AN ANALYSIS OF THE RELATIONSHIP BETWEEN THE PRINCIPLES AND PRACTICE OF CORPORATE SOCIAL RESPONSIBILITY AMONG COMPANIES LISTED ON THE NAIROBI STOCK EXCHANGE, KENYA

BY

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DECLARATION

This Management Research Project is my original work and has not been presented for a degree in any other university.

Signed Philip Simiyu Wandibba
(Candidate)
DEDICATION

This Project is dedicated to my wife, Ivy Njeri Wandibba, son, Emmanuel John Wandibba, daughter, Flora Tumaini Wandibba, my parents and sisters, who make life worth living. I thank them immeasurably for their prayers, patience and all they have contributed to make me who I am.

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Finally, I thank Almighty God, through whom all things are possible.

The study further revealed that companies regard CSR as an important ingredient in achieving overall company objectives and despite the challenges faced in implementation, measures are put in place to sustain CSR in the long-term.

From the findings, the study concludes that unlike in the past, companies in Kenya now consider CSR as an important company policy. CSR is no longer seen as just a public relations exercise but as an integral ingredient to the achievement of overall company objectives.

The study finally recommends that companies embrace CSR as a strategic policy that contributes to achievement of overall company objectives and therefore integrate it in daily operations. The study also recommends further research on the subject, especially among small and medium-sized companies that comprise the majority in the country.
ABSTRACT

This study sought to analyze the relationship between the principle and practice of Corporate Social Responsibility (CSR) by Kenyan companies, with reference to companies listed at the Nairobi Stock Exchange (NSE). The study sampled seventeen companies from the three main investment segments. Interviews were granted by five companies while data for the other twelve was gathered from company websites. The data gathered was primarily on how the companies plan, finance, manage and sustain their CSR program.

This study revealed that CSR is an integral component of day-to-day company activities and substantial finances are committed to CSR annually. The study also revealed that there is adequate level of stakeholder involvement. The media is used to communicate the CSR activities to other stakeholders and the general public, in order to build good corporate image and add visibility to the company products. The study showed that employees are to a large extent involved in CSR by way of participation and voluntary contribution.

The study further revealed that companies regard CSR as an important ingredient in achieving overall company objectives and despite the challenges faced in implementation; measures are put in place to sustain CSR in the long-term.

From the findings, the study concludes that unlike in the past, companies in Kenya now consider CSR as an important company policy. CSR is no longer seen as just a public relations exercise but as an integral ingredient to the achievement of overall company objectives.

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CHAPTER ONE - INTRODUCTION

1.1 Background of the Study

Corporate Social Responsibility (CSR) has recently become the buzzword among companies as the need for mutual co-existence between them and the communities they operate in becomes evident. In the past, companies were looked up to with respect. In recent years, excessive greed, blind pursuits for profit and culture of quick deals has made society hostile to business. Unlike in the past therefore, companies are spending money and time on community service. They have invested in programs underpinned by CSR principles, which largely involve investment in and giving back to the communities they operate.

Although these do not form part of the core businesses of these companies, they have helped in building healthy relationships between companies and their stakeholders as well as helping care for the environment. By so doing companies not only add value to the community but also enhance their corporate image. Over the past seven years, companies have been awarded for contributing to this noble cause, notably during the Company of the Year Awards (COYA) organized by the Kenya Institute of Management and the East Africa’s Most Respected Company Survey organized jointly by the Nation Media Group and PricewaterhouseCoopers.

Ufadhili Trust, a non-governmental organization involved in philanthropy and social responsibility, in a past report (2005), contends that there is a misconception about CSR. The body says that CSR should not be treated as a public relations exercise or philanthropy. The real emphasis should be on encouraging responsible business practice, thereafter, community involvement. CSR needs to start internally before manifesting itself externally. According to Ufadhili, the consequences should be inside-out, seeking to enhance the wellbeing of critical stakeholders such as employees, customers, suppliers and shareholders.
1.1.1 The Concept of CSR

Since the onset of CSR as a concept, several definitions have been put forward by scholars and institutions with no overall agreement on terminology. Rosdahl (2000) contends that CSR can be conceived in a number of different ways hence concluding that there exists no “correct” definition of CSR. However, for purposes of this study, the definition of CSR as found in the Ufadhili CSR Handbook will be adopted.

According to Ufadhili (2004), CSR can be defined as managing and balancing stakeholder relationships and interests so as to add social, environmental and economic value so as to produce a positive sustainable impact for the business and society. Fox et al (2002), maintain that CSR is at heart, a process of managing the costs and benefits of business activity to both internal (for example, workers, shareholders, investors) and external (institutions of public governance, community members, civil society groups and other enterprises) stakeholders. CSR evolves from values such as integrity, fairness and accountability. Such values need to be ingrained in every company activity, ranging from basic organization, marketing, human resource, supply to board governance.

1.1.2 Key Principles of CSR

As a first step for pursuing CSR, many companies focus on defining the normative directions that would be appropriate and acceptable to them. These directions can be converted into a formal statement of business values and practices. Such statements can be presented in the form of principles, guidelines, or codes of conduct. Many authors and organizations have proposed their own set of principles to guide the practice of CSR. These principles are largely similar, different more in form than substance. Ufadhili (2004) proposed a list of twelve principles, which will be used by this study.

The first principle is ‘Focus on stakeholders not shareholders’. Before CSR attained prominence, it was the interests of the shareholders that were wrongly perceived as being of paramount importance by corporate managers who are their appointed agents (Jensen
According to this principle, companies should involve all key stakeholders in developing CSR activities and ensure that major concerns of all stakeholders are addressed. Vincenza (2010) highlights the need to involve all key stakeholders including employees and the local community. It should not be left to shareholders only to develop the structures and policies of the company’s CSR activities, rather consultation between them, employees, customers, suppliers, local communities and others is crucial in making CSR practice successful.

The second principle is ‘Social and environmental, not just economic’. Here, the idea that companies’ sole purpose is to maximize profit for shareholders does not stand in today’s world. Companies have to assume responsibility for the social and environmental consequence of their activities. Vincenza (2010) argues that organizations need to evaluate the impact of their operations on the environment in order to conserve it. Commercial or economic success must be achieved while bearing stakeholder interests in mind. The third principle is ‘Beyond legal compliance’. The accountability approach takes CSR beyond compliance with legal requirements and adherence to international rules and regulations. McBarnet et al (2009), stated the following; "What is emerging in the arena of CSR is a complex interaction between government, business and civil society, private law, state regulation and self-regulation, at national and international levels, with social, legal, ethical and market pressure all being brought to bear in ways that cut across traditional pigeon holes...and which interrelate with and foster each other." Companies are hence expected to address responsibility more positively, pro-actively and holistically.

The fourth principle is ‘Long term not short term’. Companies are encouraged to consider the long-term impact of their operations and needs of their stakeholders so that their decision making is not just based on short-term gains. The fifth principle is ‘Internal and external focus.’ This principle contends that a holistic approach to responsibility requires the company to understand and address issues of responsibility both internal to the business as well as external. The sixth principle is ‘Responsibility proportional to
influence’. The argument here is that with power comes responsibility and the greater a company’s power or impact, the greater its level of responsibility.

The seventh principle is ‘Global not just local’. It contends that for multi-national companies CSR extends to all operations within its control. The CSR effort should equally transcend the borders which the companies’ operations have likewise done. The eighth principle is ‘Supply chain approach’. According to this principle, a company’s accountability is expected to extend to include its forward and backward linkages in its supply chain. The ninth principle talks about ‘Embeddedness’. Here, the key to effective CSR is not to see it as a one off or ‘activity’, but to embed responsible policies and practices throughout the organization, taking heed of learning and implementing change in response.

The tenth principle is ‘Measurement’. Companies are expected to put systems in place to understand their impacts and monitor change. This is to ensure that weaknesses in the CSR program are addressed and strengths consolidated. Turker (2009) developed a four-dimensional structure to aid in the measurement of a company’s CSR initiatives. The eleventh principle is ‘Reporting’. Companies are expected to make disclosure on their environmental and social performance to all stakeholders in a form that is relevant and accessible. Okoye (2009), states that, CSR has become indispensable in modern business disclosure. Finally, the twelfth principle is on ‘Verification’. Here, companies are challenged to provide proof of the benefits the CSR activities have brought to the intended recipients.

1.1.3 The Practice of CSR by Kenyan Companies

The CSR wave has seen companies setting up corporate and community affairs departments, which are largely charged with the responsibility of coordinating CSR programs. The support has taken the form of food donations, cash donations, and medical camps. In other areas, companies have actively participated in tree planting programs,
bursary support for poor students and construction of classrooms, thus helping resolve problems that have plagued communities for ages.

Companies such as the Kenya Commercial Bank (KCB), Safaricom Limited and the East African Breweries (EABL) have formed foundations to help them implement their respective CSR programs. EABL on its website states that the company wants to be able to contribute actively to the environment in which it functions across the region of East Africa, and play a leadership role in helping others help themselves. EABL believes that community investments are an important component of corporate citizenship, which they view as a core business activity. Similarly, KCB on its website states that the KCB Foundation is a charitable organization set up in 2007 to facilitate corporate social responsibility initiatives for the KCB Group. The Foundation supports community programs in the markets where the bank operates in Kenya, Uganda, Southern Sudan, Tanzania and Rwanda. On its part, Safaricom’s Foundation was established in August 2003 and is a registered charity funded by Safaricom Limited and the Vodafone Group Foundation. The work of Safaricom Foundation is an expression of Safaricom Limited’s “Passion for the World around Us”. The Foundation provides a formal process for charitable contributions to communities, community groups and Non Governmental Organisations (NGOs) in Kenya who are key partners in responding to social and economic development issues in the country.

Not all companies though, have the resources to set up foundations and therefore look for implementing partners. Such partners include non-governmental organizations (NGOs), community based organizations (CBOs), women, youth and self-help groups, special interest groups such as environmental, HIV/AIDS, town management committees and village development committees.

CSR activities are carried out either as high impact projects, timed or open ended programs, or as one off events. Some companies just carry out one time or many uncoordinated high media profile events believing that the members of the public will remember the events, hold the company in high esteem and increase their business transactions with the company. Unfortunately, such events are a waste of resources
because their impact is short-lived and quickly forgotten. They neither effectively benefit the company nor the targeted beneficiaries. Programmatic CSR activities eventually cultivate loyal partners and a grateful clientele thereby developing a highly productive and sustainable relationship between the initiating company, partner donors both individual and corporate as well as beneficiaries in the community. Examples of such relationships are the Dettol Heart Run, Safaricom Marathon and the Rhino Charge where individual and corporate Kenyans as well as some foreigners book the activities in their diaries and set aside funds to participate.

A close look at the flower industry, which has for many years courted criticism over its depletion of the environment by virtue of its being a huge water and agricultural chemicals consumer, shows that leading companies such as Sher Karuturi and Home Grown have embarked on an image building exercise through establishing elaborate environmental policies and initiating programs aimed at improving the lives of local communities. The firms have put up hospitals, built schools, provided decent housing, clean drinking water and other social amenities.

Magadi Soda, the largest soda ash producer in Africa, has built a town with all social amenities and a well maintained road linking Magadi town to Nairobi. It also runs its own railway line and public transport service. The firm also has its own nursery, primary and secondary schools, hospital, water treatment facilities and places of religious worship. Typically, most of these companies have end-year or periodical events, which customarily involve numerous photo-sessions showing support for the less fortunate in society.

1.1.4 The Nairobi Stock Exchange

The Nairobi Stock Exchange (NSE) is the principal stock exchange of Kenya. It began in 1954 as an overseas stock exchange while Kenya was still a British colony with permission of the London Stock Exchange. The NSE is a member of the African Stock Exchanges Association. The NSE is Africa’s fourth largest stock exchange in terms of trading volumes, and fifth in terms of market capitalization as a percentage of GDP. The
Exchange works in cooperation with the Uganda Securities Exchange and the Dar es Salaam Stock Exchange, including the cross-listing of various equities.

The NSE has four main investments market segments (MIMS) namely, Agricultural Sector, Commercial and Services, Industrial and Allied and Finance and investment. In the current year 2011, there are a total of forty-seven (47) listed companies, one of which is suspended from trading.

1.2 Statement of the Problem

Companies in Kenya view CSR from the narrow viewpoint of charitable giving overlooking its holistic nature as a conscientious way of doing business. In a 2005 report, Ufadhili contends that beyond the well-meaning gestures that appear as generosity by companies – cheque presentations, cuddling vulnerable children, tree planting – there are ironies that companies need to urgently address to give the CSR concept its right approach. For instance, Ufadhili poses two important questions: “How is it that a company that publicly supports a children’s home catering for HIV/AIDS orphans does not have a HIV/AIDS Policy for its employees? Or a company that supports the government’s universal primary education campaign is itself the beneficiary of school land grabbing?”

Previous studies have not adequately addressed the understanding corporate managers and decision makers have of CSR. However, some studies have shed some light on this subject. Mutuku (2005) found that managers thought of CSR as an extra activity and not part of the company’s day-to-day activities. Muriuki (2008) found that CSR was linked to strategy of the mobile telephone service providers, and staff was heavily involved in implementation. There is therefore a knowledge gap that this study can attempt to fill.

This study will therefore attempt to answer the following questions. First, do corporate managers and decision makers fully understand the concept of CSR? Secondly, is involvement in CSR just an opportunity for public relations or have the company’s management, employees and other stakeholders internalized CSR as integral to the
achievement of the company's overall objective? Thirdly, do the companies involve their employees and other stakeholders in deciding what activities to carry out? Finally, do they put in place policies and structures to sustain CSR activities?

1.3 Objectives of the Study

The overall objective of this study was to analyze the relationship between the laid down principles of CSR and its practice by Kenyan companies. The study further sought to make recommendations to help the companies properly implement CSR programs.

The specific objectives of the study were:

i. To investigate the importance of company management, employees and stakeholders place on CSR, in the realization of the company's goals and objectives.

ii. To determine whether company management and decision makers involve their employees and other stakeholders in deciding what CSR activities to carry out.

iii. To establish whether they put in place policies and structures to sustain these activities.

1.4 Significance of the Study

The findings of this study will contribute knowledge on this new concept of CSR.

Past studies in CSR have not analyzed the relationship between the principles of CSR and the way it is practiced by companies in Kenya. This analysis will be particularly useful to decision-makers as they integrate CSR within their core business.

Finally, it will be useful in providing guidelines for implementation and sustenance.
CHAPTER TWO - LITERATURE REVIEW

2.1 Introduction

This section traces the path the CSR concept has traveled from the formative stages up to its recognition as a key ingredient in strategies of modern day business. It will give examples of CSR activities and discuss the arguments for and against CSR. Further, it will explain how CSR can be planned and implemented and highlights impediments that may arise.

2.2 Evolution of the Concept of CSR

The history of social and environmental concern about business is as old as trade and business itself. Commercial logging operations for example, together with laws to protect forests, can both be traced back almost 5000 years. Aspects of social responsibility were also practiced in ancient Mesopotamia around 1700 BC and in ancient Rome. In 1622, disgruntled shareholders in the Dutch East India Company started issuing pamphlets complaining about management secrecy and "self enrichment". With industrialization, the impact of business on society and the environment assumed an entirely new dimension. The "Corporate Paternalists" of the late 19th and early 20th Century used some of their wealth to support philanthropic ventures. By the 1920s, discussions about the social responsibilities of business had evolved into what can be recognized as the beginning of "modern" CSR movement.

Chester Barnard's *The Functions of the Executive* (1938), and Theodore Krep's, *Measurement of the Social Performance of Business* (1940), were two early references to the social responsibilities of executives and business. The 1950s saw the start of the modern era of CSR when it was more commonly known as SR or social responsibility. Bowen (1953) referred to CSR as the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society. He is widely regarded as the father of CSR.
The literature expanded the definition during the 1960s. McGuire (1963) stated that the idea of social responsibilities supposes that companies have not only economic and legal obligations but also certain responsibilities to society which extend beyond these obligations. This perhaps got closer to the contemporary understanding of CSR as being an obligation to citizenry and the environment, and not merely to shareholders or wealth creation. The 1970s and 1980s saw attention being focused on articulating with more clarity on what exactly constitutes the responsibilities of a corporation. In 1984 Peter Drucker of management theory wrote in the *California Management Review* about the imperative to turn social problems into economic opportunities. American Ice-cream manufacturers, Ben and Jerry’s, were the first company to publish a social report in 1989.

In 1971 the Committee for Economic Development (CED) published its *Social Responsibilities of Business Corporations*. As a code of conduct, the CED outlined a three-tiered model of CSR: the inner circle: the basic responsibilities an organization has for creating profit and growth; the intermediate circle: an organization must be sensitive to the changing social contract that exists between business and society when it pursues its economic interests; and the outer circle: the responsibilities and activities an organization needs to pursue towards actively improving the social environment, e.g., poverty or urban crowding issues. By focusing on the responsibilities within all rings of the model, a corporation is working within and caring for the ecosystem it belongs to.

By the 1980s and 1990s, multi-national companies had woken up to the fact that attempts were being made to regulate them and the corporate backlash began. Most notably, corporate meddling in the 1992 Earth Summit in Rio de Janeiro, Brazil, impeded the Summit’s aim of finding ways to halt the destruction of the natural environment and its resources. Forty-eight companies were specifically formed to participate in and influence the Summit’s outcomes, particularly trying to shift towards voluntary reporting.

In 1995 Shell was accused of complicity in the execution of Ken Saro Wiwa and eight other activists in Nigeria. Companies then began to realize the importance of their public image and reputation. They started to understand that they needed a strategy to convince the public that they could play a very valuable and socially meaningful role within the
ecosystem they occupied. Contemporary CSR was ushered in to give companies a caring, human face and get rid of unethical conduct. But with the collapse of Enron in 2001, the claims of an organization against the reality of its conduct entered the bright spotlight of public scrutiny. The call for greater accountability and transparency has also led to the current focus on CSR.

2.3 Arguments for CSR

There is no question that the legal, ethical, and discretionary expectations placed on businesses are greater than ever before. Few companies totally disregard social issues and problems. Most pursue not only the goal of increased revenues and profits, but also the goal of community and societal betterment.

There are several arguments in favour of CSR by several authors including Smith (1990). The first is that large companies create many social problems which they should attempt to address and solve. Those holding this view criticize the production, marketing, accounting, and environmental practices of companies. They suggest that companies can do a better job of producing quality, safe products, and in conducting their operations in an open and honest manner. Porter and Kramer (2006) report that external stakeholders are seeking to hold companies accountable for social issues and highlight the potentially large financial risk for any company whose conduct is deemed unacceptable. The second is the “self-interest” argument. This is a long-term perspective that suggests companies should conduct themselves in such a way in the present as to assure themselves of a favourable operating environment in the future. Nehrt (1998) contends that multi-national companies that conform to environmental regulations promulgated in one jurisdiction gain global first mover competitive advantages when other countries later adopt such standards. Hence, multi-nationals companies may willingly adopt international labor or environmental codes if they believe that such codes will eventually become standard in their industry. Therefore companies must look beyond the short-term, bottom-line perspective and realize that investments in society today will reap future benefits.
The third is the “pre-emptive” argument. This holds that it may be in the companies’ best interests to engage in socially responsive activities because, by doing so, the companies may forestall governmental intervention in the form of new legislation and regulation that may affect their operations. The fourth is the stakeholder concept. Freeman (1984) contends that, managers should tailor their policies to satisfy all stakeholders, not just shareholders. These stakeholders include workers, customers, suppliers, and community organizations. Mitchell, Agle, and Wood (1997) proposed a theory of stakeholder identification and salience based on managerial assessments of stakeholders’ possession of one or more of three relationship attributes: power, legitimacy, and urgency. When stakeholders possess all three of the stakeholder characteristics, managers should respond to their claims (Mitchell/ Agle/ Wood, p. 878, 1997). Stakeholders, such as employees and owners, may have specific legal rights and expectations in regard to the company’s operations. Other stakeholders may not have specific rights granted by law, but may perceive that they have moral rights related to the company’s operations. Many social commentators also suggest that companies have a direct responsibility to future generations.

The fifth argument recognizes environmental issues. Companies have long been criticized for their negative effect on the natural environment in terms of wasting natural resources and contributing to environmental problems such as pollution and global warming. For example, global warming is thought to result from the use of fossil fuels. Other issues related to the natural environment include waste disposal, deforestation and land degradation. It is likely that corporate responsibilities in this area will increase in the coming years.

The sixth argument arises from global issues. Companies increasingly operate in a global environment. The globalization of business appears to be an irreversible trend, but there are many opponents to it. Critics suggest that globalization leads to the exploitation of developing nations and workers, destruction of the environment, increased human rights abuses and widens the gap between the rich and the poor. During the past decade, concerns over the downsides of economic globalization, particularly in the environmental and labor areas, have contributed to the growth of codes of conduct (Drezner 2000,
Williams 2000, Kearney 1999). Many large companies are multinational in scope and will continue to face legal, social, and ethical issues brought on by the increasing globalization of business.

The seventh argument highlights technology issues. Advances in technology have had their effect on society. For example, the Internet has opened up many new avenues for marketing goods and services, but has also opened up the possibility of abuse by companies. Issues of privacy and the security of confidential information must be addressed. Biotechnology companies face questions related to the use of embryonic stem cells, genetic engineering, and cloning. All of these issues have far-reaching societal and ethical implications. As the technological capabilities continue to advance, it is likely that the responsibilities of companies in this area will increase.

The eighth argument is that CSR leads to enhanced performance. Verschoor (1997) found that companies with an explicit and defined commitment to ethics and values showed better financial performance than those that did not. All indications continue to suggest that it is those companies that are perceived to be socially responsible by stakeholders in modern markets that will survive and prosper (Tilt 1997; Katsoulakos and Katsoulacos 2007). Companies have equally realized that by being innovative in all ramifications including their CSR activities and initiatives, they will not only add value to profit, but also to the society and the natural environment. The final point is the financial capacity argument. This argument suggests that companies should assume social responsibilities because they are among the few private entities that have the resources to do so. Porter and Kramer (2006) argue that companies have the know-how and resources not only to change the state of affairs in developing countries – poverty, low wages, selling off the natural environment – but also address disadvantaged communities in advanced economies. Thus, companies should utilize some of their human and financial capital in order to "make the world a better place."
2.4 Arguments against CSR

Friedman (1970) wrote that the one and only social responsibility of business, is to increase profits for shareholders. Management's fundamental goal is to increase value for its shareholders and not any single stakeholder. Several authors and other stakeholders, like Friedman (1970) and Smith (1990) have put forward arguments against CSR. Some of the ideas associated with these people are discussed below.

The main criticism is that companies are owned by their shareholders. Money spent on CSR by managers is therefore theft of the rightful property of the owners. This is the voice of the 1980s laissez-faire, still being given a voice by advocates such as Elaine Sternberg. Sternberg argues that a stakeholder approach to management deprives shareholders of their property rights. Not all aspects of CSR are guilty of this, however. Sternberg states that ordinary decency, honesty and fairness should be expected of any company.

A second criticism is the lack of clear regulation of CSR. CSR is voluntary corporate action and goes beyond simple compliance with domestic regulations and laws. Morimoto et al (2005) contend that developing a CSR auditing procedure is a challenging task. Many companies are subject to national regulation of CSR in certain specific geographic areas and at a global level the Organization for Economic Co-operation and Development (OECD), the International Labour Organization (ILO) and the United Nations (UN) have all attempted to regulate CSR through some Framework for Corporate Social Responsibility. These efforts have clearly not deterred the corporate world from being socially, morally and ethically irresponsible.

Another criticism is that some of the leading companies that report on their social responsibility have achieved success through methods that are not socially responsible. For example the Communications Commission of Kenya (CCK) recently introduced price caps on the retail mobile and fixed markets in order to curb pricing strategies that entrenches traffic imbalance that favoured Safaricom Limited over other players in the
market. Safaricom Limited, has one of the most vibrant CSR programme conducted through the Safaricom Foundation.

A further criticism arises from the challenges in the global economy. Large companies with lots of resources at their disposal are better equipped to cope with challenges in the global and local economy than smaller companies which have to fight to stay afloat and therefore lack the necessary resources to engage in CSR. Another criticism is the view that it is the primary responsibility of the Government to deal with social and environmental issues. Friedman (1962, 1970) argues that what CSR requires corporate entities to do is actually the responsibility of governments; these companies like other citizens pay their taxes and should therefore expect governments to expend the revenues they receive from taxes in the social benefits for all taxpayers. Lastly, there are those who contend that the practice of CSR is mere ‘cosmetism’. Many CSR activities by companies are largely public relations exercises, a chance to ‘look and feel good’ or merely following a precedence set by industry peers.

2.5 Planning and Implementing CSR

Modern-day companies are best positioned when they reflect the values of the constantly shifting and sensitive market environment in which they operate. It is vital that they are capable of meeting the needs of an increasingly demanding and socially aware consumer market. Industry Canada, a Department on the Canadian Ministry of Industry, proposes the following steps as key to the planning and implementation of CSR.

First, develop an integrated CSR decision-making structure. It is essential that the company aligns its CSR goals and decision making with its overall goals and strategies, so that taking CSR considerations into account in corporate decision making becomes natural. McWilliams and Siegel (2001) suggest that CSR activities be included in strategy formulation and that the level of resources devoted to CSR be determined through cost/benefit analysis. More and more companies are embracing the concept of CSR and incorporating CSR strategies into their day-to-day business operations. As Porter and Kramer (2006) stated, when done strategically and deliberately, CSR "can be much more
than a cost, a constraint, or a charitable deed, it can be a source of opportunity, innovation and competitive advantage." Some companies prefer a centralized CSR decision-making structure, others a de-centralized one, while still others will want a hybrid, depending on their operating features and management style. Organizations like Safaricom and East African Breweries have fully-fledged foundations with substantive heads, through which all CSR activities are co-ordinated. A senior official or committee responsible for overall CSR implementation within the firm should be identified and given the resources to do the job. CSR responsibilities should be built into employees' job descriptions and performance evaluations.

Secondly, prepare and implement a CSR business plan. The decision-making structure identifies who is responsible for CSR decision making and action within the firm. These people play key roles in developing and implementing the CSR business plans, which should flow from the CSR strategy and commitments. The CSR business plan may be separately described or included as part of the company's existing overall business plan. With the strategy, commitments and decision-making structures in place, the CSR business plan helps ensure that the words are transformed into effective action. One way of doing this is to determine what human, financial and other resources and activities will be required to carry out the CSR strategy and commitments.

Thirdly, set measurable targets and identify performance measures. To ensure effective implementation, a company needs to set measurable targets for the commitments. Intermediate targets should be used as guideposts along the way to the ultimate goal, providing a gauge of progress and an opportunity for re-evaluation should adjustment in approach, training or resources be necessary. When achieved, targets may also be a source of celebration in their own right. In this sense, they can help build momentum.

Fourthly, engage employees and others to whom CSR commitments apply. Vicenza (2010) contends that organizations should rely on their employees to put principles into practice. The input of employees and other key stakeholders has to been solicited at every stage, from preliminary assessment, through strategy development and articulation of commitments. Employees, suppliers and other stakeholders play a central role in CSR
implementation. If not properly engaged, employees and suppliers could frustrate the implementation process.

Fifth, design and conduct CSR training. Companies need to train employees directly involved in CSR activities. This should be an ongoing commitment, since training needs will change as the CSR issues evolve. A comprehensive approach to training will ensure employees have information on the firm's CSR commitments, programs and implementation. Training modules should be offered in appropriate languages and must consider the employees' cultural orientation. Literacy levels may also need to be assessed.

Sixth, establish mechanisms for addressing problematic behaviour. The fate of employees, communities, the environment and companies depends upon early detection of activity that is contrary to CSR principles and commitments. Auditing and monitoring can only go so far in this regard. For this reason, it is important for companies to put in place mechanisms and processes that will allow for early detection, reporting and resolution of problematic activity.

Lastly, create internal and external communications plans. Bowd et al (2006) stated that CSR is becoming ever more important in the modern business environment, as is evident by the fact that most leading public companies include a specific statement on their CSR policy within their annual reports. Information about CSR commitments, activities and performance reporting should be communicated visibly and frequently to all employees. Whether through newsletters, annual reports, Intranet communication, meetings, training or informal mechanisms, employees must know that CSR is a company priority. Updates on CSR should also be put on the agenda of meetings at all levels of the company. For external audiences, a good communications plan is important. It should identify the individuals and groups that need to be aware of a particular CSR initiative and those who should receive hard copies of CSR documents, as well as how those individuals and groups are to be reached. The communications activities might include an awareness campaign, featuring advertising and speeches.
The implementation of CSR is a process and like any other process within the company, various impediments are likely to be experienced. For the success of the CSR efforts, decision makers should take cognizance of the following problems that may arise or be experienced. First, is lack of sufficient goodwill and support from shareholders and senior management. The introduction of CSR in companies is usually a top management affair. Even in instances where the idea is generated by employees or others, the decision of whether or not to implement rests with top management with approval from the board. For the board and shareholders, ‘bottom-line’ is what really matters whereas for senior management, implementation of CSR is hardly a performance indicator upon which they are evaluated. Therefore, the two groups may deprive the implementation of the necessary support and goodwill.

A second problem is lack of support from staff. In situations where CSR is an idea ‘popped-up’ by top management without proper consultation with their employees, there is bound to be resistance from the employees who may feel that they are being asked to work more without due consideration and hence frustrate the implementation process. A third problem is lack of support from other stakeholders. Following from the previous point, it is also crucial to adequately involve other stakeholders such as suppliers, local community and local authority in order to gain the necessary approval and support. Mitchell, Agle, and Wood (1997) and Freeman (1984), all emphasized the importance of identifying and including stakeholders in CSR programmes. For example, a company that wishes to implement a social program for the benefit of the local community needs to involve the local community in order to find out whether the program will benefit them and also consult with the local authority in order to get the necessary approval.

A fourth problem is lack of sustainability. Much too often, some CSR programs, especially if not well thought out, tend to ‘fizzle’ out and before too long become defunct. This is especially so for charitable causes which tend to be a one-day photo session event without a plan for the necessary follow-up. A fifth problem is the lack of
regulation. Since CSR is largely voluntary, implementation of those CSR activities that are not a legal requirement may be overlooked since there is no fear of reprisal. Finally, cultural concerns may present a problem. Idowu and Filha (2009) attribute differences in cultural orientation as one of the impediments in communicating CSR programs. Further, some CSR activities may conflict with cultural norms of the community and hence may face hurdles in implementation.

2.7 Main Groups of CSR Activities

The Ashridge Business School, UK, has developed a classification of CSR activities. According to Ashridge, CSR can be classified into seven main groups. These are: Leadership, vision and values; Marketplace Practices; Workforce activities; Supply chain activities; Stakeholder engagement; Community activities; Environmental activities. This is illustrated in Figure 2.1 below.

![Diagram of Main Groups of CSR Activities](image-url)

**Figure 2.1:** Main Groups of CSR Activities (Source: Ashridge Business School)
These main groups broadly follow CSR principles and description focusing on CSR activities, including Business in the community’s Corporate Responsibility Index and CSR Europe’s SME key. The Ashridge classification provides useful context to the different practical CSR activities. However, it is important to note that there is considerable overlap between the different CSR activities. It is on the basis of this model that the study seeks to bring out the holistic meaning of CSR and provide practical examples of activities companies can engage in which conform to the principles of CSR.

CSR leadership involves defining and setting a purpose (mission) that takes CSR into consideration. Koivisto (2008) stated that the challenge for leadership is to provide the necessary conditions. This means information, the supporting social atmosphere and circumstances to develop the attitudes and values towards responsible behavior. Mission, values and vision have to reflect the businesses’ concern for CSR. Examples of practical activities in this class include; Developing business principles / code of conduct; developing policies in specific areas of concern, for example, regarding diversity, harassment, the environment and human rights; integrating CSR into corporate governance, for example, transparent lobbying and combating corruption.

Managing a business’s marketplace activities relates to issues of relevance to the customer, both individual and corporate. This relates to consumer rights, good customer relations, responsible marketing and advertising and ensuring high level of customer feedback including customer complaints. Consumers are demanding that companies produce high-quality, safe and environmentally friendly products with manufacturing processes that are less harmful to the environment and to communities (Lash and Wellington 2007). Examples of marketplace activities include the following: Providing good and clear product information, for example, in relation to product safety or environmental concerns; engaging in cause-related marketing – Is about aligning sales and marketing efforts with a positive social cause, for example, the Dettol Heart Run; ensuring customers’ convenience in accessing products and services.
Workforce Activities is about fair treatment of employees and is often related to attraction and retention of employees. It can also comprise extending employment opportunities to minorities and other disadvantaged groups. It is about giving people a fair chance and seeks to develop employees to achieve their full potential. Examples of workforce activities include: Respecting right to free assembly and representation; ensuring employee welfare, for example, basic healthcare, flexible working hours, maternity/paternity leave, sick-offs and stress management services (counseling); training and development.

For many companies, suppliers are a key stakeholder group, as products and services are produced with their assistance. The social and environmental performance of suppliers can therefore be reflected in the final product. In collaboration with its suppliers, an enterprise may therefore encourage good practice throughout the entire supply chain. By listening to and working with suppliers, the business may strengthen relationships and collaborate with them to address supply chain problems and identify opportunities. Examples of CSR activities under this group include: Listening and working with suppliers; agreeing honest and fair terms; monitoring social and environmental performance of suppliers.

Stakeholder engagement and the associated management practice may provide the enterprise with intelligence on what its stakeholders think it should do to be socially responsible. Clarkson (1995) notes that organizations need to identify both primary and secondary stakeholders as they cannot exist without them. It is important for a company to map out its key stakeholders, prioritize them and their main concerns. Examples of CSR activities include: Engaging in employee consultation for example, through employee selected forums; Conducting focus groups with stakeholders to explore material concerns in depth; Engaging in local community liaison in order to understand concerns and build good relationships; Partnering with public authorities to address societal needs, say by, providing technical and professional assistance to local authorities in order to empower the local community to better address societal problems by themselves rather than constantly waiting for Government interventions.
Community activities are related to generally promoting the health and well-being of the local communities in which a company operates. Community activities are often linked to the other parts of the company activities, including its other CSR activities. These have been described in previous sections of this paper. However, under this group of activities, it is important to deal with Corporate Community Investment (CCI). CCI in practice is about supporting a broad range of causes and organizations such as schools, hospitals, cultural groups, sports clubs and local authorities. Halal (2000) notes that it was inevitable that the Corporate Community Model (CCM), which is more socially responsible and progressive model, was going to replace the Socially Responsible Model (SRM) of the 1980’s to the present period. Examples of CSR activities under CCI include: Supporting charity by responding to appeals made by charities and community organizations by way of cash, material donations and technical assistance; Engaging in partnerships for social investment; Promoting social cohesion in the community.

The population of study was all the forty seven (47) companies listed on the Nairobi Stock Exchange (NSE) in the year 2010.

3.4 Sample Size and Sampling Procedure

The study deliberately targeted companies from the three main segments of the NSE, namely Commercial and Services, Finance and Investment and Industrial and Allied, which make up 91.6% of the entire population.

3.5 Data Collection Methods

The study intended to collect both primary and secondary data. Primary data was be collected by survey through semi-structured questionnaires with both open-ended and closed-ended questions. The questionnaires were administered by way of outreach to managers in charge of CSR in the company. However, some companies offered the survey in their website and announce reports for the information sought. Only four companies granted personal interview, therefore the study mainly relied on website
CHAPTER THREE - RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the research design used in the study. It describes the research population. It also describes the data collection methods and discusses ethical considerations that were made in the course of the study.

3.2 Research Design

The study adopted descriptive research design in which mainly qualitative data was collected by cross sectional study.

3.3 Population of the Study

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information. External secondary data was collected from other internet sources and library research.

3.6 Scope and Limitations of the Study

The research study collected data on how CSR programmes are run by companies listed on the NSE.

4.2 Demographic Analysis of Respondent Companies

The study covered seventeen companies. This is represented in Table 4.1 below.

<table>
<thead>
<tr>
<th>Company No.</th>
<th>Company Name</th>
<th>Industry and Affiliation</th>
<th>Source of Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>East African Cables Ltd</td>
<td>Industrial and Allied</td>
<td>Primary and National Sources</td>
</tr>
<tr>
<td>2</td>
<td>Kenyan Ltd</td>
<td>Industrial and Allied</td>
<td>Primary and National Sources</td>
</tr>
<tr>
<td>3</td>
<td>East Africa Insurance Ltd</td>
<td>Industrial and Allied</td>
<td>Primary and National Sources</td>
</tr>
<tr>
<td>4</td>
<td>Kenya Airways Ltd</td>
<td>Commercial and Services</td>
<td>Primary and National Sources</td>
</tr>
<tr>
<td>5</td>
<td>Barclays Bank of Kenya Ltd</td>
<td>Financial and Investment</td>
<td>Secondary Sources</td>
</tr>
<tr>
<td>6</td>
<td>Safaricom Ltd</td>
<td>Commercial and Services</td>
<td>Secondary Sources</td>
</tr>
<tr>
<td>7</td>
<td>Equity Commercial Bank Ltd</td>
<td>Industrial and Allied</td>
<td>Secondary Sources</td>
</tr>
<tr>
<td>8</td>
<td>East African National Cables Ltd</td>
<td>Commercial and Services</td>
<td>Secondary Sources</td>
</tr>
<tr>
<td>9</td>
<td>Uchumi Supermarket Ltd</td>
<td>Commercial and Services</td>
<td>Secondary Sources</td>
</tr>
<tr>
<td>10</td>
<td>Commercial Bank of Kenya Ltd</td>
<td>Financial and Investment</td>
<td>Secondary Sources</td>
</tr>
<tr>
<td>11</td>
<td>Equity Commercial Bank Ltd</td>
<td>Commercial and Services</td>
<td>Secondary Sources</td>
</tr>
<tr>
<td>12</td>
<td>Equity Commercial Bank Ltd</td>
<td>Industrial and Allied</td>
<td>Secondary Sources</td>
</tr>
<tr>
<td>13</td>
<td>Equity Commercial Bank Ltd</td>
<td>Commercial and Services</td>
<td>Secondary Sources</td>
</tr>
<tr>
<td>14</td>
<td>Equity Commercial Bank Ltd</td>
<td>Financial and Investment</td>
<td>Secondary Sources</td>
</tr>
<tr>
<td>15</td>
<td>Equity Commercial Bank Ltd</td>
<td>Commercial and Services</td>
<td>Secondary Sources</td>
</tr>
<tr>
<td>16</td>
<td>Equity Commercial Bank Ltd</td>
<td>Financial and Investment</td>
<td>Secondary Sources</td>
</tr>
<tr>
<td>17</td>
<td>Equity Commercial Bank Ltd</td>
<td>Commercial and Services</td>
<td>Secondary Sources</td>
</tr>
<tr>
<td>18</td>
<td>Equity Commercial Bank Ltd</td>
<td>Financial and Investment</td>
<td>Secondary Sources</td>
</tr>
<tr>
<td>19</td>
<td>Equity Commercial Bank Ltd</td>
<td>Commercial and Services</td>
<td>Secondary Sources</td>
</tr>
</tbody>
</table>

Table 1: Demographic Data of Respondents
CHAPTER FOUR – DATA ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter deals with data analysis and presents the findings of the study by way of interpretation. Data generated in this study was mainly qualitative in nature and was summarized in tables according to the study themes. The data was then evaluated and analyzed to determine its adequacy, credibility, usefulness and consistency. Content analysis was done to describe qualitative data and compare it with theoretical approaches from the key principles of CSR. This approach has previously been used by both Olila (2006) and Mbogo (2003).

4.2 Demographic Analysis of Respondent Companies

The study covered seventeen companies. This is represented in Table 4.1 below.

<table>
<thead>
<tr>
<th>Company No.</th>
<th>Company Name</th>
<th>Market Segment</th>
<th>Source of Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>East African Cables Ltd.</td>
<td>Industrial and Allied</td>
<td>Primary and Secondary</td>
</tr>
<tr>
<td>2</td>
<td>Kengen Ltd.</td>
<td>Industrial and Allied</td>
<td>Primary and Secondary</td>
</tr>
<tr>
<td>3</td>
<td>East African Breweries Ltd.</td>
<td>Industrial and Allied</td>
<td>Primary and Secondary</td>
</tr>
<tr>
<td>4</td>
<td>Access Kenya Group</td>
<td>Commercial and Services</td>
<td>Primary and Secondary</td>
</tr>
<tr>
<td>5</td>
<td>Kenya Airways Ltd.</td>
<td>Commercial and Services</td>
<td>Primary and Secondary</td>
</tr>
<tr>
<td>6</td>
<td>Barclays Bank of Kenya Ltd.</td>
<td>Finance and Investment</td>
<td>Secondary</td>
</tr>
<tr>
<td>7</td>
<td>Safaricom Ltd.</td>
<td>Commercial and Services</td>
<td>Secondary</td>
</tr>
<tr>
<td>8</td>
<td>Kenya Commercial Bank Ltd.</td>
<td>Finance and Investment</td>
<td>Secondary</td>
</tr>
<tr>
<td>9</td>
<td>East African Portland Cement Co. Ltd.</td>
<td>Industrial and Allied</td>
<td>Secondary</td>
</tr>
<tr>
<td>10</td>
<td>Uchumi Supermarkets Ltd.</td>
<td>Commercial and Services</td>
<td>Secondary</td>
</tr>
<tr>
<td>11</td>
<td>Mumias Sugar Company Ltd.</td>
<td>Industrial and Allied</td>
<td>Secondary</td>
</tr>
<tr>
<td>12</td>
<td>Bamburi Cement Ltd.</td>
<td>Industrial and Allied</td>
<td>Secondary</td>
</tr>
<tr>
<td>13</td>
<td>Kenya Power &amp; Lighting Co. Ltd.</td>
<td>Industrial and Allied</td>
<td>Secondary</td>
</tr>
<tr>
<td>14</td>
<td>Total Kenya Ltd.</td>
<td>Industrial and Allied</td>
<td>Secondary</td>
</tr>
<tr>
<td>15</td>
<td>The Co-operative Bank of Kenya Ltd.</td>
<td>Finance and Investment</td>
<td>Secondary</td>
</tr>
<tr>
<td>16</td>
<td>Equity Bank Ltd.</td>
<td>Finance and Investment</td>
<td>Secondary</td>
</tr>
<tr>
<td>17</td>
<td>National Bank of Kenya Ltd.</td>
<td>Finance and Investment</td>
<td>Secondary</td>
</tr>
</tbody>
</table>
From the table 4.1 above, the following analysis can be made. The study covered seventeen (17) companies out of the total population of forty-seven (47). This represents 36.2% of the total population. However the sample of interest comprised the forty-four (44) companies in the three MIMs, hence the study covered 38.6% of the sample. Eight (8) of the companies were from the Industrial and Allied segment, representing 47.1% of the respondents, five (5) from the Finance and Investment segment representing 29.4% and four (4) from the Commercial and Services segment representing 23.5%. This is a fair representation of the companies on the NSE since the Industrial and Allied segment makes up 36% of the total population, 32% make up the Finance and Investment segment and 25% the Commercial and Services segment.

4.3 Analysis of the Financing and Management of CSR Activities

The table 4.2 below summarizes data on the history, financing, structure and management of the various CSR activities, collected from the seventeen (17) respondent companies.

<table>
<thead>
<tr>
<th>Market Segment</th>
<th>History of CSR</th>
<th>Financing of CSR</th>
<th>Management of CSR</th>
<th>Main CSR Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrial and Allied</td>
<td>Started at incorporation - 8 Companies</td>
<td>0 - 50 Million - 3 Companies</td>
<td>Formal structure with substantive Manager - 7 Companies</td>
<td>Health and Safety, Environmental conservation, Staff welfare, Education, Water projects, Social development of community, Sports and culture, Charitable contributions</td>
</tr>
<tr>
<td>Finance and Investment</td>
<td>Started at incorporation - 2 Companies</td>
<td>50-100 Million - 2 Companies</td>
<td>Informal structure without substantive Manager - 1 Company</td>
<td>Education, Environmental Conservation, Charitable contributions, Health, Social development of community</td>
</tr>
<tr>
<td>Commercial and Services</td>
<td>Started with establishment of Foundation - 3 Companies</td>
<td>Over 100 Million - 1 Company</td>
<td>Formal structure with substantive Manager - 5 Companies</td>
<td>Education, Environmental Conservation, Health, Charitable contributions, Social development of community</td>
</tr>
<tr>
<td></td>
<td>Started in the last 15 years - 3 Companies</td>
<td>0 - 50 Million - 1 Company</td>
<td>Informal structure without substantive Manager - 1 Company</td>
<td></td>
</tr>
</tbody>
</table>

From the data in table 4.2 above, the following analysis can be made. The history of CSR shows that all eight (8) companies in the Industrial and Allied segment started practicing CSR at incorporation. This may be explained by the fact that aspects of CSR were...
informally practiced in order to comply with health and safety regulations. CSR may also have been in practice as normal company procedure owing to the nature of their industrial processes. As the practice of CSR gained prominence in the corporate world, CSR then became a formal company policy or practice. In the Finance and Investments segments, the history is slightly different in that out of five (5) companies, only two (2), representing 40% started practicing CSR at incorporation while the other three (3), representing 60% began practicing after setting up foundations to run CSR. These foundations have full time staff and are managed separately from the company. In the Commercial and Services segment, out of the four (4) companies, none began CSR at incorporation while Three (3) companies, making up 75% started CSR in the last fifteen (15) years. One (1) company, representing 25%, started CSR after setting up a CSR foundation. It is evident that in the latter two segments, CSR began in the 1990s when CSR had become a recognized business policy.

The data also reveals that all the companies across the three MIMS, commit substantial finances to CSR. Five (5) of the seventeen (17) companies spend over Kenya shillings one hundred million (100,000,000) Kenya shillings. Five (5) others spend between Kenya shillings fifty and one hundred million (50,000,000 – 100,000,000). Five (5) others spend less than Kenya shillings fifty million (50,000,000). The study was unable to obtain figures from two (2) companies. Since some aspects of CSR such as work place health and safety are in compliance with legal requirements from government agencies such as the National Environmental Management Authority (NEMA), it is difficult to establish the exact amount of money committed to CSR.

The data further reveals that in fifteen (15) out of the seventeen (17) respondent companies, CSR activities are run through a formal structure, with a substantive manager in charge. This represents an overwhelming 88% majority. Only in two (2) companies, representing 12%, does the data reveal an informal structure in place to run CSR activities.

Besides CSR activities that are in compliance with legal requirements, the data reveals that education, healthcare, environmental conservation, social development of local
communities and charitable donations, are the most common CSR activities carried out across the MIMS. Further analysis of the data however reveals that companies within the Industrial and Allied segment give more prominence to CSR activities relating to the environment as well as workplace health and safety, than companies within the Commercial and Services and, Finance and Investment segments. This is because companies in the Industrial and Allied segment are industrial in nature, which necessitates implementing of health and safety policies. Industrial operations also adversely affect the environment, hence the need for specific activities to mitigate the effects.

4.4 Analysis of Stakeholder Involvement in CSR

Table 4.3 below, summarizes data on the different categories of CSR stakeholders and which among them benefits most from CSR. It also gives data on which category(s) of stakeholder is critical to the implementation of CSR as well as showing whether employees are involved in the practice of CSR by the respondent companies.

<table>
<thead>
<tr>
<th>Market Segment</th>
<th>Key CSR Stakeholders</th>
<th>Key Beneficiary(s) of CSR</th>
<th>Critical Stakeholder in Implementation of CSR</th>
<th>Employee Involvement in CSR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrial and Allied</td>
<td>Shareholders, Environmental Activists, Management, Employees, Government Regulatory</td>
<td>The Environment, Employees,</td>
<td>Management</td>
<td>Above average level of</td>
</tr>
<tr>
<td></td>
<td>Agencies, Local Communities, Business Partners, Partner Organizations, Customers, Media</td>
<td>Customers, local communities</td>
<td></td>
<td>employee involvement</td>
</tr>
<tr>
<td>Finance and Investment</td>
<td>Shareholders, Environmental Activists, Management, Employees, Local Communities,</td>
<td>Local Communities, customers,</td>
<td>Management and Employees</td>
<td>High level of employee</td>
</tr>
<tr>
<td></td>
<td>Partner Organizations, Customers, Media</td>
<td>employees, the environment</td>
<td></td>
<td>involvement</td>
</tr>
<tr>
<td>Commercial and Services</td>
<td>Shareholders, Environmental Activists, Management, Employees, Local Communities,</td>
<td>Local Communities, customers,</td>
<td>Management and Employees</td>
<td>High level of employee</td>
</tr>
<tr>
<td></td>
<td>Business Partners, Partner Organizations, Customers, Media</td>
<td>employees, the environment</td>
<td></td>
<td>involvement</td>
</tr>
</tbody>
</table>

Table 3 Analysis of Stakeholder Involvement in CSR
From the data in table 4.3 above, the following analysis can be made. There are several categories of stakeholders involved in CSR either as decision/policy makers, co-financiers, managers, implementers, regulators, beneficiaries and information disseminators. Across the three MIMS, CSR activities of respondent companies mainly benefited the local communities in the areas they operate, the natural environment, customers and employees.

In the Industrial and Allied segment, management is considered the most crucial stakeholder for successful implementation of CSR. This is explained by the fact that industrial operations of companies in this segment require strict adherence to procedures which have a direct impact on product quality and workplace health and safety. These procedures require strict enforcement by the various layers of management. In the other two segments namely Finance and Investments and Commercial and Services, both management and employees are viewed as being crucial to the successful implementation of CSR activities. This is explained by the fact that most of the CSR activities in these two segments are external and hence besides the input of management and policy level, require the efforts of employees to be implemented on the ground.

In terms of employee involvement in CSR, high level employee involvement is recorded in the Commercial and Services and Finance and Investments segments. As earlier mentioned most CSR activities in these two segments are external and hence require input of employees. These include planning, providing material and financial support as well as active participation on the ground. Employees also get involved by virtue of the fact that they are beneficiaries of some of the CSR activities. In the Industrial and Allied Segment, employee involvement is above average because in most cases, employees have little say in rules and procedures put in place to guarantee workplace health and safety as well as the quality of products manufactured or generated.
4.5 Analysis of the Contribution, Challenges and Sustainability of CSR

Table 4.4 below summarizes the views of respondent companies on the contribution of CSR towards the realization of company objectives. The data also includes methods of reporting on CSR, main challenges in the implementation of CSR and remedial action taken to overcome the challenges. The table also shows the future plans some of the companies have in respect of their CSR programmes. It is instructive to note that the study failed to get some information from some of the respondent companies.

Table 4   Analysis of the Contribution, Challenges and Sustainability of CSR

<table>
<thead>
<tr>
<th>Market Segment</th>
<th>Contribution of CSR to overall objectives</th>
<th>Method of Reporting</th>
<th>Main Challenges in Implementation of CSR</th>
<th>Actions taken to Overcome Challenges in implementation of CSR</th>
<th>Future CSR plans</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrial and Allied</td>
<td>Boosts staff morale</td>
<td>At Annual General Meeting</td>
<td>Inadequate Finances</td>
<td>Education campaigns for all stakeholders involved for better understanding of the objectives of the CSR activities</td>
<td>Improve CSR program to match industry peers</td>
</tr>
<tr>
<td></td>
<td>Environmental conservation for sustainable development</td>
<td>Publications</td>
<td>Adverse weather conditions</td>
<td>Better management - Committees set up to assist substantive CSR managers</td>
<td>Set up CSR Foundation</td>
</tr>
<tr>
<td></td>
<td>Enhances company's corporate image</td>
<td>Company Website</td>
<td>Poor infrastructure</td>
<td>Proper vetting of implementing partners</td>
<td>Spread CSR activities to new markets</td>
</tr>
<tr>
<td></td>
<td>Builds image of company's products and services</td>
<td>Internal meetings</td>
<td>Poor Performance of Implementing Partners</td>
<td>Research to determine suitability and sustainability of CSR activities</td>
<td>Dedicate more funds</td>
</tr>
<tr>
<td></td>
<td>In compliance with corporate governance standards</td>
<td>Media functions</td>
<td>Changing nature of work place disasters due to new methods of production</td>
<td>Partnering with other stakeholders to pool resources and ideas</td>
<td>Strive to match expectations of all stakeholders</td>
</tr>
<tr>
<td></td>
<td>Ensures quality products/services</td>
<td></td>
<td>High expectation of intended recipient</td>
<td>Monitoring and evaluation of projects to determine success or otherwise</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Avenue for giving back to the society</td>
<td></td>
<td>Interference from politicians</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
From table 4.4 above, the following analysis can be made. Across the three MIMS, CSR is an integral aspect of the company’s activities. From the data collected, the dominant theme established is that CSR is a way of ‘investing back to the community, environmental conservation for promoting sustainability, and building and maintain strong corporate image/brand as well as achieving corporate governance’. Investing back to the community entails supporting worthy causes that alleviate the suffering of vulnerable members of society, capacity building of individuals and groups, value addition to products and services without necessarily increasing cost, rewarding customer loyalty and responding to emergencies/disasters, among other initiatives. Further, companies in the Industrial and Allied segment enforce health and safety policies and quality standards to guarantee product quality. These, as we have earlier mentioned, are considered aspects of CSR.

Across the three MIMS, CSR activities are reported during annual general meetings, media functions, internal company meetings, website updates and in more than 50% of
the companies, specific publications on CSR published for external distribution. The reports are made available to shareholders, management, employees, partners, general public and to specific regulatory Government Agencies.

The most common challenges faced by companies across the three market segments as they carry out CSR include; overwhelming number of requests for support which then limits the funds available, lack of credibility or capacity of partner organizations, adverse weather conditions, poor infrastructure (roads and communication), duplicity of projects, lack of full co-operation from the intended beneficiaries and political interference. To overcome these challenges, companies across the three MIMS carry out education campaigns for awareness and better understanding by stakeholders of the objectives of CSR activities. Most companies, especially those with foundations have stringent procedures through which proposals and implementing partners are vetted. Lobbying for more funds and working more closely with stakeholders are the other actions taken to overcome challenges in implementing successful CSR. The data also reveals that some companies in the Industrial and Allied and Finance and Investment, conduct research as well as monitoring in order to overcome the challenges mentioned above.

From the data collected, it is evident that across the three MIMS, companies have long-term plans for CSR. Two (2) of the companies seek to launch foundations which will better fundraise for and manage CSR. Companies that are spreading their operations in new regions plan to extend CSR activities to these regions. For those companies with nascent CSR programs, there is also the desire to match the more established efforts of industry leaders.
CHAPTER FIVE – SUMMARY, CONCLUSIONS, LIMITATIONS AND RECOMMENDATIONS OF THE STUDY

5.1 Summary of Study Findings

This study reveals that in the 17 respondent companies, CSR is an integral component of day-to-day company activities, although some aspects are due to compliance with legal requirements. Across the three main market segments, companies commit substantial finances towards CSR annually. In some cases; a specific proportion of net profit is allocated. A broad range of CSR activities are carried out, the most prominent are those in education, health, environmental conservation, water and response to emergencies and disasters.

The study also reveals that there is adequate level of stakeholder involvement. Most companies work together with their business partners, organizations, government agencies and the local communities in deciding, managing, implementing and sustaining different CSR activities. The media is used to communicate the CSR activities to other stakeholders and the general public, in order to build good corporate image and add visibility to the company products. The study shows that employees are to a large extent involved in CSR by way of participation and voluntary contribution. In some companies, CSR committees that are charged with running the CSR program, are comprised of majority employees.

The study further reveals that companies regard CSR as an important ingredient in achieving overall company objectives. CSR activities are reported in internal company meetings, media events, company websites and in the annual company reports. Four out of seventeen respondent companies have periodical magazines and reports which highlight their CSR activities.

In the implementation of the CSR program, the study reveals that companies face various challenges. These include, inadequate finances, lack of capacity, poor credibility of implementing partners, duplicity of activities, adverse weather conditions, poor infrastructure. In some cases, communities have shown lack of enthusiasm towards the
CSR activities due to poor co-ordination and awareness campaigns. Several measures are put in place to overcome these challenges including enhancing CSR funding, better planning and co-ordination and closer collaboration with implementing partners.

Finally the study reveals that a majority of the respondent companies have long-term plans for CSR. Such plans include putting in place formal committees to oversee planning and implementation of CSR. At a higher level, some companies plan to set up foundations that will better fundraise for and manage CSR.

5.2 Conclusions from the Study

From the above findings, the study concludes that unlike in the past, companies in Kenya now consider CSR as an important company policy. CSR is no longer seen as just a public relations exercise but as an integral ingredient to the achievement of overall company objectives. Therefore, companies are involving their employees and other stakeholders in the implementation of CSR in order for them to internalize CSR as being part and parcel of company business. Substantial financial and human resources have been dedicated to the day-to-day management of CSR and measures put in place to sustain CSR in the long-term. Media engagement has been used to report on CSR and generate the public goodwill and endorsement.

5.3 Limitations of the Study

In the course of the study, various problems were encountered. From the onset, the study intended to conduct a census using questionnaires. However, only five respondent companies granted permission for interviews within good time. It was realized that listed companies have various layers of management and therefore permission to grant interviews has to go through a lot of bureaucracy, hence consuming time. Others did give permission but requested more time because the officers concerned were either unavailable or committed. The study thus relied largely on company websites for information. Some companies had very little information on their websites while others lacked specific aspects of information that was crucial to this study. Finally, the study
relied largely on qualitative data and such data is best obtained from perceptions of individuals, through interviews or questionnaires.

5.4 **Recommendations of the Study**

From the findings of the study, the author makes the following recommendations:

i. Companies should embrace CSR as a strategic policy that contributes to achievement of overall company objectives and therefore integrate it in normal day-to-day activities. They should involve employees and stakeholders and put in place structures and policies to ensure its long-term success.

ii. Companies engaging in CSR should try to focus on specific types of CSR activities, for example, health, education, sports, environmental conservation and entrepreneurial development. This will allow available resources to be dedicated to specific activities, in order to enhance their impact.

iii. Companies need to continuously monitor and evaluate the CSR program to maintain relevance and to ensure that desired objectives are met.

iv. Companies should consider partnering in CSR activities in order to avoid duplicity and competition for media visibility, which sometimes is the focus of CSR initiatives as opposed to successful and sustainable initiatives.

v. Further research should be conducted among companies not listed at the NSE, especially among small and medium sized companies that comprise the majority in the country.
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APPENDIX 1 – QUESTIONNAIRE TO BE ADMISTERED TO MANAGERS

Part A: General Information

1. Name of company
2. Years in operation
3. Position / designation of respondent
4. Years worked for the company
5. Years in the current position / designation

Part B: Manager’s Views on CSR and Company’s organization of CSR

6. Approximately how long has the company been involved in CSR?
7. Approximately what budget is set aside for CSR and how is it determined?
8. How is CSR run in the company? Is there a dedicated manager responsible?
9. If there is a dedicated manager, who does she/he report to?

Part C: Stakeholder Involvement

10. Who are the key stakeholders of the company?
11. Which category of stakeholders is the CSR program most important to?
12. How do you involve stakeholders in CSR?
13. Are all employees involved in CSR?
14. Who is most crucial to the implementation of CSR?

Part D: CSR Activities

15. What CSR activity(s) does the company engage in?
16. Do the vision, mission and values of the company influence the CSR activities?
17. How are CSR activities reported?
18. To who is the report made?
Part E: Assessment of CSR

19. How do you measure the performance of the CSR programme?

20. Would you say that CSR has contributed to the achievement of company objectives?

21. What measures have you put in place to ensure the success of the company’s CSR activities?

22. What are the main challenges in the implementation of CSR?

23. What actions have you taken to overcome these challenges if any?

24. What future plans do you have for CSR?
APPENDIX 11 - COMPANIES LISTED AT THE NAIROBI STOCK EXCHANGE IN THE PERIOD ENDING DECEMBER 2010

Agriculture

1. Rea Vipingo Ltd.
2. Sasini Tea & Coffee Ltd.
3. Kakuzi Ltd.

Commercial and Services

1. Access Kenya Group
2. Marshalls E.A. Ltd.
3. Car & General Ltd.
4. Hutchings Biemer Ltd. **Suspended**
5. Kenya Airways Ltd.
6. CMC Holdings Ltd.
7. Uchumi Supermarkets Ltd. **Suspended**
8. Nation Media Group Ltd.
9. TPS (Serena) Ltd.
10. ScanGroup Ltd.
11. Standard Group Ltd.
12. Safaricom Ltd.

Finance and Investment

1. Barclays Bank of Kenya Ltd.
2. CFC Stanbic Bank Ltd.
3. Housing Finance Ltd.
4. Centum Investment Ltd.
5. Kenya Commercial Bank Ltd.
7. Pan Africa Insurance Holdings Co. Ltd.
10. Standard Chartered Bank Ltd.
11. NIC Bank Ltd.
12. Equity Bank Ltd.
13. Olympia Capital Holdings Ltd
15. Kenya Re-Insurance Ltd.

**Industrial and Allied**

1. Athi River Mining Ltd.
2. BOC Kenya Ltd.
4. Carbacid Investments Ltd.
5. E.A. Cables Ltd.
6. E.A. Breweries Ltd.
7. Sameer Africa Ltd.
8. Kenya Oil Ltd.
9. Mumias Sugar Company Ltd.
10. Unga Group Ltd.
11. Bamburi Cement Ltd.
12. Crown Berger (K) Ltd.
13. E.A Portland Cement Co. Ltd.
15. Total Kenya Ltd.
16. Eveready East Africa Ltd.
17. Kengan Ltd.