

**THE INFLUENCE OF CORPORATE SOCIAL RESPONSIBILITY  
ON THE PERFORMANCE OF L'OREAL EAST AFRICA  
LIMITED**

**BY  
MBURU ARNOLD MUHORO  
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**SUPERVISOR: PROFESSOR FRANCIS KIBERA**

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## DECLARATION

This Research Project is my original work and has not been submitted for a degree in any other University.

**Signed** \_\_\_\_\_ **Date** \_\_\_\_\_

**Mburu Arnold Muhoro**

**D61/83924/2016**

This Research Project has been submitted for examination with my approval as the Student's University Supervisor.

**Signed** \_\_\_\_\_ **Date** \_\_\_\_\_

**Francis N. Kibera, PhD**

**Professor of Marketing**

**Department of Business Administration**

**School of Business**

**University of Nairobi**

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## **DEDICATION**

This work is dedicated to my life coach, my mum, Milka Wanjiku Muhoro. I owe it all to you, mum! You have made me the person I am today, I will always be grateful. You are truly a gift from God.

Special thanks to my dad, Fredrick Muhoro Kairu, for supporting, mentoring and instilling in me the spirit of hard work and the importance of education. Thank you for supporting this decision I made and for inspiring me to continue realizing my true potential in life. I will never be able to pay you back for the love and affection.

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## **ABSTRACT**

This study sought to investigate how practicing corporate social responsibility affects organizational performance at L'Oreal East Africa Ltd. The researcher chose a case study research design, because it focuses on understanding the dynamics present in a management situation (Eisenhardt, 1989). The researcher collected primary data through an interview guide that consisted of open-ended. The data were collected from the senior managers within the human resource, marketing, corporate communication, and finance departments who are involved in strategy formulation and implementation programs for corporate social responsibility and afterwards analyzed through the use of content analysis. The results found that corporate social responsibility affects corporate financial performance of the organization to a great extent through creation of demand for the organization's products, bringing the company closer to the people, increasing sale volumes and making the company socially responsible. It was also established that through engaging in corporate social responsibility activities the company was able to enhance its reputation and that enabled the company to build positive relationships, customers' trust thereby increasing sales and ultimately attaining a competitive advantage. The study revealed that the challenges L'Oreal East Africa ltd faced in Corporate Social Responsibility were selection of the project which represented the interests of the community and how to involve the their employees in the project implementation.

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## **ABBREVIATIONS AND ACRONYMS**

**BSR** : Business for Social Responsibility

**CSP** : Corporate Social Performance

**CSR** : Corporate Social Responsibility

**NGO** : Non-Governmental Organization

**ROA** : Return on Assets

**ROI** : Return on Investment

**WEF** : World Economic Forum



# CHAPTER ONE: INTRODUCTION

## 1.1 Background of the Study

Corporate Social Responsibility (CSR) is a form of management that considers ethical issues in all aspects of business. Strategic decisions of a company have both social and economic consequences. Social responsibility of a company is main element of the strategy formulation process.

Corporate Social Responsibility as a concept could be traced back to the 1920's, however the first scholarly contribution was made in the year 1953 by Bowen who viewed CSR as the duty of a business to make, follow and implement decisions which are of value and desirable to the society (Bowen, 1953). Corporate Social Responsibility could also be seen as the carrying out of certain activities by organizations without the expectation of an economic gain or loss and solely for the purpose of improving the lives and social well-being of the society.

Corporate Social Responsibility acknowledges that an organization has a responsibility towards its stakeholders and the natural environment and according to Horne (2009) it is in order for management to consider the interest of other stakeholder's other than shareholders. These stakeholders mentioned included, suppliers, customers, employees creditors, employees, the government among others. Organizations do not exist in isolation and therefore their actions do affect their surroundings. Capon (2008) described the environment as the big world in which organizations operate regardless of their business nature. Organizations do not exist in isolation from other individuals or organizations around them. In many countries across Africa, citizens, governments and other stakeholders like the media have increasingly become more active in holding companies across the continent accountable for the impact of their activities in the society. Many organizations now compare and rank companies according to how well they performed their CSR activities and therefore this had led to CSR emerging as priority for many business leaders (Kramer, 2002). Companies are therefore allocating a lot of resources to CSR activities (Khanna, 2004)

### **1.1.1 Corporate Social Responsibility**

Corporate social responsibility is the commitment of a corporation to promote economic development that is sustainable to members of the society in order to improve people's quality of life (Dahlsrud, 2008). Corporate social responsibility can be best explained as where organizations voluntarily integrate environmental and social concerns into their business operations and seek to work towards alleviating them. Corporate social responsibility was founded on the premise that corporations are in relation with other interests such as, social cultural systems, economic and environmental systems since business activities sometimes affect such systems in the society (Dobers, 2009).

Corporate social responsibility seeks to go beyond just charity and asks companies to act beyond their legal mandate and to integrate social, cultural, ethical and environmental concerns into company's business progress (Indiacsr, 2010). The degree to which a company engages in Corporate Social Responsible activities is determined by the ethical stand that the organization has embraced and how it is aligned with the organization's strategy.

A company's capacity to generate sustainable wealth and value over a long time is determined by the relationship it has with both its external and internal stakeholders. By companies giving back to the community, they have found immense reciprocation of goodwill from it which is tangible and quantifiable. For instance Coca Cola East Africa joined forces with various NGO's across Kenya and planted a thousand trees in the Mau forest area to rehabilitate Kenya's biggest water catchment area and thus led to creation of brand loyalty by its customers who find it difficult to switch to competitor products. Companies are free to choose whichever area they would like to make a difference in. Organizations engage in CSR activities in a myriad of ways. For example, Equity bank came up with the wings to fly program which sponsors needy students. Matter Hospital came up with the Matter heart run whose aim is to raise money in order to be able to operate on children with heart conditions and L'Oreal East Africa came up with the beauty for all program which offers mentorship programs to people with albinism.

### **1.1.2 Organizational Performance**

Combs (2005) argued that financial success is the common performance metric for most organizations. Letting (2009) however argues that firm performance relates to the effectiveness and efficiency of the organization. Firms normally measure profitability using performance measures like financial ratios amongst others to measure the extent of success of the organization. Effectiveness is measured by the sum of clients served, quality of products and the collaborative arrangements; efficiency is however quantified by the occurrence of machine failures, employee turnover and employee nonattendance; relevance is quantified in stakeholder satisfaction and the level of innovation. Financial viability on the other hand is measured by the debt to equity ratio, the current asset ratio and the percentage change in the sales and profit levels over a given period of time (Ochieng, 2012).

An organization's management main concern is how it will achieve organizational performance. Organizational performance can be explained as having recurring activities that determine organizational goals, monitoring the progress made towards achieving those said goals and making changes towards achieving those goals more efficiently and effectively (Minz, 1997). Organization performance has also been explained as a measure of standard and prescribed determinants of efficiency and effectiveness such as : productivity, cycle time, regulatory compliance, waste reduction and cycle time. Performance could be seen as the metrics that relates to how a request is handled (Ramanujan, 2001).

Organizational performance can be seen as the ultimate achievement of an organization that can be measured by either financial or non-financial indicators. Organizational performance can be viewed as a mirror of how productive people are in an organization. It can be measured in terms of profit, revenue, market share, development, expansion and growth of the organization in comparison to other organizations in the same industry (Gibson, 2010).

### **1.1.3 Cosmetics Industry in Kenya**

Firms that deal with beauty products in Kenya are categorized under the fast moving consumer goods industry. The cosmetics industry in Kenya has grown into a huge industry boasting over 5,000 saloons all over the country, generating revenue valued at 13 billion Kenya shillings annually. Despite the cosmetics industry offering employment to over 300,000 people all over the country, it has no formal program for management training and also lacks resources. In 2008, Equity Bank Limited entered into a formal partnership with Haco Tiger Industries and Pivot Point to empower women in the cosmetics industry to better finance and manage their businesses. Equity bank offered to provide an extensive complimentary module in the area of financial literacy as part of a salon management course to be offered by Pivot Point. Through this, the bank aimed to sensitize the cosmetics sector entrepreneurs on the importance of managing their finances in order to make their businesses profitable (Muhia, 2008).

The cosmetics industry in Kenya has greatly improved due to the liberalization of the Kenyan economy, moreover, there has been an increase in demand of cosmetics due to increased advertising and marketing. High inflation has continually been a hamper to the rapid progress of the beauty industry in Kenya. The growth in value of the industry was mainly as a result of the general increase in prices (Euro Monitor, 2009). The cosmetics industry consists of hair care, skincare and face care products. The skin care section boasts to be the most fluid and this is due to activities such as: outdoor marketing, advertisements, and promotions. Anti-aging products are slowly gaining popularity in the market. It's become usual for both women and men to use anti-aging commodities (Euro Monitor, 2009).

The local companies are Buy Line Industry Limited which deals with Luron products and is located along Mombasa road, Haco Tiger Brand Kenya Limited who boasts of a wide product range portfolio ranging from hair care, skin care onto other household products. The Kenyan government lowered the excise duty of tax on cosmetic products in the annual budget speech for 2010-11 fiscal years from 10 per cent to 5 per cent.

### **1.1.4 L'Oreal East Africa Limited**

L'Oreal East Africa Ltd. was founded in 2011 and manufactures and sells beauty products under the brand names Nice and Lovely, Versman, Dark and Lovely, Gold Touch and the premium make up line, Maybelline. The company sells its products in Kenya, Tanzania, Burundi, Ethiopia, Rwanda and Uganda. L'Oreal East Africa Limited acquired Inter Beauty Products Limited in 2013 in order to attain a bigger market share in the Kenyan economy and therefore adding the well-known local brands Nice and Lovely and Versman into their portfolio.

Globally, in beauty and cosmetics industry, L'Oreal is ranked as the largest company in the world ([www.loreal.com](http://www.loreal.com)). L'Oreal is an acclaimed marketer of beauty products for both women and men commanding presence in nearly all countries in the world. This company has catered to all kinds of beauty all over the world for the past 100 years and boasts of a wide portfolio of twenty three international brands. L'Oreal is among the most successful companies in the world having revenues amounting to 26.5 billion euros for the financial year ending 2016 and has over 66,600 employees present in 130 countries spread out all over the world. With regards to sustainable development, L'Oreal in the year 2015 was ranked among the top 100 Most Sustainable Corporations in the World ([www.loreal.com](http://www.loreal.com)).

L'Oreal operates seven strategically placed regional creative product development centers and a total of six advanced research centers globally which are charged with the responsibility of product development. In the year 2016, the organization experienced a 52% market growth against an overall market growth of 43.8% of beauty products which implied that the company was growing faster than the market was. L'Oreal manufactures up to 90% of its products in house, has 42 plants all over the world and over 145 distribution centers worldwide. L'Oreal prides itself in its commitment to ethics, research and innovation.

## **1.2 Research Problem**

Companies are continuously engaging in Corporate Social Responsibility activities, however, the society does not seem to be convinced that the organizations are doing it for the good of the society. The society almost always views an organization engaging in CSR as a public relations move rather than an activity carried out with the society's best interests in mind (Palmer, 2012). Porter (2006) supported this notion and

concluded that businesses are often pit against the society even though the society and businesses are interdependent.

CSR, as a concept, is marred with misunderstandings which makes its effectiveness challenging. One great misunderstanding is that Corporate Social Responsibility is seen as a public relations move, instead of a process that creates value and one whose sole purpose is to enable companies be sustainable. The other misunderstanding is that companies have pretended to pursue CSR, while in reality have only done this as a means for carrying out profit maximizing operations.

In recent years, there has been an increase in the carrying out of CSR activities by organizations in different industries. The drastic growth in expenditures by organizations to carry out the CSR activities suggests that people are finding a benefit in carrying Corporate Social Responsibility activities (Palmer, 2012). This study seeks to provide valuable information on the role that Corporate Social Responsibility plays in influencing the performance of an organization and produce findings that managers can use whilst coming up with business strategies in order to maximize profits.

Locally, studies have been carried out on corporate social responsibility and they include; Omwenga (2013), who carried out a study on the management perception of corporate social responsibility at Kenya power lighting company and found out that most managers, had a positive perception of the various statements on CSR. Mwai (2013) who conducted a study to find out what impact CSR had on the financial performance of the NGO and corporate partnerships in Kenya found that there was a positive correlation between CSR and corporate financial performance of Corporates engaging in partnership with NGO's. Likewise, Muthami (2014) did a study on how corporate social responsibility affected performance at Unilever-ESA and concluded that corporate social responsibility affects the corporate organization performance of the organization to a great extent. Munyoki (2013) did a study on the relationship between Corporate Social Responsibility practices and market share among supermarkets in Kisumu town and determined that indeed there was a relationship since the supermarkets that carried out CSR activities in Kisumu had a bigger market share.

Many companies from various industries have carried out corporate social responsibility programs with the aim of addressing social economic challenges, however, there have been very few studies done on the relationship between corporate social responsibility and the organizations that trade in the cosmetics industry in Kenya. There is the need to find out what influence Corporate Social Responsibility has on the performance of the organizations in the cosmetics industry. This study intends to answer the question: What is the impact of corporate social responsibility on the performance of L'Oreal East Africa Ltd.?

### **1.3 Research Objectives**

To determine the influence of corporate social responsibility on performance of L'Oreal East Africa limited.

### **1.4 Value of the Study**

The results from this study would be of great value to the management of organizations that trade in the cosmetics industry in Kenya. These decision makers will be able to learn how to successfully carry out CSR programs. This study may also help other organizations decide on whether who are contemplating on whether they should carry out CSR programs or should not.

The results from this study would help the management, employees and other stakeholders at L'Oreal East Africa. It will enable them evaluate and link the results which would enable them get a better understanding of what role of the Corporate Social Responsibility plays in the organization. The findings of this research would provide additional information to academia which could be used by scholars as a basis for further research. The findings of this research would help in identifying gaps and other relationships in the carrying out of CSR.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

This chapter puts emphases on the previous studies carried out by other scholars on this particular study. It's summarizes information derived from research carried out in this field of study by other researchers addressing the influence of Corporate Social Responsibility on organizational performance of Multi-National Corporations.

### **2.2 Theoretical Review**

#### **2.2.1 Social Capital Theory**

Social capital refers to trust, norms and networks that enable persons with the same goals to act together (Widen-Wulff and Ginman, 2004). Research has shown time and time again that people prefer to gather information from other people they are familiar with as their primary source of information, their families, friends, mates, colleagues (Utulu, 2004). This unique way of seeking information has slowly resulted to the formation of relationship webs between people who would like to have access to information from one another. This web of relationships among organizations and people has drastically increased due to the advancement of technology and the capacity of many to access the internet. These relationship webs have increased productivity of organizations and are often called social capital. Social capital theory can be best explained using the phrase; it is not what you know; rather it is who you know.

Grootaert (2003) implied that this theory is often talked about from two main views by political scientists and sociologists. Political scientists view this theory from the view of how people participate in politics and by extension how people associate in life. Sociologists on the other hand view social capital as being made up resources made available due the social relationship people have with one another. These resources could be information or ideas. Totterman (2007) explained that the social capital theory is studied by political scientists and sociologists on the meso, micro, and macro levels. The macro level revolves around studying citizenship in the various geographical regions whereas the meso level revolves around studying the various sociological perspectives of corporations and lastly the micro level focuses solely on people and how they relate to one another in ways that result to the production of capital. Ginman (2004) also shed some light on the various social capital aspects



namely: relational, structural and content showing how they were developed and even used in explaining how knowledge was shared.

### **2.2.2 Social Exchange Theory**

The foundation of the social exchange theory is basically that people make choices in order to maximize rewards and minimize costs (Emerson, 1972). The Social exchange theory originated from psychologists and sociologists, who sought to shed light on human behaviors based on choices made to achieve their personal goals. Social behavior can also be viewed from the perspective of pursuing results and the avoiding of punishments.

The social exchange theory is also based on the fact that behaviors in human beings are a result of an exchange of activity, tangible and intangible and in particular: rewards and costs (Homans, 1961). Rewards could be tangible (money) or intangible (attention, affection, status) as long as they deem to bring satisfaction. Costs could be either emotional or physical advantages or even opportunities missed to gain rewards. The exchange theory treats the exchange of benefits, notably giving others something more valuable to them than is costly to the giver, and vice versa as the underlying basis of human behavior (Blau, 1964).

Reciprocal exchange is a key component of the social exchange theory. It alludes to the notion that when one receives good rewards; their response is doing good things to others (Homans, 1974). Moreover, it holds the idea that interactions between one and another should remain stable. Cultural norms and laws provide the bases that rule reciprocal exchanges. Laws and Cultural norms are upheld when many people see them as being beneficial.

### **2.3 Corporate Social Responsibility**

Corporate Social Responsibility is not a new issue (Ullmann, 1985). Corporate Social Responsibility is clearly not a new phenomenon, however in the recent past, CSR is in spotlight more than ever before and this is because multinational corporations across the world are engaging more into CSR activities due to an increase in the society's demand on environmental and social responsibility. Globalization has led to an increase in the society's anxiety on how a corporate conducts itself (Martin, 2002). Corporate Social Responsibility is the best way for a corporation to care for all needs

of its stakeholders. Companies have a duty to satisfy not only the shareholders but include also those with less implicit and explicit claims (McGuire, 1988). This is also known as the stakeholder's theory.

Sims (2003) stated that the business should continue to conduct itself ethically and seek to contribute to economic development whilst improving its workforce's quality of life and the society at large. He argued that there was an expectation on the business to serve as a good corporate citizen whilst contributing to the financial and human resources of the society and to ultimately improve the society's quality of life. Sims argued that generally, CSR is an organization's duty to carry out programs that contribute to the overall welfare of society.

Corporate citizenship has been a term that has recently been used. Sims (2003) explains that corporate citizenship includes three things, corporate social responsibility, which places more emphasis on action; Corporate Social Responsiveness, this places more emphasis on action and Corporate Social Performance (CSP), which places more emphasis on results. Moreover, Wood (1991) defined Corporate Social Performance as a corporation's configuration of the principles of corporate social responsibility processes of social responsiveness and outcomes observable as they relate to the firm's societal relationships. Sims (2003) further reiterated that Corporate Social Performance is more of a focus intended to imply that what really matters is what organizations are able to accomplish in the long run.

## **2.4 Organizational Performance**

The carrying out of recurring activities in order to establish organizational goals, monitoring the progress made towards achieving those goals whilst making adjustments towards achieving them more effectively and efficiently can be referred to as organizational performance (Carter, 1997). Performance can be explained as relating how a request is handled and whether or not it was done successfully. It is the outcome of all of the organization's strategies and operations (Venkatraman & Ramanujam, 2001). Oakland (1999) viewed performance as what people do in relation to the roles given to them in the organization.

Performance measurement is a key point in running any business. Performance measurement systems offer the foundations to come up with strategic plans, assess how well organizations are completing their goals and the basis of remuneration of managers (Alderfer, 2003). Decisions makers have still not been able to find any clear cut, current and reliable measures of performance to judge marketing merit in spite the fact that consensual measurement of performance can help clarify decisions made by managers (Manogran, 2001).

The financial performance of organizations is mostly measured by gauging performance against the budget, using financial ratios or benchmarking. The underlying assumption of most financial performance research is that an increase financial performance will certainly lead to improved functions all around the company. It can be agreed that there are three main factors that will improve financial performance for institutions; its asset management, institution size, and the operational efficiency (Fitzgerald, 2000). There are drawbacks associated with the use of financial ratios that include Return on Investment (ROI) which measures how much return the business will gain from their investment, Return on Assets (ROA) which measures the return of business from its assets and the business profit which measures the level of business profitability (Im, 2004).

## **2.5 Empirical Evidence**

Two types of empirical studies exist on the relationship between CSR and financial performance. One type uses the event study methodology to assess the short-run financial impact when firms engage in either socially responsible or irresponsible acts. The results of these studies have born mixed results. Wright (1997) discovered a negative relationship; Posnikoff (1997) reported a positive relationship, while Paul (1999) in his research found that there was no relationship between organizational performance and CSR. The second study scrutinizes the relationship between some measures of corporate social performance (CSP) and measures of long term financial performance by using accounting measures of profitability and once again this bore mixed results. Cochran (1984) noted that there was a positive correlation between accounting performance and social responsibility after controlling for the age of assets. Aupperle (1985) found that there was no significant relation between corporate social performance and a firm's risk adjusted return on assets.

Muiruri (2012) did a study to evaluate the challenges faced in aligning CSR to the corporate strategy at the Safaricom Foundation. The study employed a case study approach with an interview guide constructed and interviews conducted on personnel involved in the CSR programs in order to elicit responses for an in depth understanding and the data collected was analyzed through content analysis. This study established that Corporate Social Responsibility is a fundamental part of corporate strategy and that the political and regulatory environments are key in ensuring successful completion of CSR projects. Safaricom Foundation CSR policies are aligned with the Vodafone policies which are the parent company and are not impediment in the planning and execution of the CSR strategy.

Mwai (2013) conducted a study to determine what impact CSR had on the financial performance of the corporate and NGO partnerships all over Kenya. Using a descriptive research design and inferential analysis, the study tested the sign of a relationship between CSR and corporate financial performance of NGO-corporate partnerships. The study found out that there was a significant positive correlation between CSR and corporate financial performance of corporates engaging in partnership with NGO. The correlation result of the study model found a positive correlation between Corporate Social Responsibility and with both corporate size (log of assets) and cash conversion cycle. Additionally, the correlation result got a negative relationship between CSR and Leverage.

Omwenga (2013) carried out a study on the management perception of corporate social responsibility at Kenya power lighting company. The study sought to determine what the perception of the management team was on Corporate Social Responsibility. This was a descriptive study that was conducted by use of questionnaires and targeted 53 managers from the West Kenya region. A response rate of 92% was achieved and data was analyzed by help of descriptive statistics. The study concluded that most managers had a positive perception of various statements on CSR. The study showed that philanthropy increased Kenya Power's competitive advantage and that engaging in Corporate Social Responsibility by the company enhances the company's public image. The study also showed that Kenya Power's environmental interventions should be continued as it directly contributed to conservation of the environment The study concludes that the perception by the managers at the company is largely

positive and the company should continue engaging in Corporate Social Responsibility initiatives to support the community

Munyoki (2013) carried out a study on the relationship between Corporate Social Responsibility practices and market share among supermarkets in Kisumu town. This study aimed to uncover the factors that motivated the practice of Corporate Social Responsibility amongst supermarkets in Kisumu Town for the period 2006-2010. The population of study was all supermarkets in Kisumu town with the sample frame being provided by the Kisumu county office. All five supermarkets were selected. Questionnaires were used to collect data with respondents being top level managers from all five supermarkets. The data was analyzed using descriptive statistics and regression models. The results showed that indeed a relationship existed between corporate responsibility and the market share because the supermarkets that carried out corporate social responsibility also had high sales revenue. Moreover, the study discovered a positive correlation co-efficient between market share index and the corporate social responsibility. The study found that the main CSR areas were education, water and sanitation, health and support to orphans. The bigger supermarkets tended to prefer education, water and sanitation, while the smaller supermarkets favored support to orphans.

Amara (2013) did a study on to determine what factors were taken into consideration when the commercial banks in Kenya were looking for a CSR program to undertake. The study was conducted using a descriptive cross sectional census survey method. This study concluded that majority of Commercial Banks are highly influenced by their financial capability, what everybody is involved in when it comes to social corporate responsibility, their stakeholders choices, their technology levels, their company objective, rating by commercial banks association of Kenya, organizational structure and ethical considerations. The study also found that there is significant influence of government policies, political instability, resource allocation, literacy of commercial banks staffs, role allocation, and incentives of employees to the choice of CSR programs in commercial banks. The study recommends that there is a need to frequently to carry out corporate social responsibility activities in order to have the good will from the community they operate from.

Muthami (2014) carried out an investigation of how CSR affected performance at Unilever ESA. The study concluded that corporate social responsibility affects the corporate organization performance of the organization to a great extent. The study revealed that corporate social responsibility enhanced organizational performance through creation of demand for the organization's product, bringing the company closer to the people, increasing sale volumes and making the company socially responsible. The study established that through CSR activities, the company was able to enhance its reputation and through reputation management, the organization influenced corporate organization performance in the organization. The study found that reputation management enables a company to build positive relationships and helps companies to build customers trust thereby increasing sales. The study further revealed that challenges Unilever ESA Kenya faced in Corporate Social Responsibility were: selection of the project that represents the interest of the community, employee involvement in project implementation, stakeholder's involvement in the projects and selection of projects that are environment friendly.

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

In this chapter the researcher aims at bringing out the various methods used in carrying out the research study. It defines how data will be collected, processed and analyzed. The subsections that will be discussed will address what research design used, how the data was collected and analyzed.

### **3.2 Research Design**

The research design was a case study. A case study research is one that focuses on understanding the dynamics currently present in a management situation (Eisenhardt, 1989). Case studies are used when a detailed look into a group, institution or phenomenon is needed. In this instance, this was the most appropriate research design as it enabled one undertake an intensive research.

### **3.3 Data Collection**

Primary data was collected by use of an interview guide. The interview guide is an efficient data collection mechanism that consists of a number of open ended questions which will be used to facilitate the collection of data from respondents.

Data was collected from the managers within the human resource, supply chain, finance, public relations, corporate communication, and marketing departments who are involved in formulation of strategies and implementation of corporate social responsibility programs. This was done face to face, through question and answer sessions between I and the respondent. This method is most appropriate because it allows one to collect data real time data and gives one the opportunity to gather more information and clarification of what respondent's answers; furthermore it allows one to be able to read body language of the respondents whilst establishing a good rapport with them by allaying they might have.

Secondary data was used to provide any additional information. This data was obtained from documented materials such as the L'Oreal East Africa's strategic plans, financial reports, budgets, reports and other company documents.

### **3.4 Data Analysis**

Data collected from the interviews will be analyzed to determine its consistency, completeness and accuracy. Content analysis will be used for analysis since it is qualitative in nature. Cooper (2003) stated that analytical method involves observation thus it is highly accurate to use. Frankfort –Nachmias (1996) confirms that analysis technic identifies the distinctive features of data to make accurate conclusions based on the similarity of trends involved.

Content analysis measures the semantic content of the ‘what’ aspect of the message. It’s breadth makes it flexible and a wide ranging tool that is used as a problem specific technique. Descriptive statistics will be used to analyze quantitative data. Quantitative research will be collected through interviews. Identified challenges will be grouped under respective themes and then discussed in line with the thematic approach in content analysis. Results will be reported by means of narratives.



## **CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION**

### **4.1 Introduction**

This chapter shows how data was analyzed and the interpretation of the study. The primary data was collected with the use of an interview guide and data analysis was done through content analysis to determine how engaging in corporate social responsibility affects the performance of L'Oreal East Africa.

### **4.2. General information**

The study requested the interviewee to state the position they currently hold at the company. The study found out that the interviewees were human resource managers, supply chain managers, finance managers, public relations managers, corporate communication managers, and marketing managers. This indicated that the respondents were in managerial capacity and were therefore in a good position to offer reliable and credible information on the influence of corporate social responsibility on the performance of L'Oreal East Africa.

The interviewees were requested to indicate the department where they worked, the findings of the study revealed that interviewees were from the human resource departments, supply chain departments, finance departments, public relations departments, corporate communication departments, and marketing departments, this indicated that interviewees were from all the departments of the organization. This showed that interviewees had been in the organization for 4 to 6 years and therefore able to give credible information to the study on the role corporate social responsibility plays on the performance at L'Oreal East Africa.

The interviewees were requested to indicate whether they have ever worked for another organization's CSR department before and the interviewees indicated that they have indeed done so, this indicated that respondents were in a position to give credible information to the study.

### **4.3 Corporate social responsibility and organization performance**

The interviewees were requested to indicate what CSR activities L'Oreal East Africa was involved in, the interviewees indicated that the organization was involved in environmental awareness, poverty alleviation, education support, water project, social

welfare support, children welfare support and sport sponsorship .These projects include: mentorship of people with albinism, building of Jobenpha primary and secondary schools at Mukuru kwa Njenga slums in Nairobi, building of a 200 million water treatment plant in Nairobi , engaging with the national environmental association of Kenya on ways to reduce carbon emissions , engaging with suppliers in sustainability development programs among others.

The interviewees were requested to indicate what they think about L'Oreal East Africa embarking on CSR activities, the interviewees indicated that engaging corporate social responsibility activities, improved the organization reputation, it enhanced organization image, it made organization close to the people, it made the organization social acceptable to the people and create demand from the organization product thus enhance it performance. The respondents stated that the organization's adoption of CSR is because it leads to improved competitive advantages , decreased hazard exposure, distinguishing proof of new products and markets, upgraded mark picture, expanded client devotion, enhanced enrollment and maintenance performance, representative inspiration, enhanced trust, group advancement, improved corporate notorieties, enhanced government relations, assess waiver on socially and ecologically mindful business lines, diminished administrative mediation, lessened expenses through natural best work on prompting to economical productivity.

The study revealed that interviewees indicated that the project had a positive impact on the community and that the project was aimed at improving the life of the communities. The interviewees were further requested to indicate whether there are other benefits L'Oreal East Africa stood to gain aside profitability from the execution of Corporate Social Responsibility, the interviewees indicated that the gains made were on improved company image, enhanced corporate reputation, increased demand for the organization products and also an increase in the organization's market share. The interviewees were further requested to indicate how corporate social responsibility has affected L'Oreal East Africa's performance, the interviewees indicate that corporate social responsibility enhanced the organization sales figures, made employees feel part of the society and made the organization to be socially acceptable.

The interviewees were requested to indicate how the profits have increased by virtue of L'Oreal East Africa engaging in corporate social responsibility. The interviewees indicated that there was between a 5% to 8% increase in profitable attributed to corporate social responsibility, this is an indication that corporate social responsibility affects organization performance.

The study requested the interviewees to indicate whether Corporate Social Responsibility has had any impact on L'Oreal East Africa's performance; the interviewees indicated that had been a significant impact on L'Oreal East Africa's performance. The interviewees indicated that Corporate Social Responsibility has led to an increase in sale volume, increased demand for the organization products, increased organization awareness and also led to more profitable sales through increased market share.

The study further revealed that percentage of annual budget allocated to CSR in the organization was approximately 10% of the total annual budget, an indication that a favorable percentage is in each year set aside by the organization towards CSR initiatives in the organization. According to the responses gathered from the respondents, the various CSR based factors that lead to the improved Company's brand performance were closely related to effective customer relationship management practices that have continuously led to brand awareness, customer inter-relationship, customer satisfaction, loyalty & trust and consumer pride. CSR has led to improved brand performance.

The interviewees were further requested to indicate whether L'Oreal East Africa could increase its profit levels by engaging CSR as a business strategy, the study found that L'Oreal East Africa can increase profit levels by engaging CSR as a business strategy ,through increase in market share, increased product awareness and also enhance market share. The interviewees were also requested to indicate whether Corporate Social Responsibility guarantees the customer's confidence level and loyalty to L'Oreal East Africa. The interviewees indicated that Corporate Social Responsibility increases the customers' confidence levels and loyalty to L'Oreal East Africa, through social acceptability of the company by the communities and communities feeling part of the company and also bring the employee of the company close the communities.

#### **4.4 Challenges Facing Corporate Social Responsibility**

The interviews were asked to share the challenges L'Oreal East Africa was facing in Corporate Social Responsibility, the interviewees indicated that one of the challenges L'Oreal East Africa was facing in Corporate Social Responsibility was the selection of the project which truly represented the interest of the community. Other challenges that also came up were: employee involvement in project implementation and stakeholder's involvement in the projects.

The interviewees were requested to indicate whether the company was using corporate social responsibility as a way to escape taxation, the interviewees indicated that company were using CSR to build their name to the masses, being corporate responsible to the community rather than to escape taxation

Interviewees were asked to give recommendations to other companies who would want to have a Corporate Social Responsibility department in their own organization, they indicated that organizations can build their reputation through engaging in CSR activities and therefore obtain competitive advantage which in turn makes their performance even better than before.

#### **4.5 Discussion**

The study found that the L'Oreal East Africa was involved in environmental awareness, poverty alleviation, education support, water project, social welfare support, and children welfare support and sport sponsorship. These findings concur with the finding of Sims (2003) who argued an organization is expected to act like a good corporate citizen and carry out voluntary philanthropic responsibility. The study revealed that public relations was between the organization and the environment and it was aimed at enhancing corporate image, whereas corporate social responsibility was involved improving the welfare on the community around the organization and also impacting on the life of the community around the organization. The finding concurs with the finding of Carroll (1998), who said that some call businesses social responsibility, Corporate Social Responsibility and others corporate ethics.

This study also revealed that interviewee indicated that the project had positive impact to the community as the project was aimed at improving the life of the communities. Mwai (2013) found out that there was a positive correlation between CSR and Corporate Financial Performance of Corporate engaging in partnership with NGO.

Oyenje, (2012) found that there was a linear inverse relationship between manufacturing efficiency and financial performance and that there was a positive relationship between financial performance and CSR although it was insignificant.

This study revealed that corporate social responsibility enhanced the organization sale volume, it made the employees feel like part of the society, it made the organization to be socially acceptable. Cheruiyot, (2010) concluded that there was a positive and significant relationship between financial performance and corporate social responsibility. The study further revealed that profits had not reduced due to L'Oreal East Africa engaging in CSR activities. The study further revealed that engaging in CSR activities has had an impact on L'Oreal East Africa's performance, through increase in sale volume, increased in demand for organization products, it increased organization awareness and also lead to more profitable sale through increased market share.

The study found that corporate social responsibility guarantees the customer's confidence level and loyalty to L'Oreal East Africa, through social acceptability of the company by the communities and communities feeling part of the company and also bring the employee of the company close the communities. Obusubiri, (2006) concluded that there was positive relationship in between engaging in CSR activities and portfolio performance.

This study found out that the company was using CSR to build their name to the masses, being corporate responsible to the community rather than to escape taxation. With regards to the recommendations given to other companies who would want to have a Corporate Social Responsibility department in their own organization, the interviewees indicated that engaging in CSR activities enables organizations build up a good reputation which results into greater market shares and therefore improve their performance.

## **CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS**

### **5.1 Introduction**

After data collection, data analysis was carried out and the summaries, conclusion and recommendations were arrived at. The responses gathered were based on the objective of this study. The research carried out had intended to investigate how engaging in corporate social responsibility activities affects organization performance at L'Oreal East Africa.

### **5.2 Summary**

This results of this study showed that the organization was involved in environmental awareness, poverty alleviation, education support, water project, social welfare support, and children welfare support and sport sponsorship. The study revealed that public relations was between the organization and the environment and it was aimed at enhancing corporate image, whereas corporate social responsibility was involved improving the welfare on the community around the organization and also impacting on the life of the community around the organization. The study also established that corporate social responsibility, improved the organization's reputation, it enhanced the organization image, it makes the organization close to the people and makes the organization social acceptable to the people and create demand from the organization product thus enhance its performance.

The study also revealed that interviewees felt like that the CSR activities had a positive impact to the community as the project was aimed at improving the life of the communities. The study further requested to indicate what other benefits other than profitability, L'Oreal East Africa can gain from engaging in Corporate Social Responsibility, the interviewees indicated the gains were on improving the company image, enhancing corporate reputation, increasing demand for organization products and also increased organization market share. The study revealed that corporate social responsibility enhanced the organization sale volume, it made employee feel part of the society, it made the organization to be socially acceptable.

The study established that there was between 5% to 8% increase in profitability attributed to corporate social responsibility, this is an indication that corporate social responsibility affects organization performance. The study further revealed that profits

have not reduced due to an increase in corporate social responsibility activities by L'Oreal East Africa. The study further revealed that engaging in CSR activities has had a huge impact on L'Oreal East Africa's performance through increase in sale volume, increased in demand for organization products; it increased organization awareness and lead to more profitable sale through increased market share.

The study found that L'Oreal East Africa can increase its profit levels by applying CSR as a business strategy, through increase in market share, increased product awareness and also enhance market share. The study found that corporate social responsibility guarantees the customer's confidence level and loyalty to L'Oreal East Africa, through social acceptability of the company by the communities and communities feeling part of the company bringing the employees of the company close the communities. The study revealed that the challenges L'Oreal East Africa is facing in Corporate Social Responsibility were selection of the project which represent the interest of the community, employee involvement in project implementation, stakeholder's involvement in the projects, selection of project that are environment friendly and project ownership by the community.

The study found that the company were using CSR to build their name to the masses, being corporate responsible to the community rather than to escape taxation. On the recommendations given to other companies who would want to have a Corporate Social Responsibility department in their own organization, the interviewees indicated that engaging in CSR activities helps build a company's reputation thus obtaining competitive advantage and therefore contributing to the performance of the organization. Organizations should also train their employees in order to make them more creative and innovative.

### **5.3 Conclusion**

The study found that corporate social responsibility affects the corporate organization performance of the organization to a great extent. The study revealed that corporate social responsibility enhanced the organization's performance through creation of demand for organization product, bring the company close to the people, increasing sale volumes and making the company socially responsible.

The study established that through the CSR activities, the company was able to enhance its reputation and through reputation management, the organization influenced corporate organization performance in the organization. The study found that reputation management enables a company to build positive relationships to deliver business advantage, helps companies to build customers trust thereby increasing sales.

The study further revealed that challenges L'Oreal East Africa faced in Corporate Social Responsibility were selection of the project that represents the interest of the community, employee involvement in project implementation, stakeholders' involvement in the projects, selection of project that are environment friendly and project ownership by the community.

#### **5.4 Recommendations**

This study recommends that an organization can build a strong brand image and reputation which in turn improves its performance by engaging in corporate social responsibility projects. This recommendation is drawn from the findings received.

This study recommends that there is need for the management to ensure that all the staff at the company acquires enough knowledge on CSR since it has become an integral part of business practice. CSR programs should be enhanced so as to enrich the employees with a good understanding of the issues associated to it. It is recommended that the management continue with the same motive of establishing more community pleasing initiatives. This study recommends that the management at the company conduct more research and development so as to increase CSR awareness levels in order to ensure staffs buy in to the various CSR activities.

This study recommends that effective management of culture, communication, coordination, top management support and commitment be enhanced so as to streamline on the effectiveness of CSR in the organization for these are key moderating factors in the setting. The achievement of effective CSR if well-handled will definitely lead to increased share market, profitability in brands offered by the company, distribution coverage, and effective cost/price structure of brand as well as brands competitiveness; all of which are enough metrics/measures of business competitiveness.



## **5.5 Implication on Policy Practice and Theory**

Multi-National Corporations are important in any country as they help to attract foreign direct investment, their performance is critical to the economic growth of a country, this study will enlighten policy makers in design strategies aimed at assisting Multi-National Corporations to enhance their performance. The study would help management and the employees at L'Oreal East Africa who would utilize the findings and recommendations from the study enabling them to evaluate and link the results of the role Corporate Social Responsibility plays in their performance. This research will contribute to the existing literature in the field which will enable researchers to gather data.

## **5.6 Limitation of the Study**

The research design used was a case study and therefore the underlying variables are not in the control of the researcher. An interview guide was used to collect data, the reason for that was because the researcher had two weeks only to collect data. Financial constraints led to the researcher carrying out the study on one company. The study was also limited to investigate how practicing corporate social responsibility affects organization performance at L'Oreal East Africa. The study concentrated on senior managers who are mainly involved in the corporate social responsibility programs implementation. There was minimal involvement of the other staff in the lower cadres who also contribute to the success of CSR implementation. Their views were not captured which probably would have enriched the study.

## **5.7 Suggestions for Further Research**

This study sought to investigate how practicing corporate social responsibility affects organization performance at L'Oreal East Africa. This study recommended that organizations should carry out an in-depth study in order to ascertain the challenges organizations face when carrying out CSR activities. The study recommended that a lot more research should be done on the effects of CSR brand performance on more than one organization. This way other companies could be incorporated in the research to avoid a generalization of the findings. The studies should also attempt to look at awareness of corporate social responsibilities, level of participation of internal publics /employees in CSR activities as well as their perception towards the CSR activities.

The study brings out corporate social responsibility as an influencer of organizational performance yet it seems not to be receiving a lot of support from the senior management and other support staff. More studies should be conducted in order to determine the role corporate social responsibility plays in an organization's performance.

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## **APPENDICES: INTERVIEW GUIDE**

### **SECTION A**

1. Name of the respondent: (optional).....
2. Department: .....
3. Position: .....
4. Number of years worked in the organization: .....
5. Number of years worked in current position.....

### **SECTION B**

6. What are some of the corporate social responsibility activities your organization is involved in?
7. For how long have the corporate social responsibility activities is your organization been going on?
8. In your opinion has investment in corporate social responsibility activities affected your business image and good will from the public?
9. In your opinion has investment in corporate social responsibility activities improved customer awareness of your products?
10. In your opinion has investment in corporate social responsibility activities improved the company relationship with your customers?
11. In your opinion has investment in corporate social responsibility activities improved the company relationship with regulatory authorities?

## **SECTION C**

12. In your opinion how has investment in corporate social responsibility activities affected your costs and profits?

13. What percentage of your annual budget is allocated in corporate social responsibility activities?

14. Would you say CSR has had a significant impact on the performance of L'Oreal East Africa? How?

15. In your opinion how has investment in corporate social responsibility activities enhanced constant supply of raw materials?

16. Do you think corporate social responsibility activities have improved the living standards of the neighboring communities?

17. In your opinion how has investment in corporate social responsibility activities improved your market shares as compared to your competitors?

18. In your opinion how has investment in corporate social responsibility activities affected the level of public awareness of your products compared to competitor products?

## **SECTION D**

19. What are the challenges L'Oreal East Africa is facing in implementing Corporate Social Responsibility programs?

20. Do you think investment in corporate social responsibility influences organizational performance?

21. Are there any recommendations you would you give any other company which would like to have a CSR department in their own organization?