significant challenges included limited financial resources, resistance from management, and regulatory hurdles, emphasizing the need for comprehensive strategies to address these barriers. Importantly, the study demonstrated that customer-oriented, employees-oriented, community-oriented, and ethical CSR practices positively influence organizational performance. Whereas environment-oriented CSR practices is not significantly affecting the organizational performance of Five Star Hotels in Addis Ababa. These results underscore the importance of integrating CSR into hotel operations to improve stakeholder relations and achieve long-term sustainability goals. Moving forward, hotels should prioritize investments in staff training, communication of the business case for CSR, and the development of clear policies to enhance CSR implementation and maximize its positive impact on organizational performance and societal outcomes.

Key Words: Organizational Performance, Corporate Social Responsibility (CSR), Five Star Hotel.

CHAPTER ONE

INTRODUCTION

1.1. Background of the study

Corporate social responsibility (CSR) has emerged as a crucial strategic focus for modern workplaces (Waheed & Yang, 2018). Companies are facing mounting pressure to acknowledge their impact on society and the environment, prompting a shift towards responsible business practices. This entails active participation in societal development, often encapsulated within the framework of CSR. It signifies a departure from the conventional notion that companies exist solely to maximize shareholder value (Hailu & Nigatu, 2015). Increasingly, business leaders are recognizing CSR as an integral component of their overall business strategy, alongside traditional functions like marketing, branding, and innovation (Sintayehu, 2019). CSR is gaining prominence in corporate agendas, with a growing number of companies in diverse industries embracing CSR principles and implementing CSR programs (Antony, Seongseop & YooHee, 2022). Consequently, organizations are elevating CSR strategy to the same level of importance as other critical corporate functions, integrating it seamlessly with branding, marketing, and operations (Uvaneswaran & Hussien, 2017).

Corporate Social Responsibility (CSR) is a self-regulating business model that helps a company be socially accountable to itself, its stakeholders, and the public. It encompasses a wide range of practices that contribute to the welfare of society and the environment, often going beyond what is required by regulators or environmental protection groups (Carroll, 1999).

Over the past few decades, CSR has emerged as a significant concern in business, research, and communities across various sectors (Grosbois, 2012). Hatem (2019) identified five common obligations that drive companies in the hospitality industry to engage in CSR activities: (1) Moral/ethical obligation, reflecting the companies' duty to demonstrate social conscientiousness and ethical behavior; (2) Responsibility to the community, entailing the obligation to be good corporate citizens and contribute to community well-being; (3) Customer obligation, emphasizing the importance of responsible conduct towards customers to maintain business relationships; (4) Responsibility towards employees, advocating for equal opportunities and advancement for all employees as a mark of social responsibility; and (5)

Sustainability/environmental obligation, highlighting the need for companies to operate sustainably and support environmental conservation. Matten and Moon (2008) affirmed that organizations are increasingly adopting CSR initiatives to remain competitive, meet stakeholder expectations, and enhance organizational performance.

CSR is crucial as it promotes sustainable business practices, enhances a company's reputation, fosters customer loyalty, and can lead to operational cost savings. In the hotel industry, CSR can improve relationships with local communities, increase employee satisfaction, and differentiate the brand in a competitive market (Porter & Kramer, 2006).

The performance of an organization is the focus of intensive research efforts. According to Gryphons (2006), organizational performance is defined as the capacity of an organization to get and apply its precious and limited resources as quickly as feasible in order to meet its operational objectives. Furthermore, according to Sameer (2021), organizational performance refers to the company's capacity to accomplish its main goal and, as a result, outperform rivals. Commercial organizations have embraced corporate social responsibility as a major tactic for enhancing organizational performance (Muchiri, et al., 2019). As a result, it appears that more research is being done to determine how strategic management techniques affect organizational success. Thus, analysis devoted to study the role of strategic management practices on organizational performance seems greater relevance.

Various studies were conducted in order to distinguish the relationship between corporate social responsibility practices and the performance of organizations. The scope of these investigations includes various kinds of industries such as manufacturing (Rongoei & Muturi, 2018; Waheed & Yang, 2018; Muchiri, et al., 2019; Parast, 2021), service sector (Obeidat, 2016; Uvaneswaran, & Hussien, 2017; Tariku, 2020), NGO (Mary, 2018), and public organization (Kinyanjui, et al., 2018). These studies demonstrated the roles of CSR practices in a number of performance indicators, including overall organizational performance (Rongoei & Muturi, 2018; Mary, 2018; Muchiri, et al., 2019); firms' sales performance (Waheed & Yang, 2018); organization financial performance (Uvaneswaran & Hussien, 2017; Sameer, 2021); market share (Ephrem, 2018); building brand equity (Tariku, 2020); competitive advantage (Saeed & Arshad, 2012); organizational commitment of employees (Henry, et al., 2017); organizational quality

performance (Parast, 2021) and employee performance (Hatem, 2019). In these studies, several categories of corporate social responsibility dimensions were considered as an essential performance predictor such as moral/ethical obligation (Kinyanjui, Jet al., 2018), responsibility to community (Rongoei & Muturi, 2018), customer obligation (Parast, 2021), responsibility towards employees (Mary, 2018), and sustainability/environmental obligation (Ephrem 2018).

Every kind of business is becoming more interested in utilizing CSR as a strategy, even though it has historically been more common in those organizations that are more exposed to the environment and are more likely to cause pollution (Parast, 2021). Any organization, regardless of size or purpose, can benefit from strategic management; public sector organizations are quickly embracing this philosophy to become more efficient in satisfying public demands (Ephrem, 2018). One sector that has demonstrated a stronger interest in implementing corporate social responsibility is the hotel industry (Hatem 2019). Given that consumer awareness of corporate responsibility (CSR) is currently growing, it is critical that the hotel sector start highlighting their social responsibility initiatives as part of its overall corporate strategies (Antony et al., 2022).

Currently, star hotels in Addis Ababa have engaged in many CSR activities to sustain in the business, improve performance, and gain a competitive advantage over rivals. Enhancements to a hotel's image via social responsibility initiatives can also result in better organizational performance (Grosbois, 2012). The fundamental question in these considerations is the extent to which corporate social responsibility initiatives are helpful in enhancing organizational performance, as hotels should utilize CSR as a performance indicator. Thus, this paper discusses on corporate social responsibility practices and its influences on organizational performance of five-star hotels in Addis Ababa.

1.2. Statement of the problem

In recent decades, there has been a significant increase in public awareness regarding the societal role of corporations (Hatem, 2019). This heightened awareness has led to questions regarding whether profit is the sole concern of corporations, or if other social and environmental considerations also play a role (Sameer, 2021). These questions have become commonplace in business discussions and the business press, giving rise to a substantial body of academic

literature exploring these issues. Today, businesses recognize that maintaining profitability in a rapidly evolving landscape requires them to embrace social responsibility. Consequently, there is a growing demand and expectation from various stakeholders for businesses to prioritize social responsibility alongside their profit objectives (Parast, 2021). As a result, studies focused on examining the impact of corporate social responsibility on organizational performance have become increasingly relevant.

The hotel industry in Addis Ababa faces several challenges in implementing CSR practices. These include financial constraints, lack of awareness and training among staff, and limited government support. This research aims to identify these challenges and propose strategies to overcome them, enhancing the overall effectiveness of CSR initiatives in the Ethiopian context (Visser, 2008)

The identified gaps in the literature reveal two primary limitations in the current understanding of the relationship between corporate social responsibility (CSR) and organizational performance. Firstly, existing research predominantly focuses on western developed countries, neglecting to explore this relationship in other regions and contexts (Parast, 2021). Secondly, there is a lack of consensus among scholars regarding the nature of the relationship between CSR and organizational performance. While some studies demonstrate a positive impact of CSR on organizational performance (Obeidat, 2016; Kinyanjui, et al., 2018; Mary, 2018; Muchiri, et al., 2019; Sameer, 2021), others suggest a weak association between CSR and organizational performance (Nelling & Webb, 2006; Akanbi & Ofoegbu, 2012; Chen, et al., 2015; Rongoei & Muturi, 2018;). This inconsistency in findings suggests that the relationship between CSR and organizational performance may be context-dependent. Without robust evidence across diverse contexts and over time, it is challenging to conclusively determine the nature and strength of the influence of CSR on organizational performance (Antony, et al., 2022).

Furthermore, previous studies considering CSR have not fully explored how organizational social performance impacts organizational performance particularly in the context of hospitality industry (Aguilera et al., 2017; Antony, et al, 2022). CSR is considered a new topic in hospitality literature and relatively little research have been undertaken into this area in Ethiopia (Tariku, 2020). The existing studies concerning corporate social responsibility practice in hotel industry

in Ethiopia mainly focused on examining the practices and challenges of corporate social responsibility (Hailu & Nigatu, 2015; Sintayehu 2019) and its effect on building brand equity (Tariku, 2020). In line with this, Hailu & Nigatu (2015), conducted study to assess the practices and challenges of corporate social responsibility in the hospitality industry in the case of First Level Hotels and Lodges in Gondar City. Likewise, Tariku (2020), conducted a study to examine the effect of corporate social responsibility practice on building brand equity in the case of Hilton Addis Ababa.

It is also observed from the preliminary assessment that little studies were conducted regarding the effect of CSR on organizational performance within the context of hospitality industry in Ethiopian context. Most of the previous studies concerning the effect of CSR on organizational performance in Ethiopia focus on the banking industry (Meride, 2021), manufacturing company (Abebe, 2020) and beverage industry (Ephrem, 2018; Woinshet 2021). Furthermore, while the idea of internal CSR has received little attention in the literature to date, the majority of research on the CSR area in Ethiopia are motivated by problems that are specific to external CSR (such as environmental preservation and businesses' involvement in the communities in which they operate). Internal corporate social responsibility (CSR) is the way that businesses address their obligations to their workforce (Waheed & Yang, 2018). One may anticipate that CSR towards employees will have a major effect on performance when compared to other stakeholders. The relationship between CSR activities and employee performance is explained by certain theories and empirical research that provide important insights into corporate performance (Lee et al., 2013). But the significance of internal CSR initiatives was disregarded in Ethiopia's previous research.

Thus, analysis devoted to study the effect of CSR on organizational performance within the context of hotel industry in Ethiopia that will consider multiple dimensions of CSR including employees and customer-oriented CSR practices, which are missed by the previous studies as having greater significance. This is because by evaluating the influence of these variables, organizations can design CSR strategies to entice employees and customers towards their products or services for better organizational performance. Hence based on the problems, the present research aimed to examine how the organizational performance of Five Star Hotels in

Addis Ababa affected by CSR activities using sustainability/environmental, community, customer, employees and moral/ethical CSR activities as variables.

1.3. Research Questions

This study attempts to answer the following research questions:

- 1) To what extent are CSR initiatives implemented by five-star hotels in Addis Ababa?
- 2) What are the perceived impacts of CSR activities on organizational performance?
- 3) What are the challenges and barriers faced by hotels in implementing CSR practices?

1.4. Objectives of study

1.4.1 General objective

The general objective of this study is to investigate the effect of CSR on organizational performance of Five Star Hotels in Addis Ababa.

1.4.2 Specific objectives

The specific objectives of this study are: -

- 1) To examine the extent of CSR initiatives implemented by five-star hotels in Addis Ababa.
- 2) To assess the perceived impact of CSR activities on organizational performance.
- 3) To identify the challenges and barriers faced by hotels in implementing CSR practices.

1.5. Significance of study

The study's main findings and suggestions are more significant to hotel operators, managers, and other stakeholders. First, the owners/investors are aware of the extent to which senior management considers the needs of customers, authorities, staff, and other significant parties impacted by the business's operations. Additionally, this study gives hotel managers and owners the ability to pinpoint the essential CSR procedures that boost output and performance within the company. The study will pinpoint any shortcomings in hotel CSR processes and suggest steps that hotels can take to strengthen their employee CSR programs, which will also benefit hotel staff. The study also benefits the general public by providing information on the different ways that hotels might engage in environmental and social initiatives that enhance the community's

quality of life. Additionally, the results of this study are used as a resource by other local researchers.

1.6. Scope of the study

The scope of this study was delimited in terms of theme (conceptual scope), geographical scope, and methodological scope. Conceptually, this study delimited to investigate the effect of corporate social responsibility practices on organizational performance in selected Five Star Hotels in Addis Ababa. In this study, corporate social responsibility was perceived as a multidimensional construct composed of five elements, namely: moral/ethical obligation, responsibility to community, customer obligation, responsibility towards employees, and sustainability/environmental obligation.

Geographically, this study delimited to selected Five Star Hotels located in Addis Ababa. Methodologically, the study used explanatory or causal research design and depends only on quantitative approach. This paper only considered four samples (representing around 40% of the study population) from those franchised hotel chain internationally. Sheraton Addis, Hyatt Regency, Radisson Blu and Marriot Executive Apartments are among the hotels in Addis Ababa. These hotels are chosen because they already have loyal customers around the world and customers expectation is higher than local brand

1.7. Organization of the study

The research is divided into five chapters. The second chapter, which follows this introduction, offers a survey of related literature that is methodically arranged from many books and related materials. The research techniques and process used to gather and examine the study's data are covered in the third chapter. The data analysis and output interpretation are covered in Chapter 4. The overview of the results, conclusions, ideas for additional research, and recommendations are covered in last Chapter.

CHAPTER TWO

REVIEW OF THE RELATED LITERATURE

2.1 Review of Theoretical Literature

2.1.1. The Concept of Corporate Social Responsibility

Dahlsrud (2008) noted lots of definitions of corporate social responsibility (CSR) that have emerged in academic literature. Grover et al. (2019) define CSR as elevating enterprise behaviors to align with prevailing societal norms, values, and expectations. Rahim (2013) identified several interchangeable definitions of CSR, including 'corporate citizenship', 'the ethical corporation', 'corporate governance', 'corporate sustainability', 'socially responsible investment', and 'corporate accountability'. These varying definitions may stem from changes in the extent of organizational engagement in CSR activities and its growing recognition among businesses aiming to enhance overall welfare.

Despite varying perspectives, CSR commonly encompasses elements related to social welfare, environmental protection, economic considerations, and responses to stakeholder needs, such as shareholders, customers, employees, and suppliers (Carroll & Shabana, 2010).

CSR exists along a continuum, ranging from philanthropic activities unrelated to core business operations to practices integrated into organizational strategies in response to societal demands (Bronn & Vrioni, 2001; Carroll & Shabana, 2010). Dahlsrud (2008) defines CSR as voluntary activities leading to social benefits.

CSR is essentially the continuation of an organization's commitment to moral behaviour, economic growth, and improving the standard of living for workers, families, communities, and society as a whole (Meride, 2021). In order to attain social and environmental advantages in addition to financial gains, it entails taking into account and responding to challenges that go beyond strict legal and economic criteria (Nelling & Webb, 2006).

The overarching idea behind CSR is for organizations to achieve a balance between profits and societal contributions by maximizing positive impacts and minimizing negative effects (Mary, 2018). It entails firms' responsibilities to protect and improve the sustainable welfare of stakeholders, both present and future (Lin et al., 2009). Ultimately, CSR involves implementing

ethical business practices that benefit society while ensuring sustainable business operations (Ismail, 2009)

2.1.2. Dimensions of Corporates Social Responsibility

2.1.2.1. CSR towards the Community

Community responsibility refers to the principle that business organizations, beyond their primary objectives, should engage in activities aimed at enhancing the welfare of society (Henderson, 2007; Singh & Misra, 2020). These activities encompass a wide range of areas such as addressing general community issues, rural development, education, environmental conservation, healthcare, poverty alleviation, and support for arts and culture, among others.

The significance of community responsibility is found in its capacity to draw in stakeholders, enhance the organization's standing, and favorably affect stakeholders' opinions and choices (Harjoto & Jo, 2011; Singh & Misra, 2020). CSR initiatives toward the community involve contributing to community development through job creation, economic empowerment, and enhancing overall quality of life (Obeidat, 2016). CSR is recognized as a means of communication with the community, enabling companies to gain legitimacy and support from local stakeholders (Nelling & Webb, 2006).

One prevalent approach to implementing CSR activities is through the Community Development approach, which involves collaboration between communities and various organizations, including governments, NGOs, and corporations, to obtain resources for community empowerment and positive change (Kinyanjui, et al., 2018). This approach emphasizes strategic partnerships between the private sector and government to maximize the impact of community development and CSR initiatives (Kinyanjui, et al., 2018).

2.1.2.2. CSR towards Employees

Corporate social responsibility (CSR) extends beyond societal and environmental obligations to encompass the welfare of a company's internal stakeholders, particularly its employees. CSR toward internal stakeholders is fundamental for fostering decent work practices within organizations (Şahin and Bayramoglu, 2015). Ensuring employee happiness and satisfaction is

paramount for any organization, and treating employees merely as machines is ethically unacceptable (Garcia-Castro et al., 2009).

CSR toward employees involves management efforts to ensure that individuals within the organization find fulfillment in their work and experience personal growth over time. This includes equitable delegation of job responsibilities based on individuals' expertise, knowledge, and qualifications to prevent overburdening. Providing healthy work environments, including comfortable workstations and privacy, is also crucial to prevent employee frustration and turnover (Grosbois, 2012).

Employees are viewed as valuable investments for companies, especially skilled workers who are not easily replaceable. In a competitive global market, businesses must attract and retain talented individuals to achieve productivity and profitability goals (Mary, 2018). Companies practicing CSR have observed increased employee retention rates, emphasizing the importance of CSR activities in fostering a positive work environment (Obeidat, 2016).

It is the responsibility of companies to maintain employees' motivation and interest in their work by practicing social responsibility. Leading by example, management's commitment to CSR can inspire employees to recognize the importance of social responsibility within the organization and broader society (Chen et al., 2015).

2.1.2.3. CSR towards Customers

Customers represent a significant source of value for companies (Muchiri et al., 2019). Neglecting to fulfill responsibilities toward customers can lead to loss of revenue and potential business failure, as dissatisfied customers may choose to cease supporting the company's products or services. Therefore, corporate social responsibility (CSR) toward customers encompasses transparent advertising, the provision of safe and high-quality products, and fair pricing (Nelling & Webb, 2006).

The responsibilities that companies owe to consumers are extensive and encompass ensuring a consistent supply of goods and services, delivering products of satisfactory quality, and offering fair prices (Obeidat, 2016). Additionally, companies are obligated to enhance consumers' quality of life by providing high-quality products and treating them equitably in all business interactions.

Customer satisfaction has become more than just an objective; it is now regarded as a crucial responsibility for a company's success (Mary, 2018).

Customer satisfaction hinges on how effectively companies address customer complaints and inquiries, maintain fair advertising practices, and provide accurate information about products, services, and the company itself (Rongoei & Muturi, 2018). Companies must prioritize prompt and respectful resolution of customer issues and ensure transparency in their advertising and trading practices to uphold their responsibilities to consumers.

2.1.2.4. Ethical responsibility

Businesses are expected to conduct their operations in a fair and impartial manner, even in situations where laws do not explicitly dictate their actions (Carroll, 1991). Ethical businesses, according to Carroll (2016), are those that uphold and respond to a broad spectrum of norms, standards, values, principles, and expectations deemed consistent with the protection of stakeholders' moral rights, including consumers, employees, owners, and the community.

Carroll (2016) argues that ethical responsibility extends beyond mere compliance with laws and regulations, encompassing societal expectations regarding ethical business conduct. This entails embracing activities, standards, and practices that may not be formally codified but are nonetheless anticipated by society. Five key components of ethical responsibility, as identified by Carroll (2016), include performing in a manner consistent with societal expectations, recognizing and respecting evolving ethical standards, preventing the infringement of ethical standards to achieve objectives, behaving as proper business citizens by meeting ethical and moral expectations, and understanding that business integrity and ethical behavior transcend legal compliance.

Safeguarding the welfare of workers by guaranteeing fair labor practices is part of ethical obligation. This means that suppliers must make sure that goods that have been certified to fulfil fair trade standards are used. Eliminating discrimination based on a worker's gender, race, or religion, paying equally for equal work, and providing a fair wage that allows for a respectable quality of life are all necessary to ensure fair labor practices for employees (Grosbois, 2012).

2.1.2.5. Environmental responsibility

Companies are increasingly recognizing the importance of fulfilling their economic responsibility, driven by the growing consumer awareness of environmental issues. Today's consumers expect businesses to take proactive measures to mitigate environmental damage and preserve the planet's biodiversity. Companies that demonstrate a commitment to reducing air, land, and water pollution not only enhance their reputation as responsible corporate entities but also contribute positively to society (Chen, et al., 2015).

The business and industrial sectors wield significant influence over the environment, with activities ranging from emitting hazardous pollutants to depleting natural resources on a massive scale. In response to this, many companies view environmental sustainability not merely as a legal requirement but also as a strategic business opportunity and moral imperative (Saeed & Arshad, 2012). Increasingly, companies are integrating sustainable practices into their operations, considering environmental impact at every stage of their business activities.

This commitment to sustainability may involve initiatives such as reducing carbon emissions and greenhouse gases, adopting sustainable sourcing practices to minimize reliance on single-use plastics, and prioritizing environmental considerations in all facets of operations (Rongoei & Muturi, 2018).

2.1.3. Theoretical Framework

For this study legitimacy theory, institutional theory, and stakeholder theory will be employed to explain the impact of corporate social responsibility on organizational performance.

2.1.3.1. Legitimacy Theory

Legitimacy theory suggests that businesses operate within a social contract, wherein they agree to fulfill certain socially desirable actions in exchange for societal approval and other benefits, which in turn sustains their continued existence (Nelling & Webb, 2006). Legitimacy, in this context, refers to the general perception or assumption that an organization's actions align with societal norms, values, and beliefs (Van der Laan, 2009). According to this theory, organizations exist within a broader societal context, and their legitimacy is contingent upon being perceived as acceptable by various stakeholder groups.

To maintain or enhance their legitimacy, organizations may employ legitimization strategies aimed at establishing, extending, maintaining, or defending their perceived legitimacy (Laan, 2009). These strategies are often deployed in response to legitimacy threats or gaps perceived by the organization (Tilling, 2004; Vourvachis, 2008). The essence of legitimacy theory is that organizations strive to operate within the boundaries of societal expectations, which aligns with the principles of corporate social responsibility (CSR).

2.1.3.2. Stakeholders Theory

Edward Freeman presented the stakeholder theory in "Strategic Management: A Stakeholder Approach," which explores organizational management and business ethics. It highlights the significance of taking morality and values into account when managing an organization. It recognizes and models the different groups—also known as stakeholders—that are connected to a company and suggests ways for management to give priority to their needs (Graeff, 2009).

Stakeholder theory contends that there are numerous parties involved in or impacted by the company's operations, in contrast to the conventional shareholder view, which places a higher priority on the interests of business owners or shareholders. These comprise workers, clients, vendors, investors, communities, political parties, governmental entities, trade associations, and even rival businesses (Johnson, 2009). According to the principle, businesses should aim to satisfy all stakeholders in addition to increasing profits for shareholders (Wicks, 2013).

Stakeholder theory advocates for organizations to balance the interests of various stakeholders to enhance performance and competitiveness (Harrison & Sweeney, 2009). It emphasizes fair treatment of all stakeholders, recognizing their contribution to organizational wealth creation and potential impact on or from organizational activities (Sweeney, 2009). Organizations are viewed as having implicit and explicit contracts to fulfill with stakeholders, including equity holders, clients, the state, society at large, suppliers, employees, environmental specialists, and NGOs (Freeman et al., 2010).

While stakeholder theory is significant in understanding corporate social responsibility (CSR), it faces criticism for its assumption that all stakeholders should be treated fairly, which can conflict with profit-driven business objectives. However, its value is in encouraging businesses to go above and beyond legal obligations, promoting long-term viability and prosperity (Tilakasiri,

2012). Stakeholder theory, according to Bondy (2012), emphasizes the necessity for businesses to balance the interests of many stakeholders, seeing stakeholders as entities impacted or influenced by the business's operations. As a result, it provides an ethical and managerial viewpoint meant to clarify principles and values in company management.

2.1.3.3. Institutional Theory

In a study by Jones (1995), institutional theory was applied to examine corporate social responsibility (CSR), concluding that companies engaged in repeated transactions based on trust and cooperation with stakeholders are incentivized to uphold honesty, trustworthiness, and ethical behavior due to the favorable outcomes associated with such conduct.

Furthermore, institutional theory suggests that CSR decisions are not solely driven by instrumental considerations but are influenced by broader social contexts. This perspective has been employed to analyze environmental social responsibility as well, as demonstrated by the work of Jennings and Zandbergen (1995), who explored the role of institutions in shaping consensus within firms regarding the establishment of ecologically sustainable practices.

In understanding the impact of CSR on organizational performance, legitimacy theory, institutional theory, and stakeholder theory all play significant roles, with the present study primarily drawing from stakeholder theory. Originating from a broader political economy perspective, stakeholder theory focuses on the interconnection between organizations and their operating environments. As highlighted, businesses, including hotels, have responsibilities beyond shareholder value to various stakeholders who either influence or are influenced by their decisions.

These responsibilities encompass providing affordable and fair pricing, quality service, and product safety for business clients, mitigating risks and ensuring high returns for investors, and offering equal opportunities for rewards and advancement to employees. Additionally, communities expect significant charitable contributions and social expenditures from companies to benefit them. Consequently, decisions made by companies must consider these conflicting and inconsistent demands. Friedman and Miles (2006) describe this approach as a win-win situation in the medium and long term.

2.1.4. The Concept of Organizational Performance

Organizational performance, as defined by Richard, Devinney, Yip, and Johnson (2009), comprises the actual results achieved by an organization compared to its intended objectives. It encompasses the efficiency and productivity of the business within its operating market, reflecting how effectively the firm utilizes its resources to generate revenue (Omondi & Muturi, 2013). Performance is essentially the outcomes attained in aligning with both internal and external goals (Liao et al., 2010).

According to Alam, Raza, and Akram (2011), there are several dimensions that make up organizational performance, including financial and market performance, customer-focused performance, human resource performance, and performance of the product or service. Metrics like revenue, profitability, market position, and earnings per share are examples of financial and market performance indicators, whereas customer-focused performance measures things like customer satisfaction. While product or service performance gauges the caliber and efficacy of services, human resource performance indicators also take employee satisfaction into account.

A more detailed explanation of organizational success is provided by Richard et al. (2009), who focus on three key areas: shareholder return, product market performance (such as sales and market share), and financial performance (such as profits and return on investment). A methodology for measuring a company's performance using subjective indicators is put out by Santos and Brito (2012). It covers aspects including growth, profitability, customer and employee happiness, social performance, and environmental performance.

Various methods are employed by firms to measure their performance, depending on their organizational objectives. These indicators can be both financial and non-financial, with financial measures being commonly preferred (Bergin-Seers & Jago, 2007). Financial performance is assessed using indicators such as revenue, profit margins, return on equity, liquidity ratio, and stock prices, among others (Simpson & Kohers, 2012). Ultimately, the assessment of performance aids in evaluating the organization's effectiveness in achieving its objectives and supporting its sustainability and growth.

Despite the significance of financial metrics in assessing firm performance, it's essential to complement them with nonfinancial indicators to adapt to internal and external changes

effectively. Nonfinancial indicators offer qualitative insights into an organization's performance, touching upon sensitive aspects beyond economic considerations. While financial indicators focus on economic performance, nonfinancial indicators gauge organizational performance concerning social and ecological issues (Achim, 2010). Therefore, analyzing nonfinancial indicators complements the assessment based on financial metrics.

The literature on nonfinancial indicators is vast and diverse, making it challenging to establish a comprehensive set applicable universally for organizational performance measurement. Experts recommend utilizing multiple nonfinancial indicators that are well-tested and provide clear signals, such as time, productivity, customer satisfaction, quality, and cost indicators (Bergin-Seers & Jago, 2007). Combining financial and nonfinancial indicators is also recommended for a holistic assessment.

Organizational performance encompasses various aspects, including the quality of outputs, activities, growth, employee and customer satisfaction, sales, profitability, and alignment with the organization's vision and mission. Different studies utilize diverse measures to assess organizational performance, reflecting the complexity of evaluating performance. Developing, using, and interpreting performance measures can be challenging due to differing perspectives among researchers (Feng, 2007).

In this study, organizational performance is evaluated to demonstrate the impact of strategic management practices on enhancing organizational efficiency and achieving high performance. The performance measures considered include productivity, effectiveness, service quality, and satisfaction levels among customers and employees. These measures have been used in prior research studies to assess organizational performance effectively (Yusuf & Saffu, 2005).

2.2. Empirical Review

In the literature, considerable attention has been devoted to examining the correlation between CSR and organizational performance (Mary, 2018). Orlitzky, Schmidt, and Rynes (2003) showed a strong positive correlation between organizational performance and CSR engagement through meta-analysis. According to their findings, businesses that actively participate in CSR program have a higher chance of benefiting from them than those who don't (Nelling & Webb, 2006).

Another investigation by Basuony et al. (2014) examined the influence of corporate social responsibility on firm performance utilizing data from a MENA (Middle East and North African) country. The study analyzed cross-sectional data from non-financial companies in Egypt, sourced from the Kompas Egypt database. Through regression analysis, the researchers aimed to clarify the relationship and impact of CSR on organizational performance. Their results demonstrated a positive and statistically significant effect of CSR on firm performance, with all CSR dimensions showing a notable relationship with organizational performance.

Similarly, Osisoma et al. (2015) conducted a study on corporate social responsibility and the performance of selected firms in Nigeria. The objective was to determine if there was a significant relationship between social responsibility expenditures and corporate performance within the chosen firms. Utilizing a stakeholder theory framework, the study employed an exploratory research design with time-series data. The findings revealed a strong positive correlation between investment in social responsibility and corporate performance.

Researchers Giannarakis et al. (2016) explored the impact of corporate social responsibility on the organizational performance of companies in the United States, focusing on participation in socially responsible initiatives rather than outcomes. They used the environmental, social, and governance disclosure score calculated by Bloomberg as a proxy for corporate engagement in socially responsible activities. Fixed effects regression was employed to estimate the relationship between the extent of Corporate Social Disclosure (CSD) and organizational performance, using data from companies listed on the Standard & Poor's 500 for the period 2009-2013. The results indicated that participation in socially responsible initiatives had a significantly positive effect on organizational performance.

Arun et al. (2020) conducted a study to determine the effects of various dimensions of CSR on the organizational performance of corporations in the US hotel industry. Utilizing data including Kinder, Lydenburg & Domini social performance scores and CompStat data of hotels from 1991 to 2018, identified using a Standard Industrial Classification code, the researchers employed ordinary least squares regression using Stata. The results showed that efforts towards CSR significantly affected the organizational performance of numerous hotels, suggesting the need for further discussions and future research on CSR in the hospitality industry.

Gashaw et al. (2021) investigated the impact of corporate social responsibility on the organizational performance of the Dangote Cement Factory in Ethiopia within the Ethiopian setting. Structured questionnaires were utilized in conjunction with both descriptive and explanatory research designs to gather data from the study's target population. To create a sample of 179, sampling approaches based on probability and non-probability were used. Using a 1% confidence interval, the study found statistically significant correlations between the three types of activities that positively impacted organizational performance: legal, ethical, and charitable. It was determined that maintaining a climate that is favorable to corporate success and the survival of commercial industries depends on community connections.

Dagmawi (2021) carried out research in Ethiopia to evaluate the connection between corporate social responsibility (CSR) practices and organizational performance in a few chosen private banks, namely Dashen and United banks. Out of the sixteen private banks that are active in the nation, the study chose these two banks using a convenience sample technique. 1532 head office employees of the chosen banks made up the target population, and 317 samples were chosen at random from the target population. The tool used to gather the data was a questionnaire, and the Cronbach alpha test was used to assess the instrument's reliability. The results showed that the banks' organizational performance is positively and significantly impacted by the ethical, philanthropic, legal, and economic responsibilities of CSR dimensions. The report suggested that banks step up their efforts towards CSR practices to improve their organizational performance.

The effect of corporate social responsibility on the organizational performance of five-star hotels in Malaysia was most recently examined by Selvarajah et al. (2022). Using a stratified random sampling procedure, 153 respondents were chosen as a sample for a quantitative research study. The four independent variables that include business risk, stakeholder concern, employee engagement, and firm reputation were predicted by the researchers to have statistically significant effects on organizational performance. The results of multiple regression analysis showed that organizational performance was statistically significantly influenced by business risk, stakeholder concern, and hotel reputation.

Reena et al. (2022) conducted a study to assess the causal relationship between CSR activities and corporate organizational performance using a sample of 43 hotels for the period 2007–2018.

The research employed a dynamic panel vector autoregressive model (PVAR), which provides more analytical insights into CSR-organizational performance modeling. The results indicated that CSR has a positive and significant impact on corporate financial performance, supporting the theoretical underpinnings regarding the CSR and organizational performance nexus. The findings suggested that growth opportunities mediate the relationship between CSR and performance, indicating that high-growth hotels have better opportunities to engage in CSR activities, which positively impact their performance. Overall, the study highlighted CSR as an important mechanism to improve the performance of an organization.

In contrast to the studies that found a positive relationship between CSR and organizational performance, there are also studies reporting insignificant or negative relationships. For example, Waddock and Graves (1997) identified a negative relationship between CSR and organizational performance. They argued that firms behaving responsibly may face a competitive disadvantage due to unnecessary costs, directly impacting profitability and reducing shareholder wealth. Similarly, other researchers such as Haynes, Murray, and Dillard (2013) and Uadiale and Fagbemi (2012) emphasized the difficulty in defining the relationship between CSR and performance, both in the short and long term.

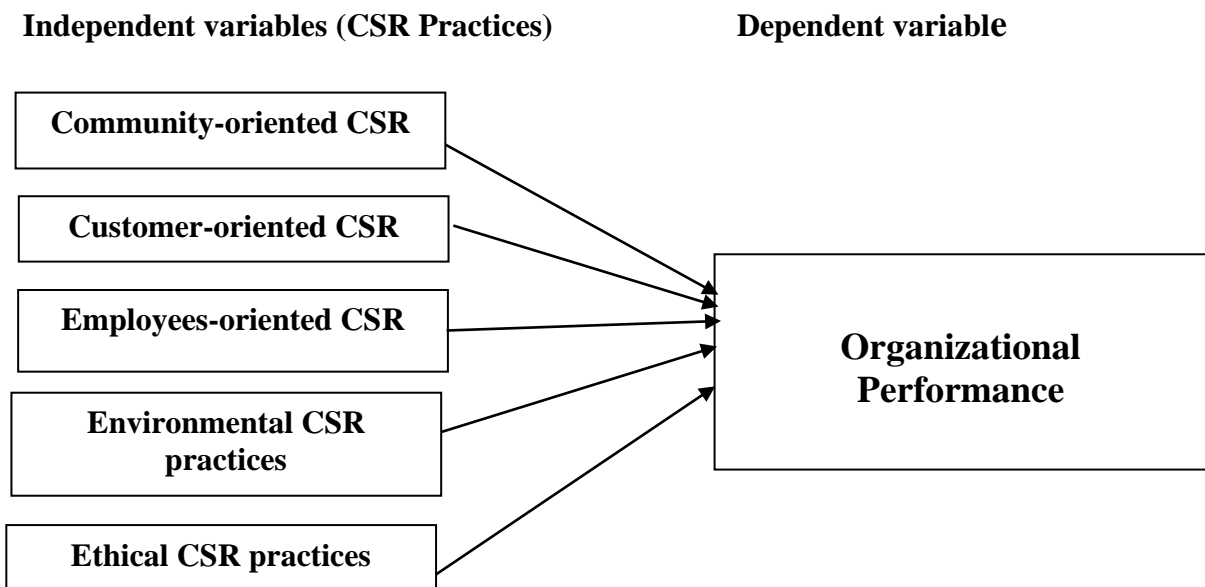
Another example is the study by Raihan et al. (2015) on the CSR expenditure of Islami Bank Bangladesh Ltd (IBBL), examining its influence on organizational performance from 2008 to 2012. They found that most CSR activities had a negative correlation with deposit per employee, suggesting a potential adverse effect on productivity.

Misura et al. (2018) explored the relationship between CSR and organizational performance in the global tobacco industry. Analyzing data from nine companies representing nearly the entire industry, they found that while some statistically significant correlations existed at the level of individual companies and indicators, it was challenging to determine scientifically based correlations at the industry level.

In the Ethiopian context, Robel (2022) investigated the impact of CSR on the performance of Wegagen Bank using a mixed approach. While considering economic, legal, ethical, and philanthropic responsibilities, the study found that CSR had no significant influence and exhibited an inverse relationship with return on asset (ROA) and a direct relationship with return on equity (ROE).

2.3. Conceptual Framework

According to Kombo and Tromp (2009), a conceptual framework is a collection of overarching concepts and ideas drawn from pertinent disciplines of study that are used to organize a presentation that follows. It is a tool for research that aids in the researcher's awareness and comprehension of the subject of the study. Figure 2.1 presents the conceptual framework of the study.



Source: (Obeidat, 2016; Waheed & Yang, 2018; Mary, 2018; Meride, 2021)

Figure 2.1 Conceptual Framework

In this framework, CSR practice is an independent variable and organizational performance is dependent variable. In this study, CSR is perceived as a multidimensional construct composed of five components, namely: moral/ethical obligation, responsibility to community, customer obligation, responsibility towards employees, and sustainability/environmental obligation.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1. Research Approach

Because the study calls for an analysis of the CSR components that have an impact on organizational performance, a quantitative method was utilized. That is a statistically tested link between variables. In a quantitative approach, statistical tools like frequency, mean, and standard deviation as well as inferential statistical techniques like multiple regressions and simple correlation were employed to analyze the data numerically.

3.3. Research Design

The study employed descriptive as well as explanatory type of research design through survey questionnaire. To address the first two research questions, (i) What extent CSR initiatives implemented by five-star hotels in Addis Ababa? (ii) What are the challenges and barriers faced by hotels in implementing CSR practices? the study employed descriptive research. These two questions aim to describe the current state and challenges of CSR initiatives within five-star hotels in Addis Ababa. Descriptive research seeks to answer questions about what, where, when, and how something occurs. In this case, the focus is on understanding the extent or prevalence and challenges of CSR initiatives without necessarily delving into the reasons behind their implementation.

To address the third research question, what are the perceived impacts of CSR activities on organizational performance? The study used explanatory research. This question moves beyond mere description and seeks to explain the relationships between variables. Specifically, it explores the perceived impact of CSR activities on organizational performance. Explanatory research attempts to identify and understand the factors that influence certain outcomes. It involves analyzing causal relationships and providing explanations for observed phenomena. The purpose of using explanatory research is to know the cause and effect of CSR practices on organizational performance.

3.4. Target Population and Sampling Procedure

3.4.1. Target Population

Target population of the study is the hotels group refer to five-star hotels in Addis Ababa City. According to the Ministry of Culture and Tourism, Addis Abeba currently has 10 Five-Star Hotels. This paper only considered four samples (representing around 40% of the study population) from those franchised hotel chain internationally. Sheraton Addis, Hyatt Regency, Radisson Blu and Marriot Executive Apartments are among the hotels in Addis Ababa. These hotels are chosen because they already have loyal customers around the world and customers expectation is higher than local brand.

Population of this research was full time employees and management staff of four different five-star rated hotels located in Addis Ababa namely: Sheraton, Radisson Blue, Marriot Executive Apartments and Hyatt Regency Hotels. As per data from HRM department of sample hotels, the total number of permanent employees and management staffs is read as follows: Sheraton Hotel (78), Radisson Blu Hotel (73), Hyatt Regency Hotel (71), and Marriot (61), which gives a total of 283 staffs that constitutes target population of the study.

3.4.2 Sampling Size

Yemane's (1967) sample size determination model was employed. As a result, the sample size is calculated using the formula below.

$$n = \frac{N}{1 + (N) e^2} = \frac{283}{1 + (283) (0.05)^2} = 147$$

Where n = Sample size, N = population size, and e = Standard margin of error. For this study N = 283 employees, and e = 0.05, which gives a sample of 147.

3.4.3. Sampling Method

The research utilised the probability sampling method, more precisely, the random sampling technique. A random sample method was employed to choose participants from every stratum, which included hotels. As a result, Table 3.1 below lists the population and sample size for each hotel.

Table 3.1: Population and sample size

No.	Sample Hotels	No. of Population	% of the total population.	Numbers of sample respondents
1.	Sheraton hotel	78	27.6%	41
2.	Radisson Blu hotel	73	25.8%	38
3.	Hyatt Regency Hotel	71	25.1%	37
4.	Marriot Hotel	61	21.6%	32
	Total	283	100	147

Source: (HRM Department of Sample Hotels, 2023)

3.5. Data Collection Instrument

A questionnaire was the main tool used in the study to gather primary data. Due to its ease of use and convenience, a questionnaire was chosen. Given the benefits and the need for further data, hotels staff were given questionnaires to complete in order to get their opinions on how corporate social responsibility initiatives affect organizational performance. For the purpose of measuring the corporate social responsibility practices, a 34-item survey questionnaire was adopted from previous literature, which included five components, namely: community-oriented CSR practices (8 items), employees-oriented CSR practices (10 items), customer-oriented CSR practices (6 items), environmental CSR practices (8 items) and ethical CSR practices (6 items). On the other hand, in order to measure the perception of employees towards their organizational performance, an 8-item questionnaire was designed for this variable which was adopted from Santos and Brito (2012) and Mary (2018).

Table 3.2: Measuring Instrument

Variables	Instrument Source	No. of Items
Community-oriented CSR	Waheed and Yang (2018); Mary (2018)	8
Employees-oriented CSR	Obeidat (2016); Meride (2021); Hatem (2019).	10
Customer-oriented CSR	Muchiri, et al. (2019); Mary (2018)	6
Environmental CSR	Hatem (2019); Antony, et al (2022)	8
Ethical CSR	Obeidat (2016); Muchiri, et al. (2019)	6
Organizational Performance	Santos and Brito (2012); Mary (2018)	10

3.6. Instrument Reliability and Validity

3.6.1 Instrument Validity

Validity refers to the extent to which the scores from a measure represent the variable they are intended (Gakure, 2010). It is the extent to which the scores from a measure signify the variable they are intended to. To verify the relevance of each question to the variables being assessed and to ensure that the content of the instrument addresses the study's objectives, the content validity of the pilot questionnaire was tested. Experts in the relevant field reviewed the questionnaire, and necessary adjustments were made based on their feedback.

3.6.2 Instrument Reliability

The reliability of the questionnaire was tested using the Cronbach's alpha correlation coefficient with the assistance of Statistical Package for Social Sciences (SPSS) software version 22. As presented in Table 3.3 below, all the instruments fell within the recommended alpha value.

Table 3.3: Reliability Test Result

Variables	No. of Items	Cronbach Alpha
Community-oriented CSR practices	7	0.861
Employees-oriented CSR	10	0.778
Customer-oriented CSR practices	6	0.825
Environment-oriented CSR practices	8	0.858
Ethical CSR practices	6	0.877
Organizational Performance	8	0.875

Source: (SPSS Output, 2024)

3.7. Data Processing and Analyzing

The quantitative data obtained from the survey questionnaire was entered into Statistical Package for Social Science (SPSS) version 22.0. Subsequently, both descriptive and inferential statistical analyses were performed for the study. Descriptive statistical findings were showcased through tables, frequency distributions, and percentages, offering a concise overview of the data. Summary statistics, including means and standard deviations, were calculated for each variable to provide insight into the data distribution. Additionally, inferential statistical techniques such as correlation analysis and multiple linear regression analysis were employed to examine relationships and assess the relative significance of each independent variable.

3.8. Model Specification

The following multiple linear regression equation was used to investigate the effect of CSR on organizational performance of Five Star Hotels in Addis Ababa.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + e$$

Where Y represents organizational performance, while X₁, X₂, X₃, X₄ and X₅ represent the independent variables (five CSR practices) namely: community-oriented CSR practices, customer-oriented CSR practices, employees-oriented CSR practices, environment-oriented CSR practices and ethical CSR practices, respectively. β_0 is the constant, while β_1 , β_2 , β_3 , β_4 and β_5 represent corresponding coefficients or parameters for the respective independent variables to be estimated and e represent the error term that captures all relevant variables not included in the model.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.1. Response Rate

Table 4.1 indicates the response rate. The purpose of distributing the questionnaire was to collect information from 147 sample respondents. In light of this, the researcher shared 147 questionnaires, of which 135 were finished and returned. This indicates a 91.8% response rate and an 8.2% response rate of none. A response rate of 50% is regarded as good, and a rate of more than 70% is regarded as very good, according to Mugenda (2003). Therefore, it is thought that the 91.8% response rate is a very good representation of respondents who can supply sufficient data for analysis and conclusion-drawing.

Table 4.1: Response Rate

Response rate	Sample size	Percentage (%)
Returned questionnaires	135	91.8%
Un-returned questionnaires	10	8.2%
Total	147	100

Source, (Own Survey, 2024)

4.2 Demographic Detail of Respondents

This section assesses general information of respondents. The demographic composition of the respondents is summarized in Table 4.2 below.

Table 4.2 above shows the gender distribution of the respondents who participated in the study. From Table 4.2 show that 73 (54.1%) were females while 62 (45.9%) were males. The findings revealed a slightly higher number of female respondents compared to male respondents, indicating significant female participation in the management of the hotel industry in Addis Ababa.

Table 4.2 General Information of the respondent

Main factor	Factor level	Frequency	Percentage
Gender	Male	62	45.9
	Female	73	54.1
	Total	135	100
Age	18 – 29 years	37	27.1
	30 – 40 years	54	40.0
	41 – 50 years	34	25.2
	Above 50 years	10	7.4
	Total	135	100
Educational qualification	Secondary	12	8.9
	Diploma	21	15.6
	BA Degree	75	55.5
	MSC or above	27	20
	Total	135	100.0
For how long have you been employed in this hotel?	less than 2 years	12	8.9
	2 - 5 years	49	36.3
	6 - 10 years	59	43.7
	above 10 years	15	11.1
	Total	135	100.0

Source, (Own Survey, 2024)

Regarding the educational qualification, 75(55.6%) achieved First Degree, 27(20%) of the respondents achieved post graduate/Second Degree and 21(15.6%) respondents have Diploma. The remaining 12(8.9%) respondents have a secondary education. This indicates that the majority of respondents who took part in this study had adequate educational background to complete the questionnaires, with over 90% having attained at least a diploma.

Table 4.2 also illustrated the age distribution of respondents. The age distribution was 54 respondents (40%) are age between 30 - 40 years old, 37 (27.4%) are age between 18 - 29 years old, 34 (25.2%) are age between 40 - 50 years old and the remaining 10 respondents (7.4%) are above 50 years old. The different age groups were well represented in the study.

Item 4 of Table 4.2 above shows the work experience of the respondents and their stay in the current hotel. In view of that, 59 (43.7%) had 6 - 10 years experiences, 49(36.3%) were stayed for 2 - 5 years, 15(11.1%) were stayed for more than 10 years and the remaining 12(8.9%) of the respondents were stayed less than two years of experiences in current hotel. Higher percentages of the respondents were more than two years tenure in current organization which is an indication that most of respondent are in better position to explain the corporate social responsibility practices and their organization performance.

3.3 Descriptive Analysis of Study Variables

The first specific objective of the study was to examine the extent of CSR initiatives implemented by five-star hotels in Addis Ababa. With the aim of understanding respondent perception about the corporate social responsibility practices and organization performance of five star hotels in Addis Ababa, respondents were asked to give their extent of agreement to the statements with regard to five CSR dimension, namely: moral/ethical obligation, responsibility to community, customer obligation, responsibility towards employees, and sustainability/environmental obligation in a five point Likert scale and then analyzed with descriptive statistics of mean score and standard deviation. Thus, summary of descriptive statistics for study variables are presented as follows.

Table 4.3: Summary of Descriptive Statistics for Study Variables

	N	Minimum	Maximum	Mean	Std. Deviation
Customer-oriented CSR	135	2.00	5.00	3.9404	.87504
Employees-oriented CSR	135	2.00	4.75	3.6259	.63177
Community-oriented CSR	135	2.00	4.50	3.5877	.68246
Ethical CSR practices	135	2.00	5.00	3.6444	.89315
Environment-oriented CSR	135	1.63	4.50	3.3092	.64395
Valid N (listwise)	135				

Source, (Own Survey, 2024)

4.3.1. Customer-oriented CSR

The first dimension of corporate social responsibility dimension that study examined is customer-oriented CSR. The study intended to evaluate the perception of sample respondents

regarding the hotel CSR practices towards customer. As shown in Table 4.3, hotel customer-oriented CSR practices got the grand mean score of 3.94 which considered high, indicating that sample five-star hotels in Addis Ababa have high customer orientation. This is an indication that most of sample hotels are try to fulfill the expectation their customer by delivering the right service with a desirable quality at the right time, right place, and fair price. This suggests that hotels prioritize initiatives aimed at meeting customer needs and enhancing customer satisfaction, which can lead to increased loyalty and positive brand perception. The total standard deviation aggregate was also found to be 0.87 implying that there is a general consensus among the respondents when assessing their hotels CSR practices towards customer. The implication is that hotels should continue to invest in customer-centric CSR initiatives to maintain competitiveness and foster long-term relationships with customers.

4.3.2. Employees-oriented CSR

The second dimension that study assessed in relation to hotel CSR practices is employees-oriented CSR. The study intended to evaluate the perception of sample respondents regarding the hotel CSR practices towards employees. As shown in Table 4.3, hotel employee-oriented CSR practices got the grand mean score of 3.62, which is considered pretty-high. While the mean score indicates a moderate level of emphasis on CSR practices benefiting employees, the lower variability suggests a consistent approach across the sampled hotels. This implies that hotels recognize the importance of employee welfare and engagement in their CSR strategies. To capitalize on this, hotels should prioritize initiatives such as employee training, development, and well-being programs to enhance employee satisfaction, productivity, and retention.

3.3.3. Community-oriented CSR

Community obligation is another dimension of CSR that the study assessed. The study intended to evaluate the perception of sample respondents regarding the hotel CSR practices towards community. As shown in Table 4.3, community-oriented CSR practices got the grand mean score of 3.58, which is considered pretty-high, indicating that most of sample five-star hotels in Addis Ababa have satisfactory orientation towards the community. The total standard deviation aggregate was also found to be 0.68 implying that there is a general consensus among the respondents when assessing their hotels CSR practices towards community. Overall, respondents felt that although while the majority of the sample's five-star hotels in Addis Ababa had a decent

attitude towards the environment, the hotels still needed to make improvements in order to successfully fulfil their corporate social responsibility (CSR) towards the community. The implication is that hotels should continue to invest in community-focused initiatives, such as philanthropy, volunteering, and community development projects, to strengthen their social license to operate and build positive relationships with local stakeholders.

3.3.4. Ethical CSR practices

The fourth dimension that study assessed in relation to hotel CSR practices is ethical CSR practices. Ethical CSR practices involves the business responsibilities to the full range of norms, standards, values, principles, and expectations that reflect and honor what consumers, employees, owners and the community regard as consistent with respect to the protection of stakeholders' moral rights. Various studies confirmed that firm with ethical CSR practices in the average enjoy better organizational performance than non-CSR firms. On account of this fact, the study intended to evaluate the perception of sample respondents regarding their hotels CSR practices towards ethical issues. As shown in Table 4.3, ethical CSR practices got the grand mean score of 3.64, which is considered pretty-high, indicating that most of sample five-star hotels in Addis Ababa have good ethical CSR practices. The total standard deviation aggregate was also found to be 0.89 implying that there is a general consensus among the respondents when assessing their hotels ethical CSR practices. The implication is that hotels should establish clear ethical guidelines and codes of conduct to ensure consistency and adherence to ethical standards throughout their operations.

3.3.5. Environment-oriented CSR

Environment-oriented CSR is the last dimensions of CSR that the study assessed. As shown in Table 4.3, environmental CSR practices got the grand mean score of 3.31, which is considered moderate, indicating that most of sample five-star hotels in Addis Ababa have moderate environmental CSR practices. The total standard deviation aggregate was also found to be 0.64 implying that there is a general consensus among the respondents when assessing their hotels environmental CSR practices. The result revealed that the sample hotels perform relatively low in terms of environment-oriented CSR, suggesting that they still require to take more robust environmental measures in order to successfully fulfil their corporate social responsibility (CSR) towards the environment. The implication is that while some hotels may already have robust

environmental sustainability programs in place, others may need to enhance their efforts to mitigate environmental impacts, reduce resource consumption, and promote sustainable practices.

Overall, the implications of the descriptive statistics highlight the importance of hotels' continued commitment to CSR across various dimensions, including customer satisfaction, employee well-being, community engagement, ethical conduct, and environmental sustainability. By prioritizing and investing in these areas, hotels can enhance their reputation, competitiveness, and long-term sustainability while contributing positively to society and the environment.

3.3.6. Organizational Performance of Hotels

Organizational performance of hotels was assessed with eight organizational performance indicators. As organizational performance is multi-construct, the study measure organizational performance in terms of financial metrics (profitability, sales growth, and operational cost), marketing metrics (growth of market share) and non-financial metrics (customer satisfaction, employee satisfaction and brand image). The result was presented in the Table 4.4.

Table 4.4: Organizational Performance of Hotels

S/N	Item	N	Mean	Std. Deviation
1.	The hotel improves its profitability from time to time	135	3.45	0.94
2.	The hotel market share has increased over time	135	3.27	0.83
3.	The hotel annual revenue has been increasing over years.	135	3.58	0.78
4.	The hotel reduced its operational cost.	135	3.31	0.82
5.	The satisfaction of customers has improved over the years.	135	3.67	0.87
6.	The hotel service quality has improved over the years.	135	3.70	0.65
7.	The reputation and brand image of the hotel has improved	135	3.62	0.89
8.	The satisfaction of employee has improved over time.	135	3.61	0.98
	Grand Mean		3.52	0.85

Source, (Own Survey, 2024)

On a 5-point rating system, the general staff's grand mean score for the organizational performance of their hotels was 3.52. This would suggest that overall, the hotels have been seen as performing fairly well. At least 68% of the replies were within one standard deviation of the mean, as indicated by the average standard deviation of 0.85.

Regarding particular performance metrics, the item that hotel service quality has increased over time has the highest mean value (3.7), whilst the item that customer satisfaction has increased over time has the lowest mean value (3.67). The statement regarding the improvement of the hotel's reputation and brand image received a mean value of 3.62.

On other hand statement that the hotel market share has increased over time has the lowest mean value (3.27) followed by statement about whether the hotel reduced its operational cost, which got mean value (3.31). Statement on whether the hotel improves its profitability from time to time got mean value (3.45). These results indicated that the performance of sample five-star hotels in Addis Ababa in terms of non-financial parameter (customer satisfaction, service quality, employee satisfaction and brand image) is relatively better when comparing with financial performance indicators like growth of sales, and profitability. Thus, the five-star hotels in Addis Ababa needs to give adequate emphasis on financial as well as non-financial performance measures.

4.4. Challenges faced by hotels in implementing CSR practices

The other specific objective of the study was to identify the challenges and barriers faced by hotels in implementing CSR practices. The respondents were asked to rate the level of agreement with statement regarding challenges and barriers faced by hotels in implementing CSR practices, the result is presented in Table 4.5.

Table 4.5: Challenges faced by hotels in implementing CSR practices in Hotels

Statements	N	Mean	SD
The lack of awareness and understanding of CSR concepts among hotel staff.	135	3.60	.866
Limited financial resources allocated for implementing CSR initiatives.	135	3.68	.788
Insufficient training and capacity-building programs for staff to engage in CSR activities effectively.	135	3.49	.929
Resistance from senior management or stakeholders towards investing in CSR initiatives.	135	3.40	.964
Difficulty in measuring the impact and outcomes of CSR efforts.	135	3.73	.901
Regulatory and compliance challenges related to CSR regulations impede implementation efforts.	135	3.55	.936
The perception that CSR initiatives may not directly contribute to the hotel's profitability.	135	3.65	.917
Lack of clear CSR policies and guidelines within the hotel management structure.	135	2.92	1.14
Grand Mean		3.51	0.93

Source: (Own Survey 2024)

Table 4.5 presents data on challenges faced by hotels in implementing CSR (Corporate Social Responsibility) practices, with responses categorized from "Strongly Disagree" to "Strongly Agree." The grand mean across all factors is 3.51, indicating a moderately high level of agreement with the challenges faced by hotels in implementing CSR practices. The standard deviation of 0.93 reflects some variability in responses across the different challenges. Here's detail analysis of the data:

- **Awareness and Understanding of CSR Concepts:** The mean score is 3.60, indicating that, on average, respondents' perceptions lean towards agreement that there is a lack of awareness and understanding of CSR concepts among hotel staff. The standard deviation (SD) of 0.866 suggests some variability in responses. The result specify that there is a significant need for hotels to invest in educating their staff about CSR concepts to enhance their awareness and understanding. Implementing training programs and workshops can help bridge this gap, leading to better alignment with CSR goals and initiatives.

- **Limited Financial Resources:** The mean score is 3.68, indicating a tendency towards agreement that there are limited financial resources allocated for implementing CSR initiatives. The relatively lower standard deviation (0.788) suggests less variability compared to other factors. The result indicate that Hotels need to reassess their budget allocation for CSR initiatives. Despite the challenges posed by limited financial resources, strategic planning and prioritization of CSR activities can optimize the impact within available budgets.
- **Training and Capacity-building Programs:** The mean score is 3.49, suggesting a moderate level of agreement regarding insufficient training and capacity-building programs for staff to engage in CSR activities effectively. The standard deviation of 0.929 indicates some dispersion in responses. The result point toward that investing in comprehensive training and capacity-building programs is crucial to equip staff with the necessary skills and knowledge to engage effectively in CSR activities. This can include programs on sustainability, community engagement, and ethical business practices.
- **Resistance from Senior Management:** The mean score is 3.40, indicating a tendency towards agreement that there is resistance from senior management or stakeholders towards investing in CSR initiatives. The standard deviation of 0.964 suggests some variability in respondents' perceptions. The result underscore the need that Hotel leadership should be encouraged to recognize the long-term benefits of CSR initiatives beyond immediate financial returns. Building a culture of CSR within the organization starts with strong support and commitment from senior management.
- **Difficulty in Measuring Impact:** The mean score is 3.73, indicating a tendency towards agreement that there is difficulty in measuring the impact and outcomes of CSR efforts. The standard deviation of 0.901 suggests some variability in responses. The result point out the need to develop robust measurement frameworks and tools is essential for evaluating the effectiveness and outcomes of CSR efforts. Clear metrics and indicators will facilitate tracking progress, identifying areas for improvement, and demonstrating the value of CSR to stakeholders.
- **Regulatory and Compliance Challenges:** The mean score is 3.55, indicating a moderate level of agreement regarding regulatory and compliance challenges related to CSR regulations impeding implementation efforts. The standard deviation of 0.936 indicates

some dispersion in responses. The result point toward that Hotels need to stay informed about CSR regulations and ensure compliance to avoid potential legal risks. Proactively addressing regulatory challenges and integrating CSR requirements into business strategies can enhance reputation and mitigate liabilities.

- **Perception of CSR Contribution to Profitability:** The mean score is 3.65, suggesting a tendency towards agreement that there is a perception that CSR initiatives may not directly contribute to the hotel's profitability. The standard deviation of 0.917 suggests some variability in responses. The result imply that the make to make efforts to change the perception that CSR initiatives may not directly contribute to profitability. Communicating the business case for CSR, including benefits such as enhanced brand reputation, customer loyalty, and risk management, can help align financial interests with social and environmental responsibilities.
- **Lack of Clear CSR Policies and Guidelines:** The mean score is 2.92, indicating a tendency towards disagreement regarding the lack of clear CSR policies and guidelines within the hotel management structure. The higher standard deviation of 1.14 suggests greater variability in responses compared to other factors. The implication of this result underscores the importance of clear and consistent CSR policies and guidelines within the hotel industry. Addressing any discrepancies and ensuring alignment with best practices can strengthen the commitment to CSR and enhance the positive impact of hotels on society and the environment..

In open ended question, the study also sought to establish the other challenges and barriers faced by hotels in implementing CSR (Corporate Social Responsibility) practices. In line with, the respondents were identified further challenges related with limited stakeholder engagement, cultural and social challenges, communication and transparency issues, staff turnover and training needs and risk management.

- **Limited Stakeholder Engagement:** Engaging with diverse stakeholders, including employees, local communities, suppliers, and customers, is essential for successful CSR implementation. However, building and maintaining meaningful relationships with stakeholders is time-consuming and resource-intensive. Limited stakeholder engagement underscores the importance of investing resources and efforts in building and maintaining

meaningful relationships with diverse stakeholders to ensure the success of CSR initiatives.

- **Supply Chain Complexity:** Managing the social and environmental impacts of complex supply chains, including sourcing practices, labor conditions, and environmental sustainability, presents challenges for hotels seeking to uphold CSR standards throughout their operations. Supply chain complexity highlights the need for hotels to carefully manage social and environmental impacts throughout their supply chains, requiring thorough assessment and monitoring of sourcing practices and labor conditions
- **Cultural and Social Challenges:** Operating in culturally diverse environments require hotels to adapt their CSR strategies to local customs, norms, and expectations, which can be challenging to navigate effectively. Cultural and social challenges emphasize the necessity of adapting CSR strategies to local contexts to effectively address community needs and expectations.
- **Communication and Transparency:** Maintaining transparent communication channels with stakeholders about CSR initiatives, progress, and challenges is essential. However, hotels may struggle to effectively communicate their CSR commitments and achievements, leading to skepticism or misunderstanding. Communication and transparency issues stress the importance of transparently communicating CSR commitments and achievements to stakeholders to foster trust and credibility
- **Staff Turnover and Training Needs:** High turnover rates in the hospitality industry also pose challenges in maintaining a consistent CSR culture and ensuring that new staff members are adequately trained and aligned with CSR goals and values. Staff turnover and training needs highlight the importance of ongoing training and development programs to maintain a consistent CSR culture and ensure staff alignment with CSR goals.
- **Risk Management:** Addressing potential risks and reputational issues associated with CSR activities, such as negative publicity or backlash from stakeholders, also pose challenges which requires careful planning and proactive risk management strategies. This underscores the importance of effective risk management strategies are essential to mitigate potential risks and reputational issues associated with CSR activities, safeguarding the hotel's reputation and long-term sustainability.

Overall, addressing the aforementioned challenges and barriers can help hotels overcome challenges and strengthen their commitment to CSR, fostering sustainable business practices and positive social impact in the communities they serve.

4.5. Correlation Analysis

This section presents the correlation analysis conducted to examine the relationship between CSR dimensions and organizational performance of Five Star Hotels in Addis Ababa. The correlation results presented in Table 4.6 indicate positive and significant relationships between all five CSR dimensions (customer-oriented CSR practices, employees-oriented CSR practices, community-oriented CSR practices, environment-oriented CSR practices, and ethical CSR practices) and organizational performance of Five Star Hotels in Addis Ababa.

Table 4.6: Correlation Analysis

		Organizational Performance
Customer-oriented CSR practices	Pearson Correlation	.717**
	Sig. (2-tailed)	.000
Employees-oriented CSR	Pearson Correlation	.709**
	Sig. (2-tailed)	.000
Community-oriented CSR	Pearson Correlation	.622**
	Sig. (2-tailed)	.000
Ethical CSR practices	Pearson Correlation	.718**
	Sig. (2-tailed)	.000
Environment-oriented CSR	Pearson Correlation	.624**
	Sig. (2-tailed)	.000
	N	135

** . Correlation is significant at the 0.01 level (2-tailed).

Source, (Own Survey, 2024)

Specifically, customer-oriented CSR practices showed a high positive correlation with organizational performance ($r = 0.717$, $p < 0.001$). Similarly, employees-oriented CSR practices exhibited a high positive correlation with organizational performance ($r = 0.709$, $p < 0.001$). Ethical CSR practices also demonstrated a high positive correlation with organizational performance ($r = 0.718$, $p < 0.001$). Additionally, environment-oriented CSR and community-oriented CSR were significantly and positively correlated with organizational performance, with

correlation coefficients of $r = 0.624$ and $r = 0.622$, respectively (both $p < 0.001$), indicating high levels of association.

Over all, the result illustrated that all the five CSR dimensions are positively and highly correlated with organizational performance of Five Star Hotels in Addis Ababa with a Pearson's Correlation Coefficient greater than 0.6 in all dimensions. This indicates that all the five CSR dimensions which include: customer-oriented CSR practices, employees-oriented CSR practices, community-oriented CSR practices, environment-oriented CSR practices and ethical CSR practices had high and positive correlation with organizational performance of Five Star Hotels in Addis Ababa.

4.6. Analysis of Regression Results

4.6.1. Assumptions Test

i. Normality Test

In linear regression analysis, it is assumed that residuals (errors) follow a normal distribution. To verify this assumption, the Shapiro-Wilk test proposed by Shapiro and Wilk (1965) was employed in this study. This test evaluates the null hypothesis that the error term is normally distributed against the alternative hypothesis that it is not. A significance level (alpha) of 0.05 was chosen, where if the p-value is less than alpha, the null hypothesis is rejected, indicating departure from normality. Conversely, if the p-value exceeds alpha, the null hypothesis cannot be rejected, suggesting normal distribution. According to the results presented in Table 4.6, the p-value for the residuals of the dependent variable "organizational performance" is 0.1260. Since this value exceeds the chosen alpha level of 0.05, it indicates that the data follows a normal distribution.

Table 4.7: Shapiro and Wilk test for Normality

Variable	Obs.	w	V	Z	Prob>z
Organizational performance	135	0.9886	1.267	1.535	0.1260

Source: (Own Survey, 2024)

Nonetheless, given that sample size may introduce bias, a large sample size may nonetheless yield statistically meaningful results from a normal distribution. Therefore, in addition to the test,

a P-P plot or histogram is needed for verification (Asghar & Saleh, 2012). If the P-P plot dots are closer to the diagonal line, the residuals are assumed to be normal; normally, the P-P plot points should sit along a fairly straight diagonal line that runs from the bottom left to the top right. The P-P plots and histogram of the regression standardised residuals for the dependent variable (organization performance) are displayed in Figure 4.1 below. There was no breach of the normality assumption as the data points were arranged in a straight diagonal line from bottom left to top right.

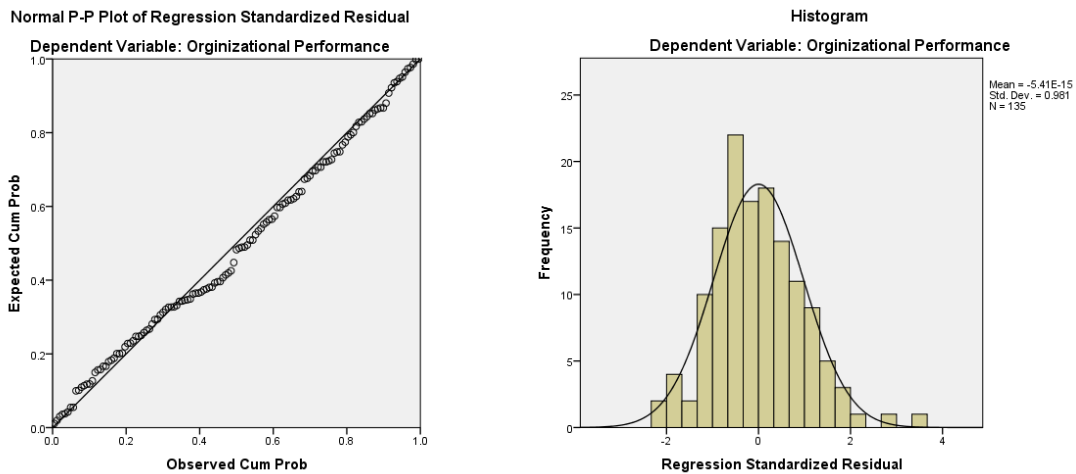


Figure 4.1: Normal P-P Plot and Histogram for Normality Test

Source: (Own Survey, 2024)

ii) Heteroscedasticity Test

When the variance of the errors vary between observations, this is known as heteroscedasticity (Long & Ervin, 2000). The degree of heteroscedasticity can be measured in a variety of ways. The most popular technique is the Breusch-Pagan test, which was designed to evaluate the alternative that the error variances are a multiplicative function of one or more variables against the null hypothesis that the error variances are all equal. Breusch-Pagan examines the absence of heteroscedasticity as the null hypothesis. Reject the null hypothesis if the sig-value is less than 0.05. Heteroscedasticity is present when the big chi-square value is larger than 9.22 (Sazali, et al., 2010). The study's sig-value for the dependent variable organizational performance's fitted values was 0.334, and the chi-square value of 3.42, which are indicating that heteroscedasticity was not a concern.

Table 4.8: Breusch-Pagan for heteroscedasticity

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity
Ho: Constant variance
Variables: fitted values of organizational performance
chi2(1) = 3.42
Prob> chi2 = 0.334

Source: (Own Survey, 2024)

iii) Multicollinearity Test

Multicollinearity, according to Myers (1990), is the term used to describe extremely high inter-correlation between predictor variables. When the independent variables have a perfect linear connection, it becomes more difficult to calculate unique regression model estimates. Utilising the Variance Inflation Factor (VIF), the degree of multicollinearity between the explanatory factors was assessed. Generally speaking, multi-collinearity is a possible issue when VIF is higher than five, and a significant issue when it is higher than ten (Field, 2013). The predictor variables' collinearity statistics are shown in Table 4.9. The collinearity statistics, according to the results, were within permitted bounds. There was no multicollinearity, as evidenced by the observed variance inflation factor (VIF) values from all predictor variables being less than 5 and the tolerance values being below 1.0.

Table 4.9: Multicollinearity test for the Study Variables

Variable	Tolerance	VIF
Customer-oriented CSR	.572	1.749
Employees-oriented CSR	.437	2.287
Community-oriented CSR	.626	1.598
Ethical CSR practices	.520	1.924
Environment-oriented CSR	.523	1.914

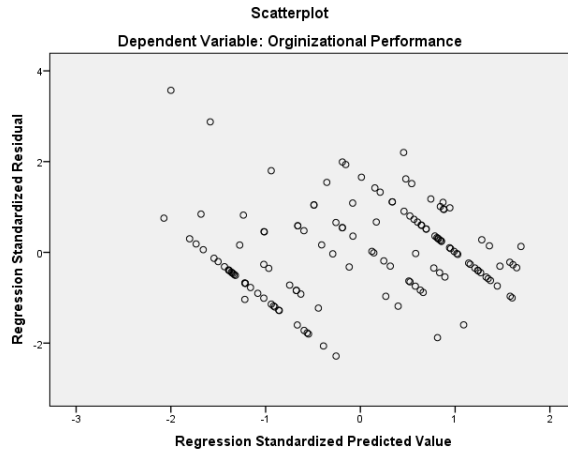
Source, (Own Survey, 2024)

iv) Linearity

According to Asghar and Saleh (2012), the linearity assumption in multiple regression analysis states that there must be a linear relationship between the dependent variable and each of the independent variables as well as between the dependent variable and the independent variables taken as a whole. Making scatter plots and visually assessing them for linearity is the most

common way to assess linearity. If there is no discernible pattern in the figure and the points are equally spaced to the left and right of zero on the Y-axis and above and below zero on the X-axis, it is considered linear. Figure 4.2 displays the scatter-plot of the studentized residual against the linearly predictive value. There is a horizontal band of points in each partial scatter plot figure that represents the linear relationship.

Figure 4.2: a Studentized residual scatter plot for linearity test



Source: (SPSS Output, 2024)

v) Autocorrelation

One of the main presumptions of multiple regressions, which presuppose that the error terms are independent of one another, is autocorrelation, or serial correlation. Nonetheless, this is particularly important for time series data, which are arranged chronologically. The Durbin-Watson test is widely employed to ascertain the presence of autocorrelation, defined as a linear connection between the error terms for a single observation. As per Cochrane (1997), the absence of autocorrelation is shown if the value of d falls between 1.5 and 2.5. As a result, there is no auto correlation and the DW-value, as shown in Table 4.10, is 2.179, which is the recommended cut-point value.

Table 3.10: Durbin-Watson Test for Autocorrelation

Test	Dependent variable	Value
Durbin-Watson	Organizational Performance	2.179

Source: (Own Survey, 2024)

4.6.2. Analysis of Regression Results

4.6.2.1. Model Summary

The coefficient of determination indicates the proportion of variation in organizational performance that can be accounted for by the five independent variables. The table 3.10 below preset the model summary.

Table 4.11: Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.863 ^a	.744	.734	.49658	2.179

a. Predictors: (Constant), Environment-oriented CSR practices, Community-oriented CSR practices, Customer-oriented CSR practices, Ethical CSR practices, Employees-oriented CSR

b. Dependent Variable: Organizational Performance

Source: (Own Survey, 2024)

As shown in Table 3.11 above, the correlation coefficient (R) is calculated to be 0.863, indicating the strength of the relationship between the five independent variables (customer-oriented CSR practices, employees-oriented CSR practices, community-oriented CSR practices, environment-oriented CSR practices, and ethical CSR practices) and the organizational performance of Five Star Hotels in Addis Ababa. Meanwhile, R-squared (R²) represents the proportion of variance in organizational performance explained by these five variables. In this study, the five independent variables collectively explain 73.4% of the variance in organizational performance of Five Star Hotels in Addis Ababa, leaving 26.6% of the variance unaccounted for by the variables examined.

4.4.5.2. ANOVA Interpretation

The outcomes displayed in Table 3.12 from the ANOVA reveal that the sum of squares for the regression stands at 92.431, computed over 5 degrees of freedom, resulting in a mean square of 18.486. Meanwhile, the residual sum of squares is 31.810, distributed across 129 degrees of freedom, with a mean square value of 0.247. The test for joint significance, expressed as $[F(5,129) = 74.967; p = .001]$, demonstrates statistical significance. This suggests that the examined independent variables—customer-oriented CSR practices, employees-oriented CSR practices, community-oriented CSR practices, environment-oriented CSR practices, and ethical

CSR practices—play a collective and meaningful role in elucidating the organizational performance of Five Star Hotels in Addis Ababa.

Table 4.12: ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	92.431	5	18.486	74.967	.000 ^b
	Residual	31.810	129	.247		
	Total	124.241	134			

a. Dependent Variable: Organizational Performance

b. Predictors: (Constant), Environment-oriented CSR practices, Community-oriented CSR practices, Customer-oriented CSR practices, Ethical CSR practices, Employees-oriented CSR

Source; (Own Survey, 2024)

4.6.2.2. Regression Coefficients

The results presented in Table 3.13 reveal the regression coefficients. It is evident from the findings that four out of the five CSR dimensions (customer-oriented CSR practices, employees-oriented CSR practices, community-oriented CSR practices, and ethical CSR practices) exhibit significance in forecasting the organizational performance of Five Star Hotels in Addis Ababa, as indicated by p-values below 0.05. Conversely, environment-oriented CSR practices do not significantly impact the organizational performance of Five Star Hotels in Addis Ababa, given that its p-value is not below 0.05.

Table 3.13: Coefficients for independent variables

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1.442	.281		-5.130	.000
	Customer-oriented CSR	.345	.064	.320	5.427	.000
	Employees-oriented CSR	.332	.103	.218	3.231	.002
	Community-oriented CSR	.253	.079	.180	3.189	.002
	Environment-oriented CSR	.143	.092	.096	1.554	.123
	Ethical CSR	.283	.067	.263	4.253	.000

a. Dependent Variable: Organizational Performance

Source: (Own Survey, 2024)

Customer-oriented CSR has a strong and positive impact on the organizational performance of Five Star Hotels in Addis Ababa, boasting the highest beta value ($\beta = 0.345$) and a highly

significant t-value of 5.427 at the 0.00 level. Similarly, employees-oriented CSR also contributes positively and significantly to organizational performance, with a beta value ($\beta = 0.332$) and a statistically significant t-value of 3.231 at the 0.002 level. Ethical CSR likewise plays a crucial role in enhancing organizational performance, showing a positive and significant effect with a beta value ($\beta = 0.283$) and a statistically significant t-value of 4.253 at the 0.001 level. Moreover, community-oriented CSR positively influences organizational performance, evidenced by its beta value ($\beta = 0.253$) and a statistically significant t-value of 3.189 at the 0.002 level. However, environment-oriented CSR does not significantly impact the organizational performance of Five Star Hotels in Addis Ababa, as it fails to reach statistical significance at the 0.05 level.

Using the results of the above multiple regression table, the following regression equation is formulated, and it shows the exact percentage change between predictors and criteria.

$$Y = 0.345X_1 + 0.332X_2 + 0.253X_3 + 0.283X_4 + 0.143X_5 - 1.442$$

As it is shown in the above equation the degree of the effect exerted on CSR dimensions differs from variable to variable. Therefore, the higher beta value signifies a stronger correlation with the dependent variable. The equation interpretation is that holding other factor constant,

- ➔ One unit change in customer-oriented CSR practices results in a 0.345-unit change in organizational performance of Five Star Hotels in Addis Ababa,
- ➔ One change in employees-oriented CSR practices resulted in 0.332-unit change in the organizational performance of Five Star Hotels in Addis Ababa
- ➔ One unit change in community-oriented CSR practices results in a 0.253-unit change in organizational performance of Five Star Hotels in Addis Ababa.
- ➔ One unit change in ethical CSR practices results in a 0.283-unit change in organizational performance of Five Star Hotels in Addis Ababa.

4.7. Hypothesis Test and Discussion of Findings

This study examined how corporate social responsibility dimensions affect the organizational performance of Five Star Hotels in Addis Ababa. Multiple linear regression analysis was employed to assess the statistical relationship between the independent and dependent variables.

The hypotheses formulated in chapter two were tested using various multiple linear regression models, and the findings are outlined in Table 4.14.

Table 4.14: Summary of hypotheses testing

Hypotheses	Beta	t-statistics	Sig.	Decision
H1: CSR towards customers has a positive effect on organizational performance.	.345	5.427	.000	Accepted
H2: CSR towards employees has a positive effect on organizational performance.	.332	3.231	.002	Accepted
H3: CSR towards community has a positive effect on organizational performance.	.253	3.189	.002	Accepted
H4: Environmental CSR practices has a positive effect on organizational performance.	.143	1.554	.123	Rejected
H5: Ethical CSR practices has a positive effect on organizational performance	.283	4.253	.000	Accepted

Source: (Own Survey, 2024)

Hypothesis 1: CSR towards customers has a positive effect on organizational performance.

Conclusion: accepted the formulated hypothesis since as show on Table 4.13 the t-statistics for CSR towards customers is 5.427, which was significant at 0.00 and it has positive Beta coefficient ($\beta=.345$). Hence accepted the formulated hypothesis. This means that the CSR towards customers has a positive effect on hotels organizational performance. It indicates that where other explanatory variables remain constant CSR, towards customers has a positive influence on organizational performance of Five Star Hotels in Addis Ababa and implies that when the hotels CSR towards customers improved by 1 unit, the organizational performance of Five Star Hotels in Addis Ababa will increase by 0.345 unit.

This finding aligns with numerous studies conducted in various country contexts. For instance, in Kenya, Loussaïef et al. (2014) discovered that CSR enhances organizational benefits by fostering customer-corporate engagement, predominantly influenced by customers' perceptions of the organization. Similarly, Sen and Bhattacharya (2016) asserted that CSR initiatives directed

towards customers positively impact organizational performance. Additionally, Reena et al. (2022) emphasized the significance of CSR towards customers in shaping stakeholders' identification with the organization, consequently affecting their behavior and organizational performance. Failure to treat customers fairly diminishes trust in the firm; conversely, ensuring customer satisfaction through effective employee and management practices enhances trust and fosters organizational identification, thereby improving overall organizational performance (Reena et al., 2022).

Hypothesis 2: CSR towards employees has a positive effect on organizational performance.

Conclusion: accepted the formulated hypothesis since as show on Table 4.13 the t-statistics for CSR towards employees is 3.231, which was significant at 0.00 and it has positive Beta coefficient ($\beta=.332$). Hence accepted the formulated hypothesis. This means that the CSR towards employees has a positive effect on hotels organizational performance. It indicates that where other explanatory variables remain constant, CSR towards employees has a positive influence on organizational performance of Five Star Hotels in Addis Ababa and implies that when the hotels CSR towards employees improved by 1 unit, the organizational performance of Five Star Hotels in Addis Ababa will increase by 0.332 unit.

This result is consistence with many studies which have undertaken with different countries. This result corroborates those obtained by Lee, Park, & Lee (2013) who found that CSR towards employee positively affects organizational performance. In addition, many studies found that CSR towards employees had a positive effect on organizational performance (Weltzien, 2011; Esen, 2013; Fatma, & Khan, 2015).

Hypothesis 3: CSR towards community has a positive effect on organizational performance.

Conclusion: accepted the formulated hypothesis since as show on Table 4.13 the t-statistics for CSR towards community is 3.189, which was significant at 0.00 and it has positive Beta coefficient ($\beta=.253$). Hence accepted the formulated hypothesis. This means that the CSR towards community has a positive effect on hotels organizational performance. It indicates that where other explanatory variables remain constant, CSR towards community has a positive influence on organizational performance of Five Star Hotels in Addis Ababa and implies that

when the hotels CSR towards community improved by 1 unit, the organizational performance of Five Star Hotels in Addis Ababa will increase by 0.253 unit.

This finding is consistent with numerous studies conducted across different countries. For example, in a study conducted in Tanzania by Badi and Ishengoma (2021), it was revealed that corporate community-oriented activities positively impact corporate financial performance. This is attributed to strategic decisions regarding community contributions, aimed at enhancing the company's image, reputation, and moral capital. Similarly, Kim (2014) also observed that socially responsible activities aid companies in managing external perceptions and maintaining a positive reputation. These findings are further supported by Kim (2014), who noted that CSR programs often prioritize social initiatives at the local level, resulting in enhanced organizational performance across economic, social, and environmental dimensions.

Hypothesis 4: Environmental CSR practices has a positive effect on organizational performance

Conclusion: reject the formulated hypothesis since as show on Table 4.13, even if the regression coefficient for environmental CSR practices is positive (0.143), its P value is 1.554 is not significant at 5% and this was contrary to the researcher's expectations. According to the literature, a green strategy could enhance firms' competitive advantage by attracting environmentally aware consumers (Grosbois, 2012). This finding suggests that although the regression coefficient for Environmental CSR practices is positive as indicated in the literature, it does not significantly influence organizational performance of five-star hotels in Addis Ababa. The insignificant effect environmental CSR practices on organizational performance may due the fact that sample hotels are not effectively implementing environmentally-friendly practices as revealed by the above result descriptive statistics.

Hypothesis 5: Ethical CSR practices has a positive effect on organizational performance.

Conclusion: accepted the formulated hypothesis since as show on Table 4.13 the t-statistics for ethical CSR practices is 4.253, which was significant at 0.00 and it has positive Beta coefficient ($\beta=0.283$). Hence accepted the formulated hypothesis. This means that the Ethical CSR practices has a positive effect on hotels organizational performance. It indicates that where other explanatory variables remain constant, ethical CSR practices has a positive influence on

organizational performance of Five Star Hotels in Addis Ababa and implies that when the hotels ethical CSR practices improved by 1 unit, the organizational performance of Five Star Hotels in Addis Ababa will increase by 0.283 unit.

This finding aligns with numerous studies conducted across various countries. For instance, a study conducted in Kenya by Mugo et al. (2019) found that ethical CSR practices significantly contributed to the financial performance of textile and clothing businesses in Nairobi County. Similarly, in a Nigerian context, Skare and Golja (2012) identified a correlation between ethical CSR practices and corporate performance. Moreover, their econometric model results further supported the notion that firms engaging in ethical CSR practices tend to enjoy better organizational performance compared to non-CSR firms. Additionally, Rongoei and Muturi (2018) observed a positive impact of ethical activities on organizational performance. Collectively, these findings underscore the notion that ethically responsible corporations tend to outperform others in terms of organizational performance.

CHAPTER FIVE

SUMMARY OF FINDING, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary of Major Findings

The summary of findings of the study based on the specific research objective have been summarized as follows.

The first specific objective of the study to examine the extent of CSR initiatives implemented by five-star hotels in Addis Ababa. In line with this, the descriptive statistics reveal a generally positive orientation towards Corporate Social Responsibility (CSR) among the sampled hotels. Respondents perceive a high level of customer-oriented CSR practices, indicating a focus on satisfying customer needs and fostering loyalty. While there is a moderate emphasis on CSR practices benefiting employees, community, and ethical conduct, there may be opportunities for improvement in these areas to further enhance organizational performance and social impact. Environmental CSR practices receive a slightly lower emphasis, suggesting room for strengthening commitments to environmental sustainability. Overall, the findings highlight the importance of a comprehensive CSR approach that considers the needs of various stakeholders while striving for positive societal and environmental outcomes.

The second specific objective of identify the challenges and barriers faced by hotels in implementing CSR practices. In line with this, the results highlight significant challenges faced by hotels in implementing Corporate Social Responsibility (CSR) practices. These challenges range from a lack of awareness and understanding of CSR concepts among staff to limited financial resources, resistance from senior management, and difficulty in measuring CSR impact. Additionally, regulatory and compliance hurdles, along with the perception that CSR initiatives may not directly contribute to profitability, pose significant obstacles. Moreover, the lack of clear CSR policies and guidelines within hotel management structures is evident. These findings suggest a need for comprehensive strategies to address these challenges, including investment in staff training, communication of the business case for CSR, development of clear policies, and enhancement of measurement and reporting mechanisms. Overcoming these challenges is crucial for hotels to effectively integrate CSR into their operations, improve stakeholder relations, and achieve long-term sustainability and social impact goals.

The third specific objective of the study aimed to evaluate the perceived impact of CSR activities on organizational performance. The findings from correlation analysis revealed a significant and positive correlation between all five CSR dimensions (customer-oriented CSR practices, employees-oriented CSR practices, community-oriented CSR practices, environment-oriented CSR practices, and ethical CSR practices) and the organizational performance of Five Star Hotels in Addis Ababa. Moreover, the regression analysis indicated that four out of five CSR dimensions (customer-oriented CSR practices, employees-oriented CSR practices, community-oriented CSR practices, and ethical CSR practices) exerted a statistically significant influence on organizational performance. The adjusted R^2 value of 0.734 suggests that 73.4% of the variance in organizational performance can be predicted by these five CSR dimensions. Thus, the study concludes that customer-oriented CSR practices, employees-oriented CSR practices, community-oriented CSR practices, and ethical CSR practices have a positive and significant effect on the organizational performance of Five Star Hotels in Addis Ababa. However, environment-oriented CSR practices were found to have no significant effect on the organizational performance of Five Star Hotels in Addis Ababa, according to the findings of the study.

5.2 Conclusion

The study found that CSR practices significantly improve the hotel's public image and customer satisfaction. However, financial constraints and lack of CSR knowledge pose major barriers. Future research should explore strategies to overcome these barriers and further examine the impact of CSR on employee satisfaction and retention. Additionally, the study highlights the need for more robust data collection methods to measure the long-term benefits of CSR initiatives (Porter & Kramer, 2011; Carroll, 1991).

Challenges faced by hotels in implementing CSR practices were significant, encompassing issues such as limited financial resources, resistance from senior management, and regulatory complexities. These findings underscore the necessity for hotels to develop comprehensive strategies to address these barriers, including investments in staff training, clear communication of the business case for CSR, and the establishment of robust policies and guidelines.

Importantly, the study's findings also shed light on the perceived impact of CSR activities on organizational performance. The correlation and regression analyses revealed that customer-

oriented, employees-oriented, community-oriented, and ethical CSR practices significantly and positively correlated with organizational performance. This suggests that hotels with strong CSR initiatives in these areas tend to experience better performance outcomes. However, it's noteworthy that environment-oriented CSR practices did not show a significant influence on organizational performance in this context, indicating potential areas for improvement or further exploration in sustainability efforts.

In conclusion, the study highlights the critical role of CSR in enhancing organizational performance and fostering sustainable business practices within the hospitality industry. By addressing challenges and leveraging the positive impacts of CSR, hotels can not only improve stakeholder relations but also contribute to broader societal and environmental goals. Moving forward, it is imperative for hotels in Addis Ababa to prioritize CSR integration into their operations, implement targeted strategies to overcome barriers, and continuously evaluate and enhance their CSR initiatives to maximize their positive impact on both business and society.

5.3 Recommendation

Based on the findings and conclusions of the study, the researcher provides the following recommendations aimed to enhance the CSR dimensions to bring greater impact on organizational performance of Five Star Hotels in Addis Ababa.

- CSR towards customers has significant and positive effect on organization performance of hotels; so that the sample hotels should take responsibility for its customers. On CSR towards customers, the study recommends that sample hotels should meet that expectation by delivering the right service with a desirable quality at the right time, right place, and fair price.
- Given the study's result that employee-oriented CSR activities significantly and favourably impact organizational performance, it is advised that hotels adopt strong employee-oriented CSR policies and use them as a key instrument for raising performance. Accordingly, the model hotels ought to offer respectable workspaces, allocate suitable workstations or cubicles so that employees can work comfortably, and ultimately produce at a high enough standard. Additionally, staff training would play a key role in influencing how they behave towards the practice and the benefits of

corporate social responsibility that follow. Additionally, the model hotels want to make sure that those who work for them are genuinely loving what they are doing.

- The study also revealed that the organization performance of five-star hotels is significantly enhanced by community-oriented CSR practices; as a result, hotel management is advised to enhance these practices and use them as a key instrument to boost performance. By starting socially conscious projects, hotels can take part in charitable giving, donations, and other socially conscious endeavors.
- Since the unethical behaviors of the hotels have great influence on the interests of the employees, the shareholders, as well as the reputation of the hotel, the hotels should take the corporate social responsibility and adhere to the business ethics. Ethical responsibilities embody the range of norms, standards, and expectations that reflect a concern for what consumers, employees, shareholders, and the community regard as fair, to protection moral rights. Changes in ethics or values precede the establishment of laws because they become the driving forces behind the very creation of laws and regulations. Therefore, hotels should always try to observe high level of ethics and pass the same to their employees since the ethical standards observed by an organization becomes an identity of the organization.

5.4 Further Research Direction

Although this research provides some significant insights into the effect of CSR on organizational performance of Five Star Hotels in Addis Ababa, there is still a chance to extend the findings to gain a more comprehensive understanding.

- First of all, the study is confined with only four selected five-star hotels in Addis Ababa; therefore, future researchers should also make their researches in other hotels in other areas with wider sample size in order to broaden empirical evidences in the area.
- More so, the present study measures organizational performance of hotels in terms of subjective method using questionnaire. Thus, future study should also make on the objective measures of organizational performance based on financial report.
- More so, study suggest future study on the effect of CSR on employee performance.
- The study recommends further research that could lead to full exploitation of factors that affect organizational performance of hotels as a major step of unlocking the economic puzzle about hotel industry contribution to overall economy.

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Appendix I: Research Questionnaire

Dear Respondent,

The purpose of this questionnaire is to collect data for post graduate study for Master of Business Administration Program in International Leadership Institute for the study entitled “**The Effect of CSR Practices on Organizational Performance: The case of Five Star Hotels in Addis Ababa**”. This questionnaire is required to assist in determining the objectives of the study. Your privacy will be kept anonymously and, therefore, no one knows who provided the information. Any information provided will be used for academic purpose only and will be treated in strict confidence. Therefore, you are kindly requested to provide your responses to different questions below. Thank you in advance for agreeing to participate in this study.

General Instruction: - Circle your response or indicate "√" in the box beneath for closed-ended questions among the provided alternatives. You don't need to write your name.

Section A: Demographic Profile of Respondent

Instruction: Circle your response against any response that applies to you.

1.	Sex:	Male <input type="checkbox"/>	Female <input type="checkbox"/>
2.	Age:	18-25 years <input type="checkbox"/>	41-55 years <input type="checkbox"/>
		26-40 years <input type="checkbox"/>	over 55 years <input type="checkbox"/>
3.	Education level	Secondary school <input type="checkbox"/>	First Degree <input type="checkbox"/>
		Diploma <input type="checkbox"/>	Master & above <input type="checkbox"/>
4.	For how long have you been employed in this hotel?	1 – 5 years <input type="checkbox"/>	6– 10 years <input type="checkbox"/>
		11– 15 years <input type="checkbox"/>	> 15 years <input type="checkbox"/>
5.	Position in the company?		

Section II: Measure for CSR practices

This part of the questionnaire consists of items concerning corporate social responsibility practices. Evaluate to what extent each statement fits to your organization. Use the following rating scale, and put “√” mark for each rating. **1: Strongly Disagree, 2: Disagree, 3: Neutral, 4: Agree and 5: Strongly Agree**

No	Items	5	4	3	2	1
	i. Community-oriented CSR					
1	The hotel pay attention to community issue throughout the organization in order to integrated it with its business performances					
2	Financial aid and training support given by the hotel to local community.					
3	The participation of your hotel’s managers and employees in charitable activities of their local communities increase good will or image of the hotel					
4	The hotel plays a role in the society that goes beyond the profit generation that helps improving the well-being of the local community to solve social problems					
5	The hotel participates in partnerships between local communities, NGOs and other local bodies to promote local community development					
6	The hotel contributes resources regularly to the community and to charity.					
7	The hotel voluntarily supports projects that enhance the community's quality of life					
	ii. Employees-oriented CSR					
1	The hotel pay attention to employee issue throughout the organization in order to integrated it with its business performances					
2	The hotel provides equal opportunities that assured for all workers without bias either directly or indirectly in any labor practice has important role for employees’ retention					
3	Promotion of staff in this hotel is based on their credential and not discriminated in terms of race, gender, religion and ethnicity					
4	Any practices of CSR in this hotel have play vital role to lower employees’ absenteeism and to retain talented employees with the hotel.					
5	The hotel believes that workers should participate in most of the					

	company decisions on important issues					
6	The hotel is committed to the health and safety of employees.					
7	The hotels are respected employees’ rights, a safe and secure working environment is provided					
8	The hotel ensures a work/life balance among employees					
9	The hotel offers bonus or other incentives for employees during high profitability seasons					
10	The hotel offered regular training, experience and opportunities for Employees					
	iii. Customer-oriented CSR					
1	The hotel pay attention to customers issue throughout the organization in order to integrated it with its business performances					
2	The hotel strives to deliver high value and quality products that meet and/or exceeds customers’ expectations has effects on customer retain					
3	The protection of customer right when they have grievance on the services offers within the hotel has a role for customer retention					
4	The hotel performs well in terms of CSR towards its customers that has play key roles to attract new consumers and to retain the existing customers					
5	The hotel is committed to providing value to customers					
6	The hotel resolves customer complaints in a timely manner					
	iv. Environmental CSR					
1	The hotel pay attention to environmental issues throughout the organization in order to integrated it with its business performances					
2	The hotel obeys with the environmental laws, rules and regulations to promote environmental protection					
3	The hotel uses in-house biogas, solar energy source for specific purposes					
4	The hotel encourages use of recycled and /or eco-friendly office supply and equipment					
5	The hotel encourages use of programs that enhance the efficient use of energy.					
6	The hotel is actively supporting biodiversity conservation in-kind or other in the local area					
7	The hotel has a working Sustainability Policy					
8	Environmental issues are the most dominant CSR issues of the hotel.					

	v. Ethical CSR					
1	The hotel pay attention to ethical issues throughout the organization in order to integrated it with its business performances					
2	The hotel respect ethical norms of society to achieve its corporate goal.					
3	The hotel operating business within ethical standard of the society and prevents unethical behaviors in order to achieve organizational goals has encouragements for retaining employees and customers					
4	The hotel work with obligation to avoid harm, and to do what is right, has just enable the organization in order to become socially responsible hotel.					
5	The hotel performs in a manner consistent with societal expectations and ethical norms					
6	The hotel has been avoiding doing harm at all cost in its business doing.					

Section III: Questionnaires on Organizational Performance

In the section below, indicate the extent to which you agree with each of the following statements regarding organizational performance by ticking (✓) that which most closely matches your opinion. Use the following rating scale. **1: Strongly Disagree, 2: Disagree, 3: Neutral, 4: Agree and 5: Strongly Agree**

S.N	Organizational Performance	5	4	3	2	1
1	The hotel improves its profitability from time to time					
2	The hotel market share has increased over time					
3	The hotel annual revenue has been increasing over the years					
4	The hotel improves its operational cost & reduces resources wastages.					
5	The satisfaction of customers has improved over the years.					
6	The hotel service quality has improved over the years.					
7	The reputation and brand image of the hotel has improved					
8	The satisfaction of employee has improved over time.					

Section III: Challenges in implementing CSR practices

Please indicate your level of agreement with the following statements regarding challenges and barriers faced by hotels in implementing CSR practices by selecting the appropriate response on a scale of 1 to 5, where: **1: Strongly Disagree, 2: Disagree, 3: Neutral, 4: Agree and 5: Strongly Agree**

S.N	Items	5	4	3	2	1
1	The lack of awareness and understanding of CSR concepts among hotel staff.					
2	Limited financial resources allocated for implementing CSR initiatives.					
3	Insufficient training and capacity-building programs for staff to engage in CSR activities effectively.					
4	Resistance from senior management or stakeholders towards investing in CSR initiatives.					
5	Difficulty in measuring the impact and outcomes of CSR efforts.					
6	Regulatory and compliance challenges related to CSR regulations impede implementation efforts.					
7	The perception that CSR initiatives may not directly contribute to the hotel's profitability.					
8	Regulatory and compliance challenges related to CSR regulations impede implementation efforts.					
9	Lack of clear CSR policies and guidelines within the hotel management structure.					

10. Please specify any other challenges or barriers faced by your hotel in implementing CSR practices: [Open-Ended Response]

Thank you for your participation in this survey.