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Corporate Social Responsibility and Business Value of Multinational Companies: Lessons from a Sub-Saharan African Environment

James B. Abugre  and Alex Anlesinya 

Department of Organisation & Human Resource Management, University of Ghana Business School, Legon, Accra, Ghana

ABSTRACT

The issue of corporate social responsibility (CSR) as an approach for businesses to independently take actions that lead to better levels of societal development as well as higher value creation for the business, particularly in developing countries has gained much advocacy. Thus, the purpose of this study is to examine the relationship between CSR and business value of multinational companies (MNCs) in sub-Saharan Africa. The study adopted quantitative research methodology and using multiple regression analysis, findings show that CSR can positively and significantly predict business values in the multinational subsidiaries. These values include direct (economic value) and indirect (human capital value and reputational business value). This paper therefore contributes to a novel CSR index from the perspective of business value and sustainability of MNCs in the Sub-Saharan Africa (SSA) environment. Thus, the paper recommends MNCs operating in Africa to enhance their social investment through their CSR strategy with the aim that CSR must not be regarded as a cost center, but an investment instrument that can accrue various dividends.

KEYWORDS

CSR; corporate reputation; economic value; human capital value; multinational companies; sub-Saharan Africa; Ghana

Introduction

Increasingly, research in corporate social responsibility (CSR) as a social agenda for business operations is becoming more strategic for multinational companies (MNCs) (Eranda & Abeysekera, 2015). This includes the call for MNCs operating in different social and environmental settings to develop CSR practices that promote social rights, sustainable development of society and that which encourages active civic duty, without neglecting their principal goal of economic value creation (Marais, 2012; Santos, 2014). The reason is that CSR in societies is as old as the existence of the institution of business (Youd-Thomas, 2005). Therefore, an effective CSR should be linked to the business value of international firms operating in foreign environments. Consequently, MNCs are facing growing expectations and pressure from varied stakeholders (Arvidsson, 2010) to undertake CSR initiatives that lead to better levels

CONTACT James B. Abugre  jbabugre@ug.edu.gh  Department of Organisation & Human Resource Management, University of Ghana Business School, Box LG 78, Legon, Accra, Ghana.

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of global sustainability (Santos, 2014) as well as higher value creation for the business. What is CSR and what is business value?

What constitutes CSR varies from one firm to another, as there have been conflicting expectations of the nature of companies' responsibility to society (Samy, Odemilin, & Bampton, 2010). However, the well-accepted definition of CSR has been that of Carroll (1979), which says that social responsibility of business encompasses the economic, legal, ethical, and discretionary (philanthropic) expectations that society has of organizations at a given point in time. Business value on the other hand is a measure of the effectiveness for businesses. The business value of a firm can either be expressed as negative or positive. However, the primary motive of all corporate managers is to have a positive business outlook (Smart, 2003); and a positive growth of a business is assessed by how well the company experiences growth in relation to the goals and objectives of the business (Richard, Devinney, Yip, & Johnson, 2009).

Thus, it is expected that MNCs' policies on CSR should be strategic and aligned to their business value. Strategic CSR means that CSR, apart from bettering the society, should make business or strategic sense by aiming at achieving strategic business goals while also promoting societal development (Jamali, 2007; Porter & Kramer, 2006). Likewise, the World Business Council for Sustainable Development observes that "a coherent CSR strategy, based on integrity, sound values and a long-term approach, offers clear business benefits to companies and a positive contribution to the well-being of society" (Holmes & Watts, 2000, p. 3). Thus, literature on social responsibility has described the diverse paths valuable for linking CSR strategy to the business value creation process (Izzo, 2014). Nonetheless, organizational theory and practice of CSR in the economic and social environments of sub-Saharan Africa are still in their nascent stages and desire more exploration (Abugre, 2014; Julian & Ofori-Dankwa, 2013). Particularly, the impact of CSR on business value of MNCs in the sub-region needs investigation as there are scarcely any studies on the relationship between CSR and business value outlook (Anlesinya & Abugre, 2016). Consequently, this work makes two major contributions by examining the relationship between CSR and business value of MNCs working in the sub-Saharan African business environment and offering some critical lessons.

First, by investigating the relationship between the business value of MNCS and their CSR activities, the work increases our knowledge in the larger performance of CSR as business strategies that lead to better performance of MNCs in developing countries. This can then be replicated as lessons by indigenous organizations in the sub-region. Second, this study complements the contribution of the growing body of management research on CSR and its impact on corporate reputation, human capital value, and business performance of MNCs in emerging economies. This would serve a greater lesson for both managerial and theoretical practice for management research in the sub-region.

Thus, based on an empirical evidence of employees' perceptions of MNCs in Ghana, this study examines the impact of MNCs' CSR activities on their business value outlook, by posing the following questions: what is the relationship between CSR and business value of MNCs? Does firm reputation through social responsibility lead to performance?

The concept of business value for corporations

The concept of business performance is vital to corporate entities and their stakeholders altogether. Positive business value is something all businesses struggle to realize, irrespective of their size. This could explain why most small businesses want to become large, and large business entities also want to grow to be better (Ng'ang'a & Nyongesa, 2012).

The word “performance” can be used to describe different aspects such as societal performance, business performance, employee performance, and individual performance (Rothwell, Hohne, & King, 2012). Business value in this study is used interchangeably with business performance. In other words, the term business performance is referred to as business value in this study. Improved business value has the potential to bring companies several benefits such as greater efficiencies from economies of scale, increased power, a greater ability to withstand market fluctuations, a higher survival rate, enhanced profits, and increased prestige for the stakeholders of the company (Smart, 2003). Many companies desire performance because it is seen generally as a sign of success and progress. Business value is often used as a measure of effectiveness for businesses. It is a primary motive for many corporate managers (Smart, 2003).

The concept of business value or performance has been viewed variously by different academics and business leaders (Barney, 1991; Smart, 2003). Daft (2009) views the concept of business value as the capacity of employees or corporate entities to achieve their goals by using resources in an efficient and effective manner. Likewise, Ricardo and Wade (2001) see performance as the ability of an individual to attain their goals and objectives. It is the extent to which employees achieve the mission of their business organizations (Cascio, 2006). In his view, Meyer (2002, p. 56) defines business performance as “what firms do that generates revenues in excess of costs”. Other scholars also believe that business value is created when the resources of companies are used in a different way to enhance the likely productivity of those resources (Moran & Ghoshal, 1999). Value is created when consumers are willing to pay a premium for a company's products and services due to its participation and status in terms of specific social issues (Moran & Ghoshal, 1999).

According to Smart (2003) measuring performance is very central in an organization, and the two most popular measures of performance are categorized as economic and non-economic (Abu-Jarad, Yusif, & Nikbin, 2010) and can be measured from the eyes of the stakeholders of a particular business organization (Choi & Cowing, 2002). The value of a business offered by economic performance indicators only is often questionable (Tangen, 2004). This is because economic value indicators are based on simple cost accounting systems, while the business environments have changed significantly to encompass not only performance in monetary terms, but various improvements such as lead-time reduction, quality improvements, and customer service which are hard to quantify monetarily. In addition, economic value indicators are lag indicators and capture historical performance arising from mostly tangible assets (Ong, 2003). They often fail to properly record performance from intangible assets such as customer relationships, employee satisfaction, employee morale, attraction of talents, innovation, and the like that have become significant sources of competitive advantage for companies lately (Lev, 2000). In contrast, non-economic indicators of business value concentrate on companies' long-term success factors such as customer satisfaction, internal

business process efficiency, innovation, and employee satisfaction. It thus considers performance improvements from intangible assets (Kaplan & Norton, 2001), which embraces the satisfaction of human capital and reputation of the organization.

Additionally, in terms of the intangible human resource (HR) related measures of business value, employee motivation, well-being, and job satisfaction are common measures. These intangible HR value indicators relate and gauge an important aspect of business performance measurements (Clements-Croome & Kaluarachchi, 2000). Economic indicators of business value are objective in nature. However, non-economic indicators of business value measures are subjective in nature. They include managers' perception of firm performance on market share, employee health and safety, investment in research and development, employee satisfaction and morale, among others. It is important to point out that perceptual data on non-economic business value from senior managers correlate with hard data on economic business value from secondary sources (Venkatraman & Ramanujam, 1987). This implies that both economic and non-economic measures of business value or performance can complement each other. Therefore, economic indicators along with non-economic indicators of business value are used to assess business performance holistically (Ittner & Larcker, 1998). Accordingly, the use of both economic and non-economic indicators to assess business value in this study is particularly of importance, since it will ensure that the non-economic indicators overcome the difficulties that are noted to bedevil the exclusive use of economic indicators.

In the light of the above, business value in this study therefore, is defined as the tangible and intangible results of a company's policies, strategies, and operations. The tangible results are reflected in the company's Return on Investments (ROI), Return on Equity (ROE), Return on Assets (ROA), sales growth, and profit growth. The intangibles are mirrored in employee motivation, talent attraction, employee commitment and retention, and corporate reputation.

CSR practices of MNCs in the context of developing countries

Multinational corporations (MNCs) are foreign capital investment in different environments, which have played and continue to play a central role in the global economic, social, and political changes commonly referred to as globalization (Held, McGrew, Goldblatt, & Perraton, 2000). Thus, MNCs have become increasingly common in recent years in developing countries and Ghana is no exception. For example, Goldfields Ghana, Newmont Ghana, AngloGold Ashanti, Tullow Ghana, Kosmos Energy, and Eni Ghana are notable MNCs operating in Ghana's extractive sector. In the banking and financial sector, Barclays Bank, Standard Chartered Bank, Ecobank, Stanbic Bank, Access Bank, United Bank of Africa, and the Enterprise Group are a few of the leading MNCs in Ghana. In the telecommunication industry, five out of the six main operators are MNCs. Similar examples can be attributed to other sectors such as the manufacturing, professional, and advisory services, hospitality, and tourism sectors.

This growing number of MNCs in all sectors of Ghana and most developing countries showed that the MNCs' place and influence are growing in the international economy and with their higher demands on responsibility for the social and environmental effects that come from the corporations' own operations (Classon & Dahlström,

2006). MNCs around the globe therefore are trying to establish good reputation and understand the benefits of good relations with suppliers and producers from developing countries (Bethoux, Didry, & Mias, 2007).

According to Visser (2003), there is a preponderance of CSR among large, high profile multinational and national companies in Africa. These MNCs also have a better grasp of the various dimensions of CSR and how these could be used to gain business and strategic advantage (Ofori & Hinson, 2007) compared to local firms. The various developmental issues facing the continent such as hardship and disease could be potentially addressed through MNC-sponsored CSR initiatives or activities (Tobey & Perera, 2012).

In furtherance of this, MNCs in some developing countries, for example Ghana, have been implementing some social actions to contribute toward resolving some of the challenges facing the country. The CSR activities of these firms are mostly geared toward human capital development, sport development, responsible business such as: diversity and inclusion, community engagement, and environmental stewardship, among others. For example, PwC Ghana, a leading MNC in Ghana's services industry indicated in their 2015 CSR report that the company's CSR strategy is mainly driven by issues such as responsible business, diversity and inclusion, community engagement, employee safety, and environmental stewardship.

Some of the MNCs also carry out CSR activities to promote public health and also human rights. For example, the CSR report of Kinross Gold Corporation stated that since 2009, the Chirano mine (its subsidiary in Ghana) has invested US\$5.6 million in an integrated malaria control program, with US\$3.5 million to finance infrastructure and US\$0.7 million in annual operating costs. At the end of 2011, they "reduced the incidence rate of malaria cases in Chirano's workforce by 81% and reduced the incidence rate of malaria in beneficiary communities by 53%" (Kinross CSR Report, 2011, p. 7).

Many other MNCs in various sectors sponsored provision of educational facilities and scholarships, health centers, construction of boreholes, sports, among others. Tullow Ghana scholarship is a typical example.

However, Malan (2005) and Transparency International (2005) observed that CSR performance of MNCs in developing countries, especially in Africa, have a mixed social impact record. They are implicated in corruption, exploitation of labor, and destruction of the environment. Nonetheless, they are also credited with economic and infrastructure development and initiating social responsibility programs throughout the continent (Visser, 2005). Thus, it is very proper that this work examines the relationship between MNCs' CSR and their business value in sub-Saharan Africa.

Literature and hypotheses development

Corporate social responsibility and economic business value

The issue of CSR and business value has gained the attention of various researchers globally. As a result, various studies have tried to explain the effect of CSR actions on business value. Some of the studies examining CSR and economic business value have found a positive relationship. For example, Peloza (2009) explored the relationship between CSR and

economic value using 128 articles. The researcher found that the majority (59%) of these articles found a positive relationship, some (27%) concluded on a mixed or no relationship, with few (14%) indicating a negative relationship. In another study that utilized meta-analysis of 251 studies, Margolis, Elfenbein, and Walsh (2012) found a positive, although small, effect of CSR on business value. Likewise, in their analysis of articles from 588 journals and 102 books and book chapters, Aguinis and Glavas (2012) found that CSR made significant contributions in enhancing the overall business value of companies. These contributions of CSR to companies' business values included positive assessment of the company from consumers, brand strengthening, positive feedback on the products, and enhanced consumer loyalty. Additionally, using the same methodology, Dos Santos (2011) found a positive relationship between CSR and economic value of companies; however, there was also some evidence for a mixed relationship, as well as small evidence for a negative relationship. More recently, Fatemi, Fooladi, and Tehranian (2015) examined the valuation effects of CSR and proved that CSR does pay off in the form of value creation. Prior to this, Margolis and Walsh (2003) conducted a study to investigate the nature of the effect of CSR on economic value. Their meta-analysis showed that more than half (55%) of the 160 research studies investigated suggested that CSR has a positive effect on economic value. Similarly, Orlitzky, Schmidt, and Rynes (2003) integrated three decades of research from 52 previous studies on the topic using meta-analytical procedure. Their findings also indicated that CSR has a significant positive relationship with the economic value of business.

Clearly, the above studies demonstrated that CSR can significantly enhance economic business value. This is because CSR in these studies has shown to create values in many respects for a business such as positive assessment of the company from consumers, positive feedback on the products, and enhanced consumer loyalty, among others. Even though CSR has a significant positive effect on business value, other researchers have found contrary views to this. For example, researchers (Brammer, Brooks, & Pavelin, 2006; Samy et al., 2010; Wolmarans, 2012) have either found mixed or no effect of CSR on economic business values. A few other studies have also found a negative effect of CSR on economic business value. For instance, Crisóstomo, Freire, and de Vasconcellos (2011) indicated a significant negative correlation between CSR and firm value in Brazil. Prior to this, Brammer et al. (2006) demonstrated that firms with good CSR ratings tend to underperform in relation to their poor CSR counterparts in the UK. They attributed results to the role of environmental indicators as driving this finding.

Clearly, the above-mentioned reviews showed that the effect of CSR on economic business value appeared contradictory. We see the positive, negative, and the inclusive effect on economic business value. This therefore appears to suggest that there is a lack of consensus on the definite effect of CSR and business value creation. Nonetheless, the majority of the writers have showed a positive effect, some found inconclusive or mixed effects, and a few found a negative or insignificant effect. As a result of the above, we hypothesize that:

H1: *There will be a positive relationship between CSR practices and economic value of MNCs operating in Ghana.*

CSR and reputational business value

Unlike CSR and economic business value that has gained a lot of research attention, studies on CSR roles in creating reputational business value are relatively limited. Admittedly, some researchers have instigated the effect of CSR on the corporate reputational value of a business (Bayoud, Kavanagh, & Slaughter, 2012; Esen, 2013; Moura-Leite & Padgett, 2014; Mushtaq, 2013; Pérez, 2015). In a study using Libyan companies, Bayoud et al. (2012) showed that CSR disclosure in the annual reports has a positive effect on reputational business value. Similarly, Mushtaq (2013) indicated that there is a positive impact of CSR on corporate reputation in Pakistan. In China, Su, Huang, van der Veen, and Chen (2014) showed that CSR has a significant effect on corporate reputation. In a related study of 256 firms in the USA, Moura-Leite and Padgett (2014) found that institutional stakeholders are deemed to hold normative expectations of a firm's behavior, thereby impacting strongly on the firms' reputational value. In Europe, Arendt and Brettel (2010) examined the effects of CSR on corporate identity, image, and firm performance in a multi-industry setting. Their study showed that CSR triggers the corporate-image-building process. However, they added that its relationship to company success varies significantly based on company size, industry, and marketing budget. Prior to these studies, Rettab, Brik, and Mellahi (2009) also using survey data from 280 firms operating in Dubai, examined the effect of CSR activities on business value. The findings of the study showed that CSR has a positive relationship with corporate reputation. Although, Esen (2013) adopted a different methodological approach (i.e. review of literature): the results showed that CSR enables firms to improve reputation with a broad range of stakeholders. These stakeholders include employees (internal customers), customers (external customers), suppliers, competitors, bankers, and investors. In a more recent study, Pérez (2015) analyzed corporate reputation as an outcome of CSR reporting, and found that CSR reporting is particularly valuable to generate corporate reputation. From the above, and the lack of investigation of CSR and business reputation of companies, we hypothesize that:

H2: *There will be a positive relationship between CSR practices and reputational value of MNCs operating in Ghana.*

CSR and human capital value

Most past studies showed that a firm's CSR actions matter exceedingly to its employees (Belaid et al., 2009; Branco & Rodrigues, 2006; Lee & Kim, 2013; Mory, Wirtz, & Göttel, 2016; Srivastava, Negi, Mishra, & Pandey, 2012). For example, Branco and Rodrigues (2006) reported that companies perceived to have a strong CSR image often have an increased ability to attract better job applicants, retain them once hired, and maintain employee morale. Such firms also tend to extend their CSR efforts internally to their employees through fair and socially responsible practices (Rupp, Ganapathi, Aguilera, & Williams, 2006). Therefore, it is reasonable to expect that firms that engage in CSR activities will foster a positive relationship with their employees. As a result, they are more likely to earn employees' commitment than firms that do not engage in CSR initiatives (Aguilera, Rupp, Williams, & Ganapathi, 2007). Additionally, in the United

States, Vitaliano (2010) assessed the effect of CSR on the voluntary turnover (quit) rate of employees from companies ranked as being socially responsible by an external review organization and also considered as a best employer. The study results showed that the adoption of business policies that cause the firm to be rated as socially responsible reduce the annual quit rate by 3% to 3.5%. This amounted to a 25–30% reduction, as compared to non-CSR public corporations or a larger comparison set including privately held and not-for-profit firms. In a related study in Portugal, Ferreira and de Oliveira (2014) examined CSR and employee engagement. Their results showed that perceived CSR practices of firms had significant direct effects on employee well-being. More recently, Makanyeza, Chitambara, and Kakava (2018) investigated CSR influence on firm performance in Zimbabwe. The authors found that employee and customer relations, community relations, and investor relations all had a positive effect on firm performance.

Hence, CSR has the potential not only to create economic value for businesses but also it can improve employee well-being, increase worker commitment, attract more qualified and talented workforce, create employee motivation, and sustain morale. Therefore, we hypothesize that:

H3: *There will be a positive relationship between CSR practices and human capital value of MNCs operating in Ghana.*

Research design and population

The focus of this study was to quantitatively estimate the associations between the constructs of CSR and business value of MNCs in Ghana – a sub-Saharan African economy. Hence, the choice of a cross-sectional survey design using questionnaires to collect data. According to Sedgwick (2014), cross-sectional studies are generally quick, easy, and cheap to perform. Consequently, the target population for this study was defined as all registered MNCs operating in Ghana. We also adopted stratified and purposive sampling methods to select the participants from the various MNCs in Ghana. Stratified sampling involves grouping of the various units of a population into homogeneous groups or strata before sampling (Babbie, 2008). The use of a stratified sampling method enabled the researchers to divide the MNCs into strata on the basis of their sectors of operations such as: financial, logistic and transport, manufacturing, mining and oil and gas sectors, and telecommunication. The purposive sampling technique also assisted the researchers to select the MNCs based on the following criteria: (1) the company must be duly registered or licensed to carry on business in Ghana; (2) the company must have operated in Ghana and have been implementing CSR for at least the past three years. This is because CSR activities implemented in a current year may not create significant value in that year but in future years or at least one year afterward.

This study therefore distributed a total of 334 questionnaires to the selected MNCs. Out of this number of questionnaires distributed to management employees at the head offices of MNCs, a total of 267 valid and usable questionnaires were used for the analysis. This represented a response rate of 79.94%. The sectoral distributions were

as follows: 30% of MNCs from the financial sector; 25% from the mining and oil and gas sectors; and 15% from the telecommunication, manufacturing, and logistics and transport sectors each were selected for inclusion in the study. This study specifically sampled managers from the headquarters of the selected companies for some obvious reasons. One of the reasons was that the information sought was strategic in nature. Therefore, efforts were made to ensure that participants occupied managerial positions in the sampled companies (Abugre & Nyuur, 2015). This is because managers are responsible for developing an adequate CSR or CSR strategy in order to drive organizational change and also present their company's achievements (Marais, 2012).

Measures

Corporate social responsibility

CSR was measured with a 29-item scale by Maignan and Ferrell (2001), which was adopted with minor modifications (See Table A1). The scale focused on sample CSR initiatives like: Our business has a procedure in place to respond to customer complaint; Top managers monitor the the potential negative impacts of our activities on our community; The managers of this organization try to comply with the law. The aggregate alpha reliability scale was 0.953.

Business value

Economic business value was measured with a five-item scale adapted from Samiee and Roth (1992) with variables to measure economic business value: ROE, ROA, ROI, sales growth, and market share from the perceptions of employees (See Table A2). Most of these variables have consistently been used by various researchers who have to assess economic business value (Amiri & Amini, 2015) from the perceptions of managers. The aggregate alpha reliability scale was 0.954.

Human capital value was measured with a nine-item scale with indicators like employee commitment, talent attraction and retention, employees' satisfaction with their jobs, satisfaction with occupational health and safety performance of the company, employee morale, employee creativity, and employee well-being. The aggregate alpha reliability scale was 0.845.

Reputational value was measured with seven item indicators like firm's brand image, goodwill, attractiveness of the company's name or products to stakeholders, among others. The aggregate alpha reliability scale was 0.904.

Reliability of the study instruments

The commonly used method of assessing reliability is internal consistency, which is frequently measured using coefficient alpha or Cronbach's alpha (Malhotra, 2007). This study therefore assessed reliability of the scales using Cronbach's alpha value of 0.70 as the threshold based on Nunnally's (1970) recommendation. From the results, CSR had a Cronbach's alpha of 0.953, economic business value had 0.954, human capital value

had 0.845, and reputational value had 0.904 Cronbach's alpha values. The measures therefore showed adequate internal reliability.

Control variables

In this study, the number of employees served as an approximation of the company's size. Firm size was measured using the National Board for Small Scale Industries of Ghana's categorization. It was coded as a dummy variable where large firms (i.e. firms with employees above 100) were coded 1 and 0 otherwise. The firms' age was measured using number of years of incorporation of the firm in Ghana. The sector dummy was used to measure sector of operations.

Data analytical approach

A correlation and hierarchical multiple regression were used for data analysis using SPSS version 22.0. Correlation was used to establish a preliminary relationship between the study's variables. The hierarchical regression was used to establish causal effect of CSR on economic business value, reputational business value, and human capital value. As a way of controlling for the effect of bias such as Common Method Bias, we ensured encouraged voluntary participation and also assured the respondents of their privacy and confidentiality.

Results

Table 1 presents the means, standard deviations, and correlations between the variables in this study. From the results as indicated in Table 1, there is a significant positive association between CSR and economic business value ($r = 0.64$, $p < 0.001$). CSR and reputational business value are also significantly and positively related ($r = 0.78$, $p < 0.001$). In addition, there is a significant positive association between CSR and human capital value of a business ($r = 0.68$, $p < 0.001$).

Testing of hypotheses

From Table 2, a two-step regression analysis was performed to test each of the hypotheses. Models 1, 3, and 5 present results for the control variables of firm size,

Table 1. Correlation between CSR, Business Values, and Control Variables.

Variables	Mean	SD	1	2	3	4	5	6	7
1. EBV	19.92	4.23	1						
2. RBV	30.05	5.24	.63***	1					
3. HCV	34.16	6.67	.64***	.66***	1				
4. CSR	119.67	18.07	.64***	.78***	.68***	1			
5. Size	0.97	0.17	-.003	.11	.07	.09	1		
6. Sector	0.24	0.43	.14*	.13*	.12*	.10	-.21**	1	
7. Firm age	29.43	25.13	.06	.10	.13*	.01	.17**	.10	1

Note. *** = $P < .001$; ** = $P < .01$; * = $P < .05$

EBV = economic business value; RBV = reputational business value; HCV = human capital value; CSR = corporate social responsibility.

Table 2. Hierarchical Multiple Regression Predicting Economic, Reputational, and Human Capital Value from Corporate Social Responsibility (CSR).

Variables	Economic Value		Reputational Value		Human Capital Value	
	Model 1(β)	Model 2 (β)	Model 3 (β)	Model 4 (β)	Model 5 (β)	Model 6 (β)
<i>Step 1: Control:</i>						
Firm age	0.041	0.058	0.066	0.087*	0.099	0.117
Firm size	0.020	-0.059	0.131*	0.036	0.081	-0.002
Sector	0.142*	0.060	0.146*	0.049	0.128*	0.042
<i>Step 2: IDV:</i>						
CSR	-	0.640***	-	0.770***	-	0.676**
R^2	0.022	0.422	0.040	0.619	0.033	0.479
Adj. R^2	0.011	0.414	0.029	0.613	0.022	0.471
Change R^2	-	0.400***	-	0.579***	-	0.446***
F-test	1.99	47.92**	3.62*	12.37**	3.04*	60.28**

Note. *** = $P < .001$; ** = $P < .01$; * = $P < .5$.

IDV = Independent variable.

firm age, and sector against all three indicator variables of business value, that is, economic, reputational, and human capital values. Models 2, 4, and 6 present results of all three hypotheses (H1, H2, and H3) and suggest strong positive relationships between all the outcome variables (economic, reputational, and human capital) and the predictor variable (CSR). Therefore, Model 2 indicates that H1, which states that *CSR will have a significant positive effect on economic business value in Ghana* is strongly accepted ($\beta = 0.640$, $p < 0.001$). Similarly, H2 which states that *CSR will have a significant positive effect on reputational business value in Ghana* is strongly accepted ($\beta = 0.770$, $p < 0.001$). Also, H3 which states that *CSR will have a significant positive effect on human capital value in Ghana* is strongly accepted ($\beta = 0.676$, $p < 0.001$). In general, all regression models for analyzing the dependent variables (2, 4, and 6) emerged significantly strong at ($F = 47.92$, $p < 0.01$; $F = 12.37$, $p < 0.01$, $F = 60.28$, $p < 0.01$) respectively. Thus, all three hypotheses are supported by the results and accepted with strong and positive beta values. Additionally, all the *Change in R^2* between Model 1 and Model 2, Model 3 and Model 4, and Model 5 and Model 6 following the introduction of CSR were significant at 0.10% ($p < 0.001$).

Firm age has an insignificant positive effect on economic business value in both Model 1 ($\beta = 0.041$, $p > 0.05$) and Model 2 ($\beta = 0.058$, $p > 0.05$), human capital value in Model 5 ($\beta = 0.099$, $p > 0.05$) and Model 6 ($\beta = 0.117$, $p > 0.05$). Even though it has an insignificant positive effect on reputational business value in Model 3 ($\beta = 0.066$, $p > 0.05$), it significantly and positively predicted reputational business value in Model 4 ($\beta = 0.087$, $p < 0.05$). Firm size with the exception of Model 3 ($\beta = 0.131$, $p < 0.05$), where it has significant positive effect on reputational business value, did not have a significant effect on economic business value in Model 1 ($\beta = 0.020$, $p > 0.05$) and Model 2 ($\beta = -0.059$, $p > 0.05$), and human capital value in Model 5 ($\beta = 0.081$, $p > 0.05$) and Model 6 ($\beta = -0.002$, $p > 0.05$). Finally, sector has a significant effect on economic business value in Model 1 ($\beta = 0.142$, $p < 0.05$) but is insignificant in Model 2 ($\beta = 0.060$, $p > 0.05$). In Model 3, sector as a control variable significantly predicted reputational business value ($\beta = 0.020$, $p < 0.05$) but is insignificant in Model 4 ($\beta = 0.049$, $p > 0.05$). Similarly, sector significantly predicted human capital value of a business in Model 5 ($\beta = 0.128$, $p < 0.05$) but has insignificant effect on human capital

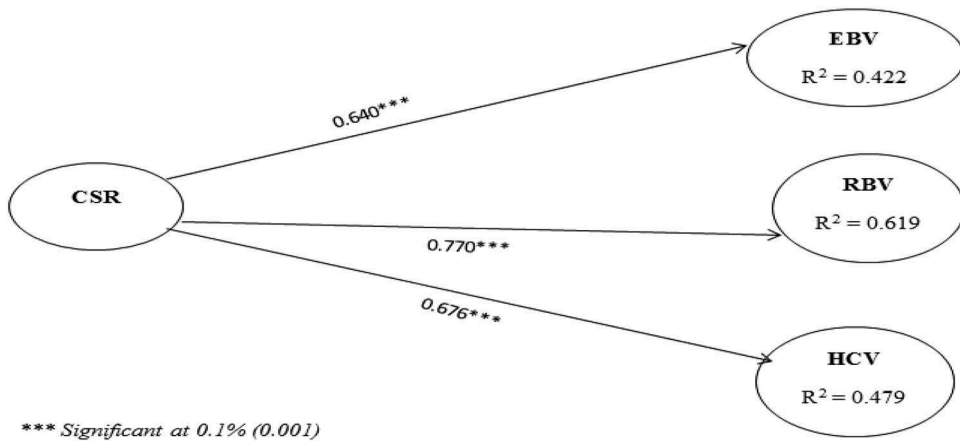


Figure 1. Conceptual Framework on CSR and Business Values.

Note. CSR = corporate social responsibility; EBV = economic business value; RBV = reputational business value; HCV = human capital value.

value in Model 6 ($\beta = 0.042$, $p > 0.05$). The findings relating to the main hypotheses of the study are also presented in [Figure 1](#).

Discussion of results

This work examined the relationship between corporate social responsibility and business value of multinational companies in a sub-Saharan African business environment using Ghana as a case study. Consequently, our first hypothesis sought to ascertain if CSR creates an economic business value. The results as expected showed that CSR has a significant positive effect on economic business value ($\beta = 0.640$, $p < 0.001$). This means that when CSR performance improves by 1%, it will create 64% economic values for a business, all things being equal. This significant positive effect of CSR on economic business value is in consonance with most studies that have taken place in Europe, Asia, and the Americas (Aguinis & Glavas, 2012; Uadiale & Fagbemi, 2012; Yang, Shiu, & Liu, 2015). The significant positive effect of CSR on economic business value explains that CSR can provide positive business assurance for CSR-oriented firms which have the potential for creating buoyant economic value for businesses (Yang et al., 2015). Additionally, the result suggests that companies would experience increased economic business value, because their CSR activities generate a positive assessment of the company from consumers, positive feedback on the products, and enhanced consumer loyalty (Aguinis & Glavas, 2012).

Our second hypothesis sought to assess the effect of CSR on reputational business value. The results showed that CSR improved reputational business value ($\beta = 0.770$, $p < 0.001$). The implication of this finding is that, when firms improve their CSR they gain reputational value from their stakeholders which is an overall positive business value for the firm. This finding validates some studies done in Europe, and elsewhere (Esen, 2013; Moura-Leite & Padgett, 2014; Pérez, 2015) that CSR creates reputational value for firms. This implies that when MNCs operating in sub-Saharan Africa embark

on positive CSR, the MNCs are able to create positive stakeholder values with a positive impression about the subsidiaries' image. This positive impression of the company's image may attract consumers and investors who want to be associated with companies with a good reputation for CSR.

The third hypothesis sought to assess whether CSR enhances human capital value of a business. The results showed that CSR significantly enhanced human capital value of businesses ($\beta = 0.676$, $p < 0.01$). This implies that when a company puts in more efforts in CSR, it definitely enhances its human capital value. This positive effect of CSR on the human capital value of business, suggests that by showing commitment to social actions, an organization could benefit from various employee outcomes such as high ability to attract and retain talented workers, developing and sustaining workforce morale, engagement, commitment, being accessible to a wide pool of talented individuals who will be interested to associate themselves with the organizations through employment demand.

Lessons and contributions for international business

The effect of the directional relationship between corporate social responsibility and business value of MNCs operating in sub-Saharan Africa makes a significant contribution to the social responsibility literature particularly the emerging CSR literature. The study shows that CSR significantly creates economic, reputational value, and human capital values for foreign business in Africa.

Lessons from this work suggest that the phenomenon of powerful MNCs taking advantage of sub-Saharan African countries due to a weak regulatory and institutional environment to encourage dishonest activities such as environmental degradation, tax avoidance, and illicit financial outflow to rich and developed countries (Abugre & Nyuur, 2015; Dobers & Halme, 2009) should be despised. Rather, MNCs should be committed to positive social actions in order for their businesses to satisfy their stakeholders by establishing a positive relationship with them. This positive relationship will enhance the organization's reputation (Porter & Kramer, 2006). Furthermore, CSR's contribution to reputational value can be achieved by helping to establish a unique identity for the business. An identity that is associated with responsible business, community engagement, good corporate citizenship, a transparent and trustworthy organization, a good steward of human and natural resources. This is what is desired by the sub-Saharan African economy and not undue pillage by powerful MNCs operating in the sub-continent. In this regard, CSR may be considered as offering a common platform for building a firm's corporate identity to enhance its reputation. This therefore is consistent with Simoes, Dibb, and Fisk's (2005) claim that there is a common internal platform for identity management that reflects consistent messages about the organization so that a reputable corporate image is transmitted across various stakeholders of business.

A second contribution is that having strong human capital value stimulates innovation, stimulates higher efficiencies and superior performance, and consequently differentiates the company from its competitors with poor human capital quality. In most cases powerful MNCs in Africa also take advantage of the poverty and high unemployment rate in the continent believing that bad and unethical HRM practices could still

attract young men and women due to necessity. Our work however found a strong correlation between CSR and human capital value. This suggests that people are beginning to attach good corporate responsibility to human capital irrespective of the condition they find themselves in. Thus, having a good reputation can attract consumers who are willing to pay extra (that is, premium price) for the company's products or services, attract competent and motivated employees, investors, and consequently improve the economic value of the company. Additionally, by engaging in CSR activities, the companies often easily foster a positive relationship with their employees. As a result, they are more likely to earn employees' commitment than firms which do not engage in CSR initiatives (Aguilera et al., 2007; Makanyeza et al., 2018). Another reason for explaining the positive effect of CSR on business value could be that as a company shows strong commitment to implementing CSR, it also tends to extend its CSR efforts internally to its employees through fair and socially responsible practices (Rupp et al., 2006). A lesson that most MNCs must adopt as their operative function.

Implications for theory and practice

In the light of this empirical evidence, our work offers practical and theoretical lessons on the effect of CSR on business value in the sub-Saharan African business environment. Theoretically, the study provides evidence of the value of CSR and business performance of MNCs. Our work suggests that effective CSR by companies has an impact on their business value thereby enhancing their performance. By this finding, we provide additional evidence on the view that CSR is a domain that can lead to positive organizational processes and performance of corporations. Second, this work extends the human capital theory of organizations, and provides a new dimension of how social responsibilities of corporations could enhance effective human resource management through attraction of desirable candidates.

A third theoretical implication from this study is the validation of CSR and economic business value of corporations. This significant positive effect of CSR on economic business value adds to most studies in Europe, Asia, and the Americas (Aguinis & Glavas, 2012; Uadiale & Fagbemi, 2012; Yang et al., 2015), and brings out a new theoretical dimension of the influence of CSR practices of corporations on their economic business value in sub-Saharan Africa (Makanyeza et al., 2018).

Practically, by focusing on the business value of MNCs, both large and small firms in developing economies can begin to examine their operations with regard to increasing their economic fortunes. Our attributes – economic value, reputational value, and human capital value – should serve as insights for management strategies in the search for organizational performance and productivity. Our results are also consistent with the stakeholder theory that by managing and satisfying competing interests of diverse stakeholders, a firm can create significant business value. Second, management of MNCs in sub-Saharan Africa and other developing countries should begin to understand that irrespective of contextual condition, most employees today are adopting citizenship behavior, and would expect their companies to do so. Thus, the reputations of organizations are essential in attracting stakeholder commitment. For this reason, MNCs or firms operating in Africa should adopt a more proactive attitude toward the initiations and implementations of their social actions. Being proactive will enable the

company to be in a better position to meet the ever increasing and dynamic social and environmental trends with impacts on their business operations' sustainability; hence, CSR will serve as a tool to meet their stakeholders' expectation and also create value for the business. Thus, in this study, CSR creates economic, reputational, and human capital values for business.

Limitations and future directions

The study focused solely on MNCs operating in Ghana. Therefore, extrapolations of current findings to MNCs in other developing countries should be done with caution. Aside, its findings may not also reflect the situation among local firms in Ghana, since the study did not focus on local firms. Nevertheless, local firms have always looked up to the strategies of large MNCs that make them perform, for this reason, our findings may be applied to them.

Also, using perceptions or subjective measures of business value, particularly economic business value, might not give the true situations of the selected firms. The reason is that measuring economic or business performance using self-reported or perceptions of employees has always been challenging to researchers. Nevertheless, our use of managerial perceptions of organizational indices in addition to return on investment, return on asset, and return on equity encompasses measures on both tangible and intangible performance outlook. Therefore, future studies may explore specific economic indices and associated performance components in more detail than our perceptual measures.

Lastly, we encourage similar studies in the context other developing countries. We think measuring corporate social responsibility and business value of companies in different countries may likely give diverse perspectives which is good for theory building in responsible societies.

Disclosure statement

No potential conflict of interest was reported by the authors.

ORCID

James B. Abugre  <http://orcid.org/0000-0002-0927-1208>

Alex Anlesinya  <http://orcid.org/0000-0001-5439-4672>

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Appendix

Table A1 Measurement Items for CSR.

Measurement Items	Mean	SD
CSR1: Our business has a procedure in place to respond to customer complaint	4.41	0.83
CSR2: We continually improve the quality of our products	4.35	0.78
CSR3: We use customer satisfaction as an indicator of our business performance	4.24	0.95
CSR4: We have been successful at maximizing our profits	4.03	0.91
CSR5: We strive to lower our operating costs	4.29	0.94
CSR6: We closely monitor employees' productivity	4.36	0.77
CSR7: Top management establishes long-term strategies for our business	4.37	0.95
CSR8: Managers are informed about relevant environmental laws	4.15	0.89
CSR9: All our products meet legal standards	4.50	0.89
CSR10: Our contractual obligations are always honored	4.28	0.79
CSR11: The managers of this organization try to comply with the law	4.35	0.86
CSR12: Our company seeks to comply with all laws regarding hiring and employee benefits	4.27	0.86
CSR13: We have programs that encourage diversity of our workforce	4.16	0.84
CSR14: Internal policies prevent discrimination in employees' compensation and promotion	3.79	1.13
CSR15: Our business has a comprehensive code of conduct	4.38	0.90
CSR16: Members of our organization follow professional standards	4.39	0.85
CSR17: Top managers monitor the potential negative impacts of our activities on our community	4.01	0.94
CSR18: We are recognized as a trustworthy company	4.43	0.83
CSR19: Fairness toward coworkers and business partners is an integral part of our employee evaluation process	4.18	0.92
CSR20: A confidential procedure is in place for employees to report any misconduct at work (such as stealing or sexual harassment)	4.12	1.02
CSR21: Our salespersons and employees are required to provide full and accurate information to all customers	4.27	0.94
CSR22: The salaries offered by our company are higher than industry averages	3.18	1.21
CSR23: Our business supports employees who acquire additional education	3.91	1.10
CSR24: Our business encourages employees to join civic organizations that support our community	3.77	1.05
CSR25: Flexible company policies enable employees to better coordinate work and personal life	3.78	1.00
CSR26: Our business gives adequate contributions to charities	4.09	0.95
CSR27: A program is in place to reduce the amount of energy and materials wasted in our business	3.87	1.02
CSR28: We encourage partnerships with local businesses and schools	3.90	1.00
CSR29: Our business supports local sports and cultural activities	3.82	1.13

Table A2 Measurement Items for Business Value.

<i>Economic business value</i> – relative to our largest competitor, during the last year:	Mean	SD
EBV1: Our return on investment has been substantially better	3.96	0.95
EBV2: Our return on assets has been substantially better	4.07	0.84
EBV3: Our sales growth has been substantially better	3.99	0.94
EBV4: Our profit growth has been substantially better	3.99	0.93
EBV5: Our return on equity has been substantially better	3.92	0.95
<i>Human capital value</i>		
HCV1: Our company is able to attract talents and highly qualified employees	4.35	0.93
HCV2: Our company is happy with our employee retention rate	3.85	1.19
HCV3: Most of our employees intend to quit their jobs	3.09	1.52
HCV4: Most of our employees are committed to the company	3.96	1.02
HCV5: The morale among our employees is high	3.94	1.08
HCV6: Our employees are satisfied with our occupational health and safety measures	4.09	1.04
HCV7: Most of our employees are creative and innovative	4.19	0.93
HCV8: Our employees are satisfied with their jobs	3.81	1.14
HCV9: Our employees are happy with their overall well-being	3.90	1.02
<i>Reputational business value</i>		
COR1: Our company has an attractive image	4.45	0.89
COR2: We enjoy favorable press coverage from media professionals	4.17	1.03
COR3: It is a great pride for people to work for this company	4.18	1.00
COR4: Our company's name and products are appealing to customers/other stakeholders	4.30	0.92
COR5: Our corporate brand is the best	4.32	0.96
COR6: We enjoy repeat business from customers	4.21	0.87
COR7: We enjoy goodwill for good quality service/product delivery	4.43	0.88