THE INSTITUTIONALIZATION OF CORPORATE SOCIAL RESPONSILIBITY IN STATE CORPORATIONS IN KENYA

BY

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DECLARATION

This Management Research Project is my original work and has not been submitted for another degree qualification of this or any other University or Institution of learning.
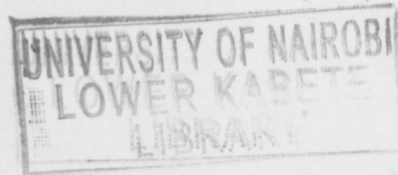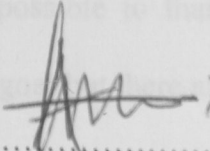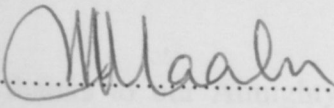
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DEDICATION

I dedicate this project to my son Quincy Mwangi and my mother Isabell Wairimu for their support and encouragement in my entire academic life.

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ABBREVIATIONS AND ACRONYMS

US -   United State

CEO -   Chief Executive Officer

CSR -   Corporate Social Responsibility

CED -   Committee for Economic Development

WCED -   World Commission on Environment and Development

WBCSD -   World Business Council on Sustainable Development

ABSTRACT

Corporate social responsibility has become a critical aspect of business operation and more so for legitimacy in the society at all corners of the world business. Businesses are striving to get recognition for their responsibility on their sensitivity towards the relationship with their stakeholders. The benefits enjoyed by the socially responsible business can con be overload by then compliant ones hence the need to take the path of institutionalization of CSR in their business operations. Through incorporation of CSR programs into the daily operation of the institutions it gives it a competitive edge in the competitive market. Organizations need to explore various ways and means to incorporate these programs in their operations in order to be accountable to all their stakeholders.

This is a study of state corporations in Kenya. The objective of the study was to determine the extent and factors influencing institutionalization of corporate social responsibility is state corporations in Kenya. State corporations are business units owned, managed, and controlled by the central ,state or local government with a view to maximize social welfare and uphold the public interest. They have undertaken incorporation of corporate social responsibility into their operations at different levels. Institutionalization of CSR in their operations can be understood to be as the incorporation of CSR programs into their day to day dealings. The data for the study was collected from primary source. This was done through questionnaires which were administered to the managing directors of the sampled state corporations. The SPSS and content analysis methods were used to analyze the data collected.

The study established that most state corporations have already embraced operations that indicated that the have institutionalized CSR even if it's not fully. The indictors that were put across to the respondents by the researcher indicated that corporations have taken various routes in their course of institutionalization of CSR hence it has been done to great extent. The study also established that state corporations are driven by various factors in order to incorporate CSR in their operations. The stand out factor was government legislation. Though it was not clear why this was the case, it would be considered to be the correct position due to the mandate of the State Corporations which are outlined in the government policies. The need to adhere to the expectation from the controller who is the government concludes the high influence.

CHAPTER ONE: INTRODUCTION

1.1 Background of the study

Although some studies dated the beginning of the academic interest in Corporate Social Responsibility (CSR) as far as 1850s, it is only recently that it has acquired the position it currently has within teaching and research institution, corporations, government ,intergovernmental agencies and nongovernmental organizations (Smith, 2003).It has been suggested by Windsor that business leaders have since the 1920s widely adhered to some conception of responsibilities and responsiveness practices (Widsor,2001).

The United State Committee for Economic Development's (CED) 1971 model of CSR reveals that despite Friedman's pronouncement that CSR is usage of resources by organizations to engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engage in open and free competition without deception or fraud (Friedman, 2006), there were other evolving views about the role of business in CSR. The committee described CSR as being related to products, jobs and economic growth; related to societal expectations; and related to activities aimed at improving the social environment of the firm (US Committee for Economic Development in wheeler et al, 2003).

1980s, a prominent development in terms of CSR was the global debate on sustainable development that emerged in this decade. The world conservation strategy that was published in 1980 stressed the interdependence of conservation and development and was the first to conceptualize sustainable development (Tilbury and Ortman, 2004). Afterward the World Commission on Environment and Development (WCED) published the

Brundtland Report, 'Our common future'. The report states that sustainable development seeks to meet the needs and aspirations of the present without compromising the ability to meet those of the future (World Commission of Environment and Development, 1987). The report clearly links sustainable development with economic growth and sets the direction for future debate on this issue.

If the issue of CSR came to public prominence as a result of highly publicized events such as collapse of Enron and the James asbestos Scandal in Australia, how have these concerns addressed in the literature of today?(Thomas,2006). James Buckee a CEO of one of western oil production projects currently operating in a number of war-torn, impoverished African state that are noted for corruption and human right abuse, is quoted as saying that it is socially responsible for a corporation to invest in certain places that some elements of popular opinion find objectable (Buckee , 2001).

1.1.1 Concept of Corporate Social Responsibility

CSR has variously been described as a 'motherhood issue', 'the hot business issue of the naughtiness and 'the talk of the town in corporate circles these days' (Mees and Bonham, 2004). There seems to be infinite number of definitions of CSR ranging from the simplistic to the complex and a range of associated terms and ideas (some used interchangeably),including corporate sustainability, corporate citizenship, corporate social investment, the triple bottom line, socially responsible investment, business sustainability and corporate governance (Prime Minister's Community Business Partnership,2000). Mc William and Siegel (2001), CSR is situations where the firm goes beyond compliance and engages in action that appears to further some social goods

beyond the interests of the firm and that which is required by the law. However, this is just one of the many definitions' of CSR.

Consistent with World Business Council on Sustainable Development (WBCSD), (2000), we define CSR as the commitment of the business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life. As CSR refers to voluntary initiatives taken by the business community to act responsibly in relation to stakeholders, it is good to elaborate it in three aspects of CSR initiatives: voluntarism, stakeholder management and networking.

It is argued that companies can address social responsibility issues in a more efficient and productive manner if they are allowed to do so by themselves, in other words voluntarily and not by government regulations (Bryane, 2003). Regulatory approaches have several undesirable features that may be avoided through CSR. Voluntary actions of the organizations may be shaped through their code of conduct/code of ethics where it publically states what ethical and moral codes it will adhere to. Kerkow et al. (2003) found that more than 500 companies in USA adhere to some kind of code of conducts.

The concept of CSR relies on stakeholder's management. This means that the company should no longer be held accountable only to their shareholders. Rather, other parties influenced by their operations should also be taken into consideration. Such stakeholders may include customers, employees, suppliers, partners and local neighbours among others. It is in their mutual best interest to establish an arena for communicating and collaborating in a positive and constructive manner. Several researchers argue that

moving away from a strict command-and-control regime to more partnership like one can facilitate a higher involvement of companies in a sustainable development (Maxwell and Lyon, 2004; Montalvo, 2002). Examples of such collaborations might be that of business with universities, trade unions, government agencies, government research facilities and non government organizations.

Also there is network affect that results from the interactions occurring through their initiatives.

1.1.2 Institutionalization of Corporate Social Responsibility

Institutions are generally defined as the rules of the game in a society. These rules take the form of humanly devised constraints that shape human interaction by reducing uncertainty through the provision of formal and informal structures to everyday life (North, 1991). Within these structures, human interactions of all sorts take place such as production, consumption and exchange or business transactions.

These institutions are generically classified as either formal or informal institutions. The degree of formality lies in the articulation of these institutions and their corresponding enforcement mechanisms (North, 1990). This definition stems from previous studies arguing that formal institutions refer to laws, constitutions, contracts, and property rights which are considered the official rules of a society with high degree of legitimacy and purposefully created by the state, by private enterprises, or by other alliances or individuals in civil society (North, 1990).

On the other hand, informal institutions refer to the cultural factors shared by members of a society in a given locality or city that serve as constraints and/or standards of conduct or

behaviour and the violation of which entails social rather than legal penalties (North, 1990). This operational definition stems from the characterization of informal institutions by North as codes of conduct, norms of behaviour, unwritten rules, conventions, and generally accepted ways of thinking that come from socially transmitted information and are part of the heritage that we call *culture* (North, 1990, 2005; 1991). These norms, ethics, customs, taboos, and ideologies form the unofficial rules of a society, learned through socialization and are largely the inherited view of the world from older generations. These institutions are created, communicated and enforced outside officially sanctioned channels (Helmke & Levitsky, 2004; North, 1990).

We define institutionalization as the process by which an organization "acquires value and stability" as an end in itself (Huntington, 1968). Selznick (1957) states that "'to institutionalize' is to infuse with value beyond the technical requirements of the task at hand." As an organization achieves stability and value, it becomes an institution. Stability denotes that the organization is no longer a mechanistic entity, easily altered or eliminated. Instead, as an organization institutionalizes, it survives various internal and environmental challenges and achieves self-maintenance. It exists in the future because it has existed in the past. Value denotes "the prizing of the [organization] for its own sake" (Selznick 1957). As an organization institutionalizes, it acquires a distinctive identity, a way of acting, and tasks it acts upon, which are all deemed to be important in and of themselves. For State Corporation, value is also a matter of power, exhibited when individuals in the corporation have authoritative control over policy outcomes.

According to Conrad (1978), planning process is likely to involve considerable conflict as different groups maneuver to ensure their interests are represented. The stage during

which the reform is implemented is a trial process (Toombs and Tierney, 1991). The final stage, when the reform becomes part of business as usual, has been called "institutionalization" by Toombs and Tierney. Institutionalization according to Scott (1995) is the process by which a significant new structure or practice is incorporated into a system of existing structures and practices.

The institutionalization of CSR can be seen in the diffusion of CSR issues within companies, the proliferation of branding initiatives and even an ISO standard on CSR. These activities are often associated with an understanding that a business case exists for CSR—namely, corporations will enhance or protect their reputations by visibly engaging in social or other initiatives. But anyone in the CSR field knows that its meaning remains contested (Okoye, 2009).

Various societal actors increasingly demand for corporate social accountability and pursue thereby, directly or indirectly, the institutionalization of CSR on a global scale (Szejnwald Brown et al, 2007). "Institutional entrepreneurs" (Dimaggio, 1988) are at the root of the shift of a major source of legitimacy for corporations from national regulatory frame works to the global discourse on CSR (Hiss, 2009). Institution entrepreneurs are the factors that influence the incorporation of social responsibility aspects in the organizations. According to Dacin et al (2002), institution entrepreneurs serves as agents of legitimacy supporting the creation of institutions that they deem to be appropriate and align with their interest i.e. institutions which are sensitive to their surroundings.

Coercive, normative and cognitive forces are the drivers behind continuity and isomorphism in institutions. While coercive isomorphism is a result of pressures exerted

on the company from its environment, normative forces drives companies towards similarity through professionalization and companies' need to be legitimized. Mimetic isomorphism stems from the tendency companies have to imitate other within their own organizational fields when faced with uncertainty (DiMaggio and Powell 1993).

As argued by DiMaggio (1983), the three mechanisms of Institutional isomorphic change "are not always empirically distinct", and they should be regarded as complementary rather than exclusive (Scott, 2001). Following institutional theory, it is not possible to argue that only one of the forces drives the institutionalization of CSR in the organic salmon industry. Rather, an institutionalization should be regarded as a result of different forces working together to create an institutional shift (Hallie, 2009).

1.1.3 State Corporations in Kenya

The origin of State Corporations in Kenya dates as far back as in the last but one century when the construction of the Uganda Railway, which later became Kenya Railways Corporation started. The colonial administration subsequently established several other statutory boards' mainly agricultural commodity regulatory and marketing boards (Inspectorate of State Corporations, 2010). A research done in India defined public enterprise, public sector, state corporations as business units owned, managed, and controlled by the central, state or local government. They are commercial or industrial undertakings with a view to maximize social welfare and uphold the public interest (Module 2 Organization, 2006).

From 1963 when Kenya achieved political independence up to 1979 when a comprehensive review of the State Corporations sub-sector was carried out, the

Government's participation in commercial activities grew rapidly and broadly resulting in state dominance in various forms (including monopolies) in many commercial activities. The establishment of the parastatals was driven by a national desire to accelerate economic social development; redress regional economic imbalances; increase Kenyan Citizen's participation in the economy; promote indigenous entrepreneurship; and promote foreign investments (through joint ventures). This desire was expressed in the Sessional Paper No. 10 of 1965 on African Socialism and its application to planning in Kenya. The Sessional Paper discussed in detail the theory of democratic African Socialism to Planning in Kenya and specified strategies, which were to be applied to achieve Africanization without hurting the economy and within the country's declared aims.

The key issues that arose regards to where we were going and how we were going to get there. It emphasized that rigid doctrinal systems had little chance for survival and that as a must the strategy had to be adaptable to new and changing circumstances in order to survive. It also pointed out that the system had to make progress toward ultimate objectives and solve more immediate problems with efficiency and emphasized the need for perpetual existence in transition by having new targets whenever existing ones are met(Muindi, 2006).

1.2   Research problem

Corporate social responsibility (CSR) has become an important issue of focus for most if not all the profit and nonprofit organizations. It is seen as the commitment of organizations to contribute to sustainable economic, working with employees, their

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families, the local community and society at large to improve their quality of live (World Business Council on sustainable development, 2000).This is voluntary initiatives taken by business community to act responsibly in relation to all stakeholders. This leads to increased standards of living of all stakeholders. For an organization to act responsibly, it must have a laid down procedure and structures to be followed.

The government of Kenya was driven by different motives to start establish state corporation/parastatals. The main ones were to accelerate economic social development, redress regional economic imbalances, increase Kenyan Citizen's participation in the economy, promote indigenous entrepreneurship and promote foreign investments (through joint ventures). In their functions the have been faced by increase call to be socially responsible in their operations. Most of these state corporations have been struggling with the question on how to handle this issue of CSR within their departments or elements. The mandate and functions of these elements/departments in the corporation is clearly elaborated in the state corporation's departmental manuals. CSR being a relatively new concept in Kenya many corporations are in a dilemma on whether to create a department or adopt the functions of CSR in an existing one. According to Scott (2004), different components of institutional theory explain how these elements are created, diffused, adopted, and adapted over space and time; and how they fall into decline and disuse. A governance perspective shows that corporate social performance is institutionalized within company's governance structure. A process of responsiveness, since long regarded as a starting point of CSR analysis, appears to be decision making process. Within this process the expectations for stake holders can be institutionalized, trust can be built and interest can be incorporated (Frank, 2007).

Studies have been done in the field of CSR and institutionalization of CSR. Some of these are: Kwalada (2007) studied CSR at Safaricom and found that it was a key component of both corporate and business strategies, with planning, budgetary, staff allocation and that it was incorporated into the corporate strategy to achieve a positive brand name. Gichane (2004) conducted a survey of CSR practices by Kenyan companies listed in the Nairobi Stock Exchange which concluded that larger companies were more aware of the social responsibility concept and applied it more. Kiko (2008) in her survey found that the total impact of factors that influence foreign multinational companies to engage in CSR is very high and the factors that influence them to engage in CSR to a very great extent include genuine response to the needs of the underprivileged in the society, changing business environment, corporate image, organizations public awareness, employees attraction and retention and as a marketing strategy. Government laws and regulations influenced the foreign Multinational companies' involvement to a little extent. Hille (2009) found that it was difficult to conclude whether or not CSR is institutionalized in the salmon farming industry where his study was done. More closely, Frank and Cor (2007) who studied how corporate social performance is institutionalized within the government structure of the company, the social values that these stakeholders represent are hence taken to account. The opportunities for participation of stake holders are important in the formation of basic principle for company policy and are institutionalized in company policy via direct and indirect influence – pathways. Henning (2011) in his study, drivers of Change: A Multiple-Case Study on the Process of Institutionalization of Corporate Responsibility Among Three Multinational Companies, found that

institutionalization of CSR is a complex process that is industry specific and context dependent. The study also indicated that that CSR movement resembles much more a broad heterogeneous field of actors that occasionally join together when their agendas overlap and not a homogeneous field of actors following a rather predefined path of action to change corporate behaviour as most of the studies had assumed.

As above observed, the studies conducted on institutionalization of CSR have not considered institutionalization of CSR and it drivers in state corporations in Kenya. This research will therefore seek to determine the institutionalization of CSR and what influences the institutionalization of CSR in state corporations. The study therefore seeks to answer the following questions; how is CSR institutionalization in State Corporation? and what are the factors that affect institutionalization of CSR in state corporations?

1.3   Research objectives

This study has one objective.

> To determine the extent and factors affecting institutionalization of CSR in State Corporations in Kenya

1.4   Value of the study

The study will sensitize the researcher on the concept of institutionalization of CSR and identifying the effects the institutionalization in an organization. The research project will be important to the state corporation in Kenya that it will emphasis on the benefits of operating socially responsible. It will also endeavour to add quality literature into the

existing one since it will build from the existing information on CSR and offer the basis

for future studies.

The study will help the policy makers in the State Corporations in Kenyan in developing

policy which will enable provision of socially responsible services to Kenyans. It will

also enable those corporations that have not institutionalized CSR in their operation to get

the appropriate approach to do so.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

The chapter on literature review entails a discussion on various issues on institutionalization of CSR as has been addressed by various writers.

2.2 Meaning of Corporate Social Responsibility

While the term CSR may appear to be relatively new to the corporate world, the literature review reveals that the evolution of the concept its self has taken place over several decades. The fact that the terminology itself has changed over these time also suggest that the meaning ascribed to the concept such as CSR will continue to evolve in tune with business, politics and social developments. The impact of globalization and mass communication also means that while definitions will reflect local situations, they will also strongly be influenced by global trends and changes in international law (Thomas, 2006). According to Mallen (2004), CSR is about how companies manage the business processes to produce an overall positive impact on society. Companies need to answer to two aspects of their operations that is the quality of their management - both in terms of people and processes, the nature of, and the quantity of their impact on society in various areas. Outside stakeholders are taking an increasing interest in the activity of the company. What the company has actually done, good or bad, in terms of its products and services, in terms of its impact on the environment and on local communities, or in how it treats and develops its workforce. Out of the various stakeholders, it is financial analysts, who are predominantly focused as well as past

financial performance on quality of management as an indicator of likely future performance (Mallen, 2004).

Theoretically CSR has numerous theories that have been brought to bear on this subject. Theodore Levitt could be credited with setting the agenda for the debate about the social responsibility of business in his Harvard Business Review article 'The danger of social responsibility' in which he cautions that the governments job is not business and business's job is not government' (1958). Milton (1970) expressed the same sentiments and added that the mere existence of CSR was a signal of agency problem within the firm. An Agency theory perspective implies that CSR is a misuse of corporate resources that would be better spent on valued added internal projects or returned to shareholders. It also suggests that CSR is an executive perk, in the sense that managers use CSR to advance their careers or other personal agendas.

In addition to understanding the motivation for the provision of social benefits, we need to understand how the provision of these goods through strategic CSR is when a firm links the provision of a public good to the sale of the (private) products e.g. eco-labeling. Bagnoli and Watts (2003) model this behaviour and find that the propensity of firms to engage in strategic CSR depends on two factors: the intensity of competition in the market and the extent to which the consumers are willing to pay a premium for social responsibility. Most of the authors conclude that there is an inverse relation between the intensity of competition and provision of CSR. That is in more competitive markets more of the public goods will be provided. Conversely, less competition lead to the potential for higher margins and more ability to provide additional attribute or ability (McWilliams and Siegel, 2006).

2.3 Contributions of Corporate Social Responsibility

CSR argues that corporations bear responsibility for the effect they have on other sectors of society. The activities of corporations have an impact on individuals who don't work for them and don't buy their products, through, for example, secondary economic impacts and degradation of the natural environment. CSR acknowledges this, and attempts to make the interactions between corporations and society positive and productive. This can be done by consulting with neighbors and citizens who are affected by corporate activities and by striving for transparency in corporate pursuits so that the public knows what is going on.

Increased knowledge on the part of the public about declining resources, toxic waste and global warming is compelling companies to make more efforts to be more environmentally benign. The traditional view that the natural world is merely a source of materials and an equally convenient dump for waste is being challenged from many quarters, and CSR is an attempt by corporations to respond to these concerns. The sincerity of changes being made on the part of corporations includes some serious efforts to achieve sustainability and other efforts that are essentially "green washing," activities in which corporations put more effort into appearing green than into actually being green (http://www.globalccsinstitute.com)

CSR challenges the traditional wisdom that the interests and needs of the clients of a corporation will be adequately protected by the market itself. Because the free market has been severely compromised by a combination of government subsidies and manipulative marketing practices, CSR attempts to remedy this situation by installing practices into

corporate life that will monitor the interaction between corporations and their clients in an attempt to ensure that nobody is being exploited or cheated. Consumer protection can be enforced by the government or voluntarily pursued by companies, the latter course have clear advantages for the public relations of the company.

Staff and employees of corporations have a right to expect fair pay, safe working conditions and meaningful work. CSR is one aspect of a transformation in the corporate world that attempts to overcome archaic views of workers as mere means to an end on the part of shareholders. Particularly in less developed countries that are often the sites of intensive resource extraction, the treatment of labor is frequently substandard. CSR is intended to promote the rights of all workers and to ensure that corporations respect these rights and make whatever changes are required to prevent the exploitation and mistreatment of labour (http://www.globalccsinstitute.com).

2.4 Key Indicators of Corporate Social Responsibility

Peter (2009) found the following as the responsibilities of business in society which also act as the indicators or signs that signifies the engagement of an organization in CSR. Products: In his study he found that concept of responsibility is often linked with the provision of environmental-friendly products. More specifically, production and sales of sustainable and in particular energy-efficient products as one of the organization's key responsibilities toward society.

People: The concern for the employees is also seen as an important priority. Providing a safe workplace and treating people fairly are some of the recurrent issues mentioned by his respondent. Communities: He also highlights the importance of being a valued member of the local communities in which the organization operates. The concern for the

local communities mainly falls into three categories i.e. one is the reduction of negative

environmental impacts from the production, another is the social inclusion of vulnerable

groups (handicapped, ethnic minorities, criminals) and yet another is compliance with

local rules, norms, and traditions ·

2.5 Process of Institutionalization

Institutionalization processes may be regulative, normative, or cognitive (Scott, 1995).

Regulative processes involve formal rule setting, monitoring, and sanctioning activities.

Individuals may acknowledge the existence and even the validity of institutionalized rule

systems without necessarily believing the rules are fair, right, or appropriate. Institutions

function effectively as individuals determine the cost of violating formal or informal rules

is too high. Thus, institutionalization occurs as individuals find it expedient to comply

with the rules.

Normative processes are grounded in a collective sense of what is appropriate (March,

1994). Similar to regulative processes, normative processes involve a sense of following

rules. Individuals follow normative rules, however, because they perceive that doing so is

morally appropriate as well as legally correct. Thus, institutionalization occurs as

individuals deem it socially responsible to honor informal obligations.

Cognitive processes involve widespread acceptance and practice of an activity. Activities

and behaviors become institutionalized as people take them for granted as fundamental

aspects of social life. An indicator of cognitive institutionalization is the prevalent belief

that a given activity or structure is conceptually correct (Scott, 1995). Additional

evidence of cognitive institutionalization is shown when individuals carry aspects of the

activity into other endeavors, when other individuals in the organization adopt similar activities, or when participants in other organizations also adopt or adapt the activities (DiMaggio and Powell, 1983).

A broad range of studies of institutionalization suggests that there is a typical pattern of events and relationships among them that define the process of institutionalization: objects are first recognized, then accepted by relatively few actors, and then widely diffused and broadly accepted within a field (Leblebici et al., 1994), for instance he argues that there is an early phase of partial acceptance, then a middle phase of rapid diffusion and wider acceptance, then a phase of saturation and complete legitimation. In his study of the diffusion of civil service reform, Tolbert and Zucker (1983) found that this pattern of diffusion involved two sets of mechanisms, with early adopters basing their decisions on technical grounds and later adopters responding primarily to legitimacy pressures.

Institutionalization results from an interplay between individuals' interests within the organization and the environment. Individuals, who may already work as a staff or loosely-configured association, use resources to establish the organization, bolster its persistence and make their activities more routine. The environment creates conditions for the organization to be taken for granted as it conducts specialized activities upon which other units grow to depend (Zucker, 1991).

As the organization becomes institutionalized, it exhibits continuity and importance in spite of changes in individual or environmental exogenous constraints. The greater the institutionalization, the more resources individuals require and the larger the

environmental shock needed to affect change. The more institutionalized an organization

is, the more it acts on individuals and the environment. Still, once an organization

becomes an institution it is not static, nor is it exempt from individual or environmental

change. This connection between institutionalization and institutions affords an intuitive

understanding that when an organization becomes institutionalized, it is an institution.

This view draws upon traditional work in sociology permitting one common denotation

of an institution as a well-established social organization (Scott,1995). It counters a view

in economics and the basis for some political science work on the new institutionalism

which defines institutions as "humanly devised constraints that shape human interaction"

or "the rules of the game" (North,1990).

From the economics viewpoint, the rules range from informal norms and conventions,

such as conference committees in Congress (Shepsle and Weingast 1987) to formal

constraints, such as constitutions (North 1990). These rules or institutions are

categorically distinguished from organizations-the game and players (North, 1990). By

this logic, an organization cannot be institutionalized, because it cannot be an institution

(DiMaggio and Powell, 1991). In contrast, the traditional sociological perspective permits

institutions to encompass rules and other social relationships, such as formal

administrative organizations. The sociological view thus avoids an unfortunate divorce of

institution from organization.

2.6 Institutionalization of CSR and its Drivers

Various societal actors increasingly demand for corporate accountability, and pursue thereby, directly or indirectly, the institutionalization of corporate social responsibility on a global scale (Szejnwald Brown et al., 2007). DiMaggio (1988) came up with drivers of institutionalization of CSR which are at the root of the shift of the major source of legitimacy for corporations from national regulatory frameworks to the global discourse on CSR (Hiss, 2009).These can be classified into following categories:

A number of civil society actors try to influence corporate behaviour with supposedly appropriate action and thereby set the CSR agenda of companies (Jorge and Francis, 2008). They strive to close the global governance gap by creating new cognitive frameworks for CSR. The most prominent are activist movements, mostly nongovernmental organizations (NGOs) which aim for the institutionalization of CSR and paradigm change. Thereby, civil society actors apply a number of tactics for achieving corporate change, mainly based on topic related logic to set the tone in public debates on emerging or pressing issues. Hond (2007) distinguish between tactics for social change that concentrate on material, and those that rely on symbolic interaction with firms by either applying logic of damage or mutual gain. The normative discourse of NGOs is complemented by the academic field which provides scientific evidence for debated topics. On certain occasions, unions move to the forefront when labour issues are at hand. Civil society actors will be referred to as agenda setting for the purpose of this study.

Local, national, and international media play an important role in educating the general public on emerging issues such as environmental problems or human rights violations (Mutz and Martin, 2001).They are often involved in the NGO campaigns as observers being the major source of publicity. As critical advocates of the underrepresented, they claim to give the unheard a voice. In particular, the internet has changed civic engagement. The internet provides a powerful tool for resource poor NGOs to reach out and advocate their causes, enhancing the international exchange of ideas between the developing and developed world. It has turned even individuals into powerful voices by setting up popular websites on critical issues, sending out petitions, joining forces, and conducting research on a global basis. Media might thus be regarded as an institutionalizing force exercising cognitive influence on the public (McNair, 1995).

As a reaction to rising public demands national and supranational governments have enacted policies to ensure and trigger responsible practices. They dispose of coercive power, influencing corporate behaviour by the means of legislation and governmental action, defining the "license to operate". For instance, the British government appointed a minister for corporate social responsibility (UK Government, 2004). The Swiss Human Security Division actively calls for business to get involved in this endeavour (Greminger, 2006). The US Government responded to various accounting scandals of US companies (including Enron, Tyco International and Worldcom) with the enactment of the Sarbanes–Oxley Act in 2002 introducing serious fines for corporate misbehaviour (Murphy, 2002). Taking up the challenge to provide political guidance, the European Commission (2001) issued a widely recognized green paper promoting a European framework for corporate social responsibility. Subsequently, EU regulations to align

national policies with regards to certain CSR issues have become increasingly important

for the legal environment of companies operating in the EU.

New forms of discursive arenas have emerged where actors become involved in

accountability and quasi-regulatory functions to develop standards and guidelines for

multinational companies (MNCs) (Ruggie, 2007). In the global development process of

rules and norms, multi-stakeholder initiatives have gained an important role due to their

success in joining stakeholders from diverse areas with a range of interests (Calton and

Payne, 2003). They include initiatives such as the UN Global Compact, Global Reporting

Initiative (GRI), the Forest Stewardship Council (FSC), or the Kimberly processes

(Hollenhorst and Johnson, 2005). Even governments have started to initiate multi-

stakeholder forums such as the European Multi-Stakeholder Forum on CSR which

consists of EU-level representatives of employers' organizations, trade unions and civil

society as well as other business organizations. The European Multi-Stakeholder Forum

on CSR was set up on October 16, 2002, to understand the differing expectations

prevailing in European countries. Its purpose is to promote innovation, transparency and

convergence of CSR practices and instruments (European Commission, 2003).The

evolution of multi-stakeholder initiatives is particularly interesting since they represent a

'corporate move into the political processes of public policy making through the creation

of a collaboration with global institutions of political governance'' (Scherer and Palazzo,

2007).

In recent years ethical investment has emerged as an alternative to the traditional

investment dogma, emphasizing a responsible management of the supply chain,

transparent corporate governance, ethical practices in business and the appropriate

utilization of profits (Social Investment Forum, 2006). During the 1980's, in reaction to the triumph of the shareholder value dogma, new types of investment funds emerged which added social and environmental performance to their selection criteria in order to underline the importance of non-financial criteria for the assessment of the value of a company (Szejnwald Brown et al., 2007). Recently, also large capital owners such as pension funds call for the responsible use of their money. One of the most outstanding initiatives following this trend is the Carbon Disclosure Project which was set up to increase the sense of accountability with regard to the threat of climate change (Bendell, 2004).

Large customers and suppliers influence corporate behaviour by the exercise of bargaining power in (quasi-) contractual relationships (Ogden and Watson, 1999). Among others, they are concerned with product safety and quality which directly affects financial performance (Berman et al., 1999), or reputational effects for their own image, realizing that dubious industry practices cannot effectively be controlled and avoided by the stock market. Thus, they increasingly inquire about the ethical corporate practices of their clients and put pressure on them depending on their bargaining power.

Consumption, from an ethical viewpoint, has become a relevant criterion for consumer. Consumer organizations lobby for responsible buying which means that consumers should take into consideration the way those products have been produced, processed, and sold. Consumer activism is an increasingly popular form of protest (Kozinets and Handelman, 2004) influencing mainstream consumer buying decisions. The main focus of this category is individual consumer choice that, as a phenomenon, may represent a

major shift in consumer behaviour driving corporate behaviour and their CSR agendas (Klein et al., 2004).

3.1 Introduction

This chapter describes the methodology that will be used to carry out the study. It covers the proposed research design, the target population, sample design, data collection methods and data analysis that will be used during the study.

3.2 Research Design

A cross sectional survey was used to carry out this study. The design was descriptive in nature as provide an opportunity of generating detailed information regarding institutionalization of CSR and factors that influence institutionalization of CSR in state corporations in Kenya.

Descriptive survey design is concerned with describing, recording, analyzing, reporting conditions that exist or existed (Kothari, 1985). Engelhart (1972) observes that descriptive methods are widely used to obtain data useful in evaluating present practices and in providing basis for drawing conclusions in a study.

3.3 Target Population

There are 125 state corporations in Kenya (The Commission of Administration Justice, 2012). Most of them have branches in all regions of the country with their headquarters in Nairobi. A number of State Corporations were established for a specific reason in a particular region hence their presence is only at that particular region.

CHAPTER THREE: RESEARCH METHODOLOGY

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3.4 Sample size

The samples in this study were designed using simple random sampling technique. The sample size will be 60 State Corporation. A sample is a set of individuals selected from the target population and usually is intended to represent the population in a research study (Neuman, 2000). Kerlinger (1973) indicate that a sample size, 10% of target population is large enough so long as it allows for reliable data analysis by cross tabulation, provides desired level of accuracy in estimates of the large population and allows testing for significance of differences between estimates. In this study, 48% of the target population was studied.

3.5 Data Collection

The study used primary data that was collected using a questionnaire addressed to various respondents and were administered through hand delivery and email. The questionnaires were administered to the managing directors and CSR managers where applicable in all corporations under study. They contained both open and close-ended questions as well as structured questions. Questionnaires were distributed to all Corporations in the sample. The questionnaire contained three main sections, each of which pertains to the major area of the study; The first part will seek general information of the respondents, the next part will obtain information on indicators of institutionalization of CSR in State Corporation and the final part will seek information on factors that influence the institutionalization of CSR in State Corporation in Kenya.

3.6 Data Analysis

Analysis of data is a process of inspecting, cleaning, transforming, and modelling data with the goal of highlighting useful information, suggesting conclusions, and supporting decision making (Mark et al, 2007). The data collected was analyzed using descriptive statistics. This involved use of frequency tables, percentages, rank ordering and mean scores. Frequency tables will be used for arraying data to be obtained to facilitate working out percentages in order to address the objectives of the study. Percentages will be used to determine indicators and factors that influence institutionalization of CSR. Mean scores, rating scales was used in scaling the response from the respondents. Content analysis was used to analyze the data on institutionalization of CSR in State Corporation in Kenya.

CHAPTER 4

DATA ANALYSIS, INTERPRETATION OF RESULTS AND

DISCUSSION OF FINDINGS

4.1. Introduction

This chapter gives a detailed analysis of data collected, the findings and interpretation of results. The questionnaire were administered and collected by the researcher between 18th June 2012 and 10th September 2012.the objective of the study was to determine the extent and the factors influencing institutionalization of CSR in state corporations in Kenya. the questionnaire were designed into three parts; the first part sought the data on general information, second part on indicators of institutionalized CSR programs and the third part on factors influencing institutionalization of CSR in state corporations in Kenya. The findings are presented in tables, bar and pie chart and in narrative form. Quantitative data will be presented and analyzed using SPSS and qualitative data using content analysis.

4.2. Profile of Respondent Organization

State Corporations are business units owned, managed, and controlled by the central, state or local government. Most of respondent Corporations have branches all over the country with their headquarters in Nairobi. The questionnaires were administered to their headquarters in Nairobi. Sixty questionnaires were administered to the managing directors and CSR managers (in corporations where the CSR department exist) out of whom forty three (43) responded. It was very hard for the researcher to get an appointment with the targeted respondent hence the long time take in collection of data.

The respondent rate was 71.6% of the population sample for the study. The analysis is presented as follows;

Table 4.1: Period of Existence of State Corporations in Kenya

Period	Frequency	Percentage
Less than 1yr	5	12
1 – 10 yrs	7	16
11 – 20 yrs	2	5
Over 20 yrs	29	67
Total	43	100

This revealed that more than half of state corporations have been in operation for over 20yrs. It also revealed that there are state corporations which are coming up. The findings also revealed that most of the decision makers on CSR matters in the state corporations come from the operations followed by finance department. This was presented as follows;

Figure 4.1 Departments involved in decision making on CSR matters
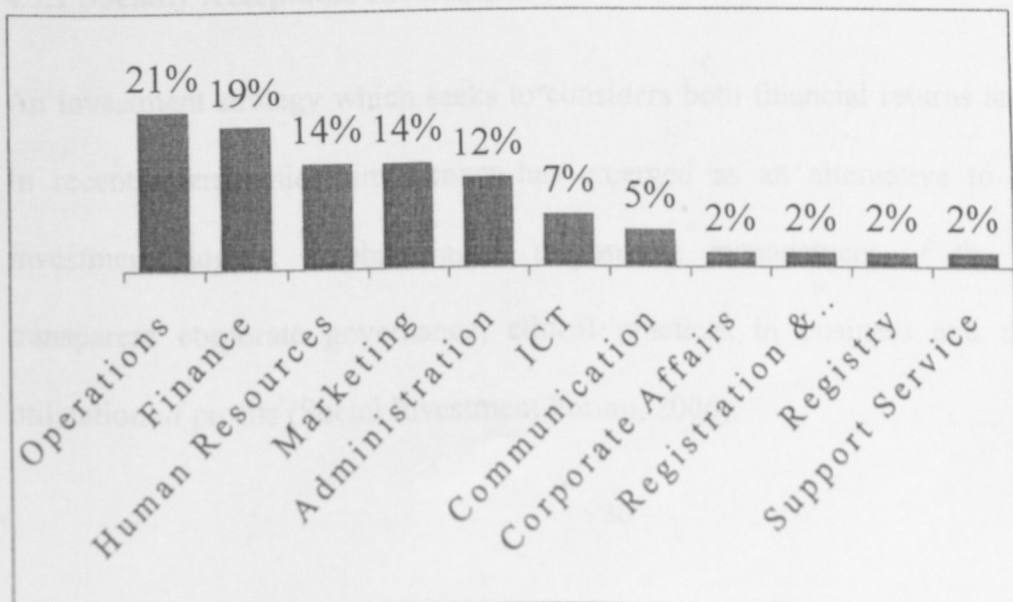
4.3. Indicators of Institutionalized CSR Programs

Indicators of CSR institutionalization are sign which show the extent to which an organization does involve its self in CSR activities. A number of indicators were forwarded to the respondents and were expected to rate them on whether they agree or disagree that these indicators are evident in their organization. The purpose was identifying the extent of institutionalization of CSR in State Corporation.

Respondents were asked how they would rate the extent to which their corporation has undertaken the incorporation of CSR programs into their operations. The results revealed that the indictors of institutionalized CSR programs presented in the questionnaire could be categorized in three categories; the findings revealed that in the top category, complying with national, local regulations standards and norms at 84% followed by ethical accounting and auditing as the highest indicators of institutionalized CSR in state corporations in Kenya. In the average category, having ethical investment at 61% was the strongest indicator while in the low category, integrated CSR strategy into business functions at 61% was the strongest indicator. The results are analyzed in the following discussion.

4.3.1 Socially Acceptable Investments

An investment strategy which seeks to considers both financial returns and social good. In recent years ethical investment has emerged as an alternative to the traditional investment dogma, emphasizing a responsible management of the supply chain, transparent corporate governance, ethical practices in business and the appropriate utilization of profits (Social Investment Forum, 2006).

Table 4.2 Ethical Investments

Response	Frequency	Percentage
Strongly Disagree	2	5
Disagree	1	2
Neither	9	21
Agree	25	58
Strongly Agree	5	12
Don't Know	1	2
Total	**43**	**100**

Respondents were asked how they would rate the above indicator as an in indicator of CSR institutionalization. Results revealed that 58% of the respondents agree that ethical investment is a strong indicator with only 5% that felt it's not an indicator. This revealed that ethical investment was considered by many by many as an indicator of CSR institutionalization.

4.3.2 Agreements between the Corporation and its Stakeholders

These are agreements made between corporations and their stakeholders and considers economic, environmental and social factor. The results are summarized in table 4.3;

Table 4.3 Agreements between the Corporation and its Stakeholders

Response	Frequency	Percentage
Strongly Disagree	0	0
Disagree	2	5
Neither	12	28
Agree	20	47
Strongly Agree	8	19
Don't Know	1	2
Total	**43**	**100**

Respondents were asked if contractual relationship was an indicator of CSR institutionalization in their corporation and the response was that 66% agreed while 5% disagreed. The results revealed that more than a half of the Corporations take agreement with their stakeholder with high, regard and try as much as possible to honor them responsibly.

4.3.3 The Existence of Structure that Support CSR Activities

An organization is usually divided into different departments/functions where each is responsible for different parts of business therefore CSR structure is responsible with creation of responsible corporate behavior. The results are summarized in table 4.4;

Table 4.4 Existence of Structure that Support CSR Activities

Response	Frequency	Percentage
Strongly Disagree	4	9
Disagree	5	12
Neither	10	23
Agree	14	33
Strongly Agree	10	23
Don't Know	0	0
Total	**43**	**100**

Respondents were asked whether there was a CSR department/section as an indication of institutionalization of CSR in their corporations and the response was that 56% agreed that CSR department was an indication in their corporations while 21% disagreed and 23%. The above finding revealed that more than a half of the respondents believe that there exists a structure that support and organize CSR activities in their Corporations.

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4.3.4 Policy on Financing CSR Activities in the Corporations

Organization need to have a guideline on how and how much of its funds to allocate to CSR projects in creation of responsible corporate behavior. The results are summarized in table 4.5;

Table 4.5 Policy on Financing CSR Activities in the Corporations

Response	Frequency	Percentage
Strongly Disagree	1	2
Disagree	2	5
Neither	12	28
Agree	17	40
Strongly Agree	10	23
Don't Know	1	2
Total	43	100

Respondents were whether a policy on allocation of funds to facilitate CSR activities was an indication of institutionalization of CSR in their corporations and 63% agreed while 7% disagreed The findings revealed that more than a half of the Corporations had policies which guide them on how much of their finances should go to CSR activities and to which activities in specific.

4.3.5 Auditing and Accounting that Upholds Social Accountability

This is a concept describing the communication of social and environment effects of an organization action to particular interest groups within society at large. The results are summarized in table 4.6;

Table 4.6 Auditing and Accounting that Upholds Social Accountability

Response	Frequency	Percentage
Strongly Disagree	1	2
Disagree	4	9
Neither	5	12
Agree	21	49
Strongly Agree	12	28
Don't Know	0	0
Total	43	100

Respondents were asked how they would rate ethical auditing and accounting as an indicator of institutionalization of CSR in their corporation. The results revealed that 77% agreed that it's a real indicator while 11% disagreed. The findings revealed that more than a half of corporations feel that their processes of auditing and accounting uphold corporate and social responsibility.

4.3.6 Unionization of Staffs in State Corporations

Staffs need to be allowed to join unions which will negotiate and protect their rights. The results are summarized in 4.7;

Table 4.7 Unionization of staffs in State Corporations

Response	Frequency	Percentage
Strongly Disagree	1	2
Disagree	7	16
Neither	4	9
Agree	21	49
Strongly Agree	10	23
Don't Know	0	0
Total	43	100

Respondents were asked whether they agreed with the statement that unionization of staffs in their corporations represented the fact the corporation has embraced being socially responsible and 72% agreed with statement while 18% disagreed. The results above revealed that allowing staff to join unions is a main indicator institutionalization of CSR in Corporations.

4.3.7 Whether Corporation Complies With National, Local Regulation Standards and Norms

Each nation has its own regulation and corporation are supposed to adhere to them. These regulations are meant to enable the organization to uphold social standards set. The results are summarized as below;

Table 4.8 Complying with national, local regulation standards and norms

Response	Frequency	Percentage
Strongly Disagree	0	0
Disagree	1	2
Neither	6	14
Agree	28	65
Strongly Agree	8	19
Don't Know	0	0
Total	43	100

Respondents were asked for their view on adherence with the national, local regulation standards and norms in their corporations as an indicator of institutionalization of CSR and 84% agreed while only 2% disagreed. The findings revealed that this is the strongest indicator of institutionalization of CSR among the state corporations. It was revealed that complying with national, local regulation standards and norms was the indicator which

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most of the corporations felt that it really showed that they involve themselves in CSR activities.

4.3.8 Integration of CSR Strategy into Business Function

The developed CSR strategy needs to be integrated with the business functions which ensures enhancement of responsible corporate behavior. The results are summarized in table 4.9;

Table 4.9 Integration of CSR strategy into business function

Response	Frequency	Percentage
Strongly Disagree	2	5
Disagree	3	7
Neither	11	26
Agree	17	40
Strongly Agree	9	21
Don't Know	1	2
Total	**43**	**100**

Respondents were asked their view on integration of CSR strategy into business function as an indicator of institutionalized CSR programs and 61% agreed while 12% disagreed. The above findings revealed that there was an agreement between the respondents that integrating CSR strategies into the business was an indicator but there was also a good number that felt it either or not indicates that.

4.3.9 Development of a Vision Statement that Includes CSR Philosophy

CSR philosophy is geared towards changing the mindset of the members of an organization hence needs to be incorporated in the vision statement. The results are summarized in 4.10;

Table 4.10 Development of a Vision Statement that Includes CSR Philosophy

Response	Frequency	Percentage
Strongly Disagree	1	2
Disagree	3	7
Neither	10	23
Agree	21	49
Strongly Agree	7	16
Don't Know	1	2
Total	**43**	**100**

Respondents were asked for their view on incorporation of CSR philosophy in corporations' vision statement as an indicator of institutionalization of CSR in their corporations and 65% agreed that it was while only 9% disagreed. The above findings indicate that out of all the respondents more than a half felt that their vision statements has addressed and has included CSR philosophy in it.

4.3.10 Inclusion of social engagement projects that raise brand awareness in marketing strategy

Most of the organizations raise their brand awareness through different projects. Marketing strategy should therefore include socially acceptable operations which will enable sustainability of environment. The results are summarized as below;

Table 4.11 Inclusion of social engagement projects that raise brand awareness in marketing strategy

Response	Frequency	Percentage
Strongly Disagree	1	2
Disagree	5	12
Neither	9	21
Agree	19	44
Strongly Agree	8	19
Don't Know	1	2
Total	**43**	**100**

Respondents were asked whether they agree with the statement that Inclusion of social engagement projects that raise brand awareness in marketing strategy would indicate that their corporation has incorporated CSR programs in its operations and 63% agreed while 14% disagreed. The above results imply that most of the corporations do raise the brand of their operations and products through social engagement programs.

4.3.11 Whether the Corporation Updates its Employees' Handbooks to Anticipate Equal Rights and Disability Awareness Legislation

Respondents were asked where they agree that updating of employees handbooks to anticipate equal rights and disability awareness legislation indicates incorporation of CSR programs in the operations of their corporations and 56% agreed while 9% disagreed. The findings also revealed there were 12% of the corporations which did not know whether it's an indicator or not. The results are summarized in 4.12;

Table 4.12 Whether the Corporation Updates its Employees' Handbooks to Anticipate Equal Rights and Disability Awareness Legislation

Response	Frequency	Percentage
Strongly Disagree	1	2
Disagree	3	7
Neither	10	23
Agree	15	35
Strongly Agree	9	21
Don't Know	5	12
Total	**43**	**100**

The above findings revealed that slightly over a half of the Corporations do update their employees' hand book to anticipate equal rights and disability awareness.

4.4 Factors Influencing Institutionalization of CSR in State Corporations

There are various factors that strive to close the global governance gap by creating new cognitive frameworks for CSR. The most prominent are activist movements, mostly nongovernmental organizations (NGOs) which aim for the institutionalization of CSR and paradigm change. The purpose of these factors was to identify various factors that have made State Corporations to incorporate CSR in their operations.

In this section different factors which had been identified in the literature review as the drivers of institutionalization of CSR were put forward to the respondents and they were expected to indicated the extent to which they agree or disagree that the drives have influenced the Corporation to incorporate CSR programs in its operations. This was to enable the researcher to identify which are the factors that influences state corporations to

institutionalize CSR. It was observed that the respondents who indicated that they neither

agreed nor disagreed with statements made from each of the analyzed factor below

affected their corporation. This shows that the respondents either did not understand the

factors or they were not keen on the factors that led their corporation to institutionalize

CSR.

4.4.1 Pressure from Civil Societies

Civil societies try to influence the corporation behavior with appropriate actions hence

setting the CSR agenda. The results are summarized as below;

Table 4.13 Pressure from Civil Societies

Response	Frequency	Percentage
Strongly Disagree	4	9
Disagree	4	9
Neither	14	33
Agree	17	40
Strongly Agree	3	7
Don't Know	1	2
Total	**43**	**100**

Respondents were asked whether pressure from civil society influences them to

incorporate CSR programs in their operations and 47% agreed while 18% disagreed. The

result indicates that this is an average factor since the response did not indicate strong

agreement from the respondent. The above results revealed that civil societies were not a

strong driver towards full incorporation on CSR programs in the State Corporations

operations.

4.4.2 Pressure from Local, National and International Media

Media play an important role in educating the general public on emerging issues such as environmental problems or human right violation. The results are summarized table 4.14;

Table 4.14 Pressure from Local, National and International Media to Corporations

Response	Frequency	Percentage
Strongly Disagree	4	9
Disagree	7	16
Neither	13	30
Agree	16	37
Strongly Agree	3	7
Don't Know	0	0
Total	43	100

Respondents were asked if they agree that pressure from local, national and international media have made them to institutionalize CSR in their corporations and 44% agreed while 25% disagreed. These results revealed that this factor had an effect on around a half of the state corporations. The table above revealed that there is pressure from the media for the State Corporation to engage in CSR activities.

4.4.3 Influences from Government Legislation

Government enacts policies that ensure and trigger responsible behavior by organizations. They influence corporate behavior by means of legislation and governmental action. The results are summarized in table 4.15;

Table 4.15 Influence from government legislation to State Corporation

Response	Frequency	Percentage
Strongly Disagree	1	2
Disagree	1	2
Neither	7	16
Agree	27	64
Strongly Agree	7	16
Don't Know	0	0
Total	43	100

Respondents were asked whether they agree influence from government legislation had forced them institutionalize CSR in their corporations and 64% agreed while 4% disagreed. The findings revealed that in this factor there was strong agreement that government legislation has forced many Corporations to incorporate CSR programs in their operations.

4.4.4 Forces from Multi-Stakeholders Initiatives

Emerging CSR actors become involved in accountability and quasi-regulatory function to develop standards and guidelines for companies. These actors are mostly stakeholders. The results are summarized in 4.16;

Table 4.16 Forces from Multi-Stakeholders Initiatives to State Corporation

Response	Frequency	Percentage
Strongly Disagree	2	2
Disagree	4	9
Neither	14	33
Agree	19	44
Strongly Agree	3	7
Don't Know	1	2
Total	43	100

Respondents were asked whether they agree that forces from multi-stakeholders initiatives have forced them to institutionalize CSR in their Corporations and 51% agreed while 14% disagreed. The results above show that different stakeholders push the Corporation to incorporate CSR programs in their operations. The pressure from all directions of the stake holders makes it to be a strong driver which the corporations have to abide to.

4.4.5 Driven by the Need to Invest in Investments that Observe Ethical issues

Ethical investment has emerged as an alternative to the traditional investment dogma, emphasizing a responsible management of the supply chain, transparent corporate governance, ethical practices in business and the appropriate utilization of profits. The results are summarized in table 4.17;

Table 4.17 Driven by the Need to Invest in Investments that Observe Ethical issues

Response	Frequency	Percentage
Strongly Disagree	3	7
Disagree	2	5
Neither	12	28
Agree	20	47
Strongly Agree	5	12
Don't Know	1	2
Total	**43**	**100**

Respondents were asked whether they agree that their Corporations were driven by urge to have ethical investments for it to institutionalize CSR and the response was 59% agreed while 12% disagreed. The result above shows that the urge by the Corporation to

invest where ethical issues are observed also drive them towards institutionalization of CSR.

4.4.6 Bargaining Power of Large Customers and Suppliers

Customers and suppliers influence corporate behavior by exercising bargaining power contractual relationship. They are concerned with product safety and quality which directly affect financial performance and reputation for their image. The results are summarized in 4.18;

Table 4.18 Bargaining Power of Large Customers and Suppliers

Response	Frequency	Percentage
Strongly Disagree	2	5
Disagree	5	12
Neither	13	30
Agree	17	40
Strongly Agree	6	14
Don't Know	0	0
Total	**43**	**100**

Respondents were asked whether they agree that bargaining power of large customers and suppliers have influenced them to institutionalize CSR in their Corporations and 54% agreed while 17% disagreed. The results above revealed that although more than a half of the corporations feel that the bargaining power of large customers and suppliers is a strong driver towards institutionalization of CSR.

4.4.7 Need for Ethical Consumption

Consumption, from an ethical viewpoint, has become a relevant criterion for consumer. Consumer organizations lobby for responsible buying which means that consumers should take into consideration the way those products have been produced, processed, and sold. The results are summarized as below;

Table 4.19 Need for Ethical Consumption by State Corporations

Response	Frequency	Percentage
Strongly Disagree	2	5
Disagree	1	2
Neither	10	23
Agree	24	56
Strongly Agree	6	14
Don't Know	0	0
Total	43	100

Respondents were asked whether they agree that need for ethical consumption have influenced them to institutionalize CSR in their Corporations and 70% agreed while 7% disagreed.

Finally, in this section the factors analyzed above were rated depending on the level of agreement in each factor. The results were as analyzed in figure 4.2. The results indicated that influence by government legislation was the main factor that influences state corporations to institutionalize corporate social responsibility. This implied that as these are institutions created, operated and funded by the government to offer different social satisfactions, they have high adherence to the laws set by the government.
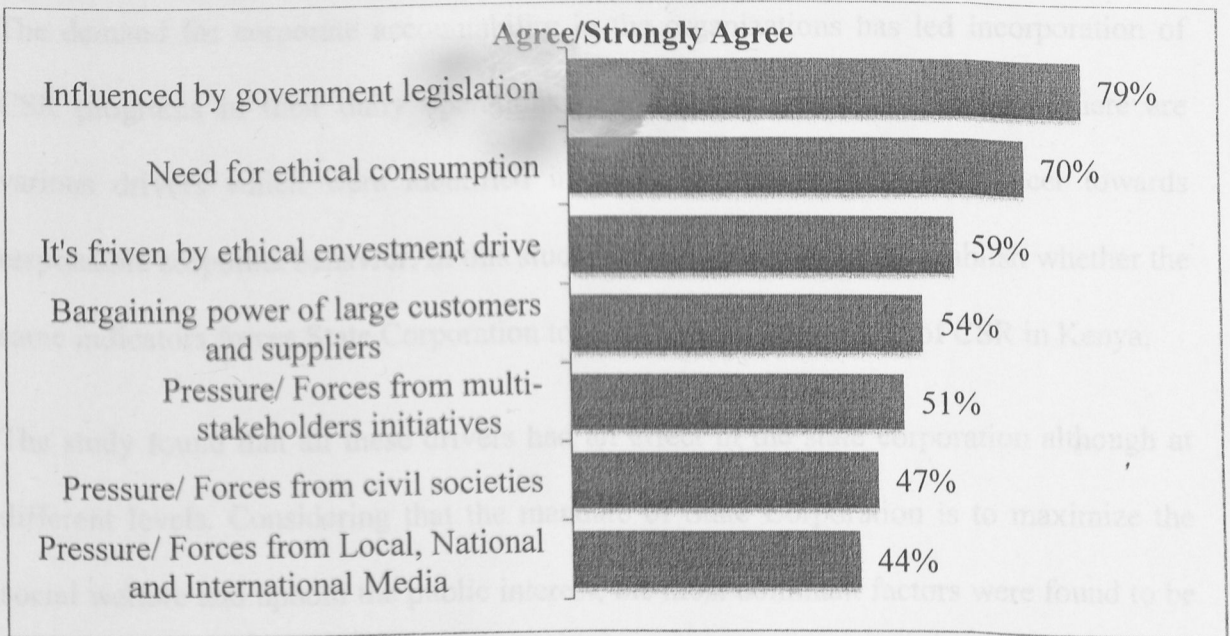
Agree/Strongly Agree

Influenced by government legislation	79%
Need for ethical consumption	70%
It's friven by ethical envestment drive	59%
Bargaining power of large customers and suppliers	54%
Pressure/ Forces from multi-stakeholders initiatives	51%
Pressure/ Forces from civil societies	47%
Pressure/ Forces from Local, National and International Media	44%

Figure 4.2 Factors influencing institutionalization of CSR in State Corporations

4.5 Discussion of Findings

The aim of the study was to identify the extent and the factors that influence institutionalization of State Corporation in Kenya. The research has revealed that there is agreement in various arguments as well as disagreement. The indicators which were found to be prominent in the state corporation as per the study were those that have an aspect of government regulation. The need to comply with national, local regulation standards and norms was found to be the most dominants indicator in all the Corporations. In the past study, it was found that the dominant indicators of CSR institutionalization depended on the mandate and the main activities carried out by the Firm. In most cases for example, the multinational companies allocate higher percentages of their funds to CSR projects that local companies, therefore the most dominant indicator in this case will be higher allocation of funds to CSR projects. This shows that Firms in the same sector may have similar indicators.

The demand for corporate accountability in the organizations has led incorporation of CSR programs in their daily operations hence justifying their legitimacy. There are various drivers which were identified in the past studies as the influencer towards responsible corporate behavior. In this study, the research wanted to establish whether the same indicators forces State Corporation towards institutionalization of CSR in Kenya.

The study found that all these drivers had an effect in the state corporation although at different levels. Considering that the mandate of State Corporation is to maximize the social welfare and uphold the public interest, the most dominant factors were found to be complying with national, local regulation standards and norms, auditing and accounting that upholds social accountability and environmental effects of an organizations economic action to particular society and unionization of staff in the organization. All these drivers have an aspect in common in that all of them rely on laid down guidelines by different regulators. Government sets the minimum guidelines to be met by each firm before it starts its operations. It has to follow these guidelines set by National Environment Management Authority for example to ensure sustainable use of environment. There are also policies set by International Auditing, Accounting and reporting regulator to be followed for communication of social and environmental effects of a firm's economic action to particular interest group within society at large. Similarly, International labour organization has come up with minimum guidelines to be met by firms in order to fully observe the rights of its employees. Organizations are not expected to improve their economic performance at the expense of its staff and environment at large.

It was clear from the study that institutionalization of CSR in State Corporation is mostly influenced by authorities that dictate the minimum qualifications to be met for their operations to be smooth and enhance their corporate behavior. The study was in agreement with the past studies that there are commons drivers of institutionalization of CSR even if different corporation are influenced differently by the same drivers.

CHAPTER 5

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Introduction

This chapter provides a summary of findings, conclusion and recommendations on institutionalization of corporate social responsibility in state corporations in Kenya. The chapter will further present the limitations encountered while carrying out this study, the suggested areas of further research and implication on policy and practice. It presents an analysis and discussion of results and will also compare and contrast results with previous results findings identified and discussed earlier by other scholars and authors in the literature review.

5.2 Summary and Findings

The objective of the study was to determine the extent and factors affecting institutionalization of CSR in state corporations in Kenya. Data was collected and analyzed under three parts; general information, indicators on institutionalized CSR programs and factors influencing institutionalization of CSR programs. The study achieved 71.6% responses rate. The results also revealed that 67% of the state corporations have been in operation for more than 20 years and n28% were less than 10 years which indicates that new ones are still coming up. The implication being that the respondents have a vast knowledge about their corporations due length of their existence i.e. has more information on extent and factors affecting institutionalization of CSR in state corporations.

Majority of the state corporations' decision makers on CSR matter comes from operation and finance department. This implies that for a corporation to incorporate CSR into its programs and operations operation managers have to be involved. The decision on the funds to be allocated for CSR activities has to be made in consultation with the finance department hence the rating of finance department higher on the ladder of decision makers.

The eleven indicators of institutionalized CSR programs were grouped into top, average and low indicators. The study found that in the top group which represents indicators which were revealed to be the strongest, complying with national, local regulation standards and norms at 84% and ethical auditing and accounting at 77%. These findings indicate that the respondents felt that the top indicators were evident in most of the state corporations. It also implies that government policies are either highly followed or dominant in State Corporations. Although all the indictors were found to be evident in almost all corporations they were not strong like the two above. The main limitation of this study was the respondent were not given an opportunity to give any other indicator that they felt would part of the listed ones in the study.

The study also found that the factor that influences most of the state corporation to institutionalize CSR was government legislation. This implies that most state corporations are driven by the policies laid down by the government to be follows. This reveals that most of the corporation lacks self drive and are driven by the government policies. The other factors which were also considered to also to influence institutionalization of CSR in State corporation are need for ethical consumption, ethical investment drive, bargaining power of the large customers, forces from multi-

stakeholders initiatives, civil societies and forces from local, national and international media. Their influences reduce as they are listed above.

5.3 Conclusions

The aim of this research was to determine the extent and factors influencing institutionalization of CSR in state corporations in Kenya. Literature review indicated that there are various actors that are increasingly demanding for corporate accountability and pursue thereby, directly or indirectly, the institutionalization of CSR on a global scale (Szejnwald Brown et al., 2007). Dimaggio (1988) came up with drivers of institutionalization of CSR which are at the root of the shift of the major source of legitimacy for corporations from national regulatory frameworks to the global discourse on CSR.

Institutionalization of CSR in state corporations can be a doubting task for management given the resources required for its facilitation considering that the reason is just to be socially acceptable in the society. The objective of the state corporations in Kenya is to maximize social welfare and uphold the public interest. This implies that the management needs to take a leading role in institutionalization of CSR especially because of the limited budget some of the corporation operates in. This was evident in the analysis of factors that influence institutionalization of CSR where all the other drives which require the input of the management were rated as low influencers.

5.4 Recommendations

Since CSR is unavoidable in today's operation of business, it is crucial for the management to outline appreciate the best ways possible to incorporate socially responsible operations as they are presented by various factors outlined in the study. Due to limitations of the study as stated above, it was not possible to conclusively look at why the government legislation was the main factor that influenced that most of the state corporations to institutionalize CSR. This study recommends that during such a study there is need for the researcher to use an interview guide since it offers a platform to engage on one by one by the respondent hence getting more information. It was evident that a number of respondents did not understand the research question or had difficult answering them hence high percentages in neither answers as indicated in the analysis on findings.

5.5 Areas for Further Research

Further studies should be carried out to establish the extent and factors influencing institutionalization of CSR in other sector. It is also suggested that a study to establish why the government legislation was found to be the strongest driver of institutionalization CSR in State Corporation. Engagement into CSR activities by State Corporation means that there are benefits enjoyed to be enjoyed. Studies can also be done on the need for the State Corporation to institutionalize CSR in their operations.

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RESEARCH QUESTIONNAIRE

NB: *The data collected will ONLY be used for research purpose and will be treated with utmost confidentiality. Thank you.*

PART A: GENERAL INFORMATION

1. Name of the Respondent. (Optional)

....

2. Name of the State Corporation

....

3. Ministry under which the State Corporation serves.

....

4. For how long has corporation been in operations?

Less than 1yr ☐   1-10yrs ☐   11-20yrs ☐   over 20 yrs ☐

5. In which Department/Division are you?

Admin ☐ HR ☐ Operation ☐ Finance ☐ Others ☐

Indicate if

other..

PART B: INDICATORS OF INSTITUTIONALIZED CSR PROGRAMS

6. The indicators given below indicate the extent to which an organization has undertaken on Institutionalized Corporate Social Responsibilities. By using a scale 1-5, *where 1-Strongly Disagre, 2-Disagree, 3-Neither, 4-Agree, and 5-Strongly Agree,* please circle the number which shows the level of agreement as per your Corporation.

(Circle your choice) e.g......1 2 3 4 (5)	
Having Ethical Investment	1 2 3 4 5
Responsible Contractual relationship	1 2 3 4 5
Have Created a CSR department	1 2 3 4 5
Has a policy on fund allocation to CSR activities	1 2 3 4 5
Does ethical auditing and Accounting	1 2 3 4 5
There is unionization of staffs in the corporation	1 2 3 4 5
It Complies with national, local regulations standards and norms	1 2 3 4 5
It has integrated CSR strategy into business functions	1 2 3 4 5
Has imbued Vision statement with CSR philosophy	1 2 3 4 5
Inclusion of social engagement projects that raise brand awareness in marketing strategy	
	1 2 3 4 5

It updates employees' handbooks to anticipate equal rights and disability awareness legislation	1 2 3 4 5

PART C: FACTORS INFLUENCING INSTITUTIONALIZATION OF CSR PROGRAM.

7) The following are factors that affect the institutionalization of CSR program in Corporation. Using a scale 1-5, *where 1-Strongly Disagree, 2-Disagree, 3-Neither, 4-Agree, and 5-Strongly Agree,* please circle the number which shows the level of agreement as per your Corporation.

(Circle your choice) e.g......1 2 3 4 **5**	
Forces from civil societies	1 2 3 4 5
Forces from Local, National and International Media	1 2 3 4 5
Influenced by government legislation	1 2 3 4 5
Forces from multi-stakeholders initiatives	1 2 3 4 5
It's driven by ethical investment drive	1 2 3 4 5
Bargaining power of large customers and suppliers	1 2 3 4 5
Need for ethical consumption	1 2 3 4 5

Other (Please specify

....

....

....

....

....

Thank you for your time

APPENDIX 2

LETTER OF INTRODUCTION TO RESPONDENTS

University of Nairobi,

School of Business,

Department of Business Administration,

P.O. Box 30197

NAIROBI

March 2012

Dear Respondent:

RE: COLLECTION OF SURVEY DATA

I am a postgraduate student at the School of Business, University of Nairobi. In partial fulfillment of the requirement for the award of Master of Business Administration degree, I am undertaking a management research project on **Institutionalization of Corporate Social Responsibilities in State Corporations in Kenya.**

You have been selected to assist in providing the required information, as your views are considered important in this study. This is to kindly request you to fill the attached questionnaire, which I will collect later.

The information collected will be exclusively used for academic purposes and will be treated with strict confidence. At no time will your corporations name appear in the report.

The findings of these researches shall be availed to you upon request.

Thanks for your cooperation.

Yours faithfully,

Anthony Muita Johnson   Dr Maalu

MBA Student   Lecturer/ Project Supervisor

School of Business   School of Business

University of Nairobi   University of Nairobi

APPENDIX 3

List of State Corporations

1. Agricultural Finance Corporation

2. Agro-chemical and Food Company

3. Athi Water Services Board

4. Bomas of Kenya

5. Bukura Agricultural Institute

6. Capital Markets Authority

7. Catering & Tourism Training Levy Trustee

8. Chemelil Sugar Company

9. Coast Development Authority

10. Coast Water Services Board

11. Coffee Board Kenya

12. Coffee Development Authority

13. Commission for Higher Education

14. Communications Commission of Kenya

15. Consolidated Bank of Kenya

16. Cooperative College of Kenya

17. Cotton Development Authority

18. Council of Legal Education

19. Development Bank of Kenya

20. East African Portland Cement Company

21. Egerton University

22. Energy Regulatory Commission

23. Export Processing Zones Authority

24. Higher Education Loans Board

25. Industrial and Commercial Development Corporation

26. Industrial Development Bank

27. Insurance Regulatory Authority

28. Jomo Kenyatta University of Science and Technology

29. Jomo Kenyatta Foundation

30. Kenya Accountants and Secretaries National Examination Board (KASNEB)

31. Kenya Agricultural Research Institution (KARI)

32. Kenya Airports Authority

33. Kenya Broadcasting Corporation

34. Kenya Bureau of Standards

35. Kenya Civil Aviation Authority

36. Kenya Coconut Authority

37. Kenya Copyright Board

38. Kenya Dairy Board

39. Kenya Education Staff Institute

40. Kenya Electricity Generating Company

41. Kenya Ferry Services

42. Kenya Film Commission

43. Kenya Forestry Services

44. Kenya Industrial Property Institute

45. Kenya Industrial Research Institute (KIRDI)

46. Kenya ICT Board

47. Kenya Institute Administration

48. Kenya Institute for Special Education

49. Kenya Institute of Education

50. Kenya Investment Authority

51. Kenya Literature Bureau

52. Kenya Marine and Fisheries Research Institute (KMFRI)

53. Kenya Maritime Authority

54. Kenya Meat Commission

55. Kenya Medical Research Institute

56. Kenya Medical Supplies Agency

57. Kenya Medical Training College

58. Kenya National Assurance Co. (2001) Ltd

59. Kenya National Examination Council

60. Kenya National Library Services

61. Kenya Pipeline Company

62. Kenya Plant Health Inspectorate Services (KEPHI)

63. Kenya Polytechnic University College

64. Kenya Ports Authority

65. Kenya Post Office Savings Bank

66. Kenya Power & Lighting Company(KPLC)

67. Kenya Railways Corporation

68. Kenya Re-Insurance Corporation

69. Kenya Revenue Authority

70. Kenya Roads Board

71. Kenya Seed Company

72. Kenya Sisal Board

73. Kenya Sugar Research Foundation (KESREF)

74. Kenya Tourism Board

75. Kenya Water Services

76. Kenya Wildlife Services

77. Kenya Wine Agencies Ltd

78. Kenyatta International Conference Center (KICC)

79. Kenyatta National Hospital

80. Kenyatta University

81. Kerio Valley Development Authority (KVDA)

82. Kenya Institute for Public Policy Research and Analysis (KIPPRA)

83. Lake Victoria North Water Services Board

84. Lake Basin Development Authority (LBDA)

85. Local Authorities Provident Fund

86. Maseno University

87. Masinde Muliro University of Scie. & Tech.

88. Moi Teaching & Referral Hospital

89. Moi University

90. National Aids Control Council

91. National Cereal and Produce Board

92. National Commission on Gender & Dev.

93. National Campaign Against Drug Abuse (NACADA)

94. National Oil Company (NOC)

95. National Council for Children Services

96. National Council of Persons with Disabilities

97. National Environment Management Authority (NEMA)

98. National Hospital Insurance Fund (NHIF)

99. National Housing Corporation (NHC)

100.   National Irrigation Board

101.   National Social Security Fund (NSSF)

102.   National Water Conservation and Pipeline Corporation

103.   Numerical Machining Complex

104.   Nyayo Tea Zones

105.   Nzoia Sugar Company

106.   Pest Control Board

107.   Postal Corporation of Kenya

108.   Public Procurement & Oversight Authority

109.   Pyrethrum Board of Kenya

110.   Retired Benefits Authority

111.   Rift Valley Water Services Board

112.   Rural Electrification Authority

113.   South Nyanza Sugar Company

114.	Sports Stadia Management Board
115.	Tana and Athi Rivers Dev. Authority
116.	Tanathi Water Services Board
117.	Tea Board of Kenya
118.	Tea Research Foundation
119.	Teachers Service Commission
120.	Telkom Kenya Ltd
121.	University of Nairobi
122.	University of Nairobi Enterprise Services
123.	Water Resources Management Authority
124.	Water Services Regulatory Board
125.	Youth Enterprise Development

Source: The commission of Administration Justice (Ombudsman Report), 2012