

**A SURVEY OF THE OPINION OF INVESTORS OF LISTED FIRMS AT THE
NSE TOWARDS CORPORATE SOCIAL RESPONSIBILITIES**

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DECLARATION

This research project is my original work and has not been presented for any degree award in any university.

Signed.......... Date.....10/11/2009.....

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D61/7284/2006.

This research project has been submitted for examination with my approval as university supervisor.

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DEDICATION

Were it not for you, this achievement would have remained a pipe dream and therefore it is all dedicated unto you mum.

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ABSTRACT

This study examines the perceived opinions and attitudes of investors of listed firms at the NSE on corporate social responsibilities. Using a sample of 50 respondents selected from five brokerage firms in Nairobi through convenience sampling method, primary data was collected. Descriptive analysis with the help of Statistical Package for Social Sciences together with content analysis were then used to analyze the data and make conclusions on the findings.

The survey findings indicated that on the overall, the respondents have a strong support for the corporate social responsibilities engagement at 70.8% as they feel it creates intangible (relational) assets like goodwill, trust, reputation etc. The respondents further opinioned at 72.5% that such assets enhances the firm performance by way of improved revenue, market size etc. They also held that firms practicing social responsibilities are likely to be protected by the society from risks of disruptions in times of bad events hence survival at 73%. However, the protection is not guaranteed all the times as evident in their strong support for the regulatory framework on audit procedures at 88%.

The overall implication is that managers should invest in social responsibilities but in select activities that can exploit the strategic value of such social engagements. There should be a trade off between social investment and value creation as over allocating resources to social engagements may dilute firm value or even collapse the firm.

TABLE OF CONTENTS

DECLARATION.....	i
DEDICATION.....	ii
ACKNOWLEDGEMENT.....	iii
ABSTRACT.....	iv
ABBREVIATIONS.....	vii
CHAPTER ONE: INTRODUCTION.....	1
1.1 Background	1
1.2 Statement of the Problem.....	5
1.3 Objective of the Study.....	6
1.4 Importance of the Study.....	6
CHAPTER TWO: LITERATURE REVIEW.....	8
2.1 Theoretical Literature.....	8
2.2 Empirical Literature.....	14
2.3. Summary of Literature Review.....	20
CHAPTER THREE: METHODOLOGY OF THE STUDY.....	21
3.1 Introduction.....	21
3.2 Research Design.....	21
3.3 Target Population.....	21
3.4 Sample and Sampling Procedures.....	21
3.5 Data and Data Collection Procedures.....	22
3.6 Data Collection Instrument.....	22
3.7 Validity and Reliability of Instrument.....	22

3.8	Data Analysis, Presentation and Interpretation.....	23
CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND PRESENTATION.....		25
4.1	Introduction.....	25
4.2	Data findings and presentation.....	25
4.3	Summary of findings and interpretation.....	31
CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS.....		33
5.1	Summary and conclusions.....	33
5.2	Limitations of the study.....	34
5.3	Recommendations.....	35
5.4	Suggestions for further research.....	35
TABLES.....		25
REFERENCES.....		36
APPENDIX I: LETTER OF INTRODUCTION.....		46
APPENDIX II: QUESTIONNAIRE		47

ABBREVIATIONS

AT & T	-	American Telephone & Telegraph Company
BBK	-	Barclays Bank of Kenya
CARs	-	Cumulative Abnormal Returns
CFP	-	Corporate Financial Performance
CSP	-	Corporate Social Performance
CSR	-	Corporate Social Responsibility
FASB	-	Financial Accounting Standards Board
KCB	-	Kenya Commercial Bank
KLD	-	Kinder, Lydenberg and Domini
KRA	-	Kenya Revenue Authority
NSE	-	Nairobi Stock Exchange
US	-	United States

CHAPTER ONE

INTRODUCTION

1.1 Background to the study.

The basic question within finance discipline is should rational, profit maximizing managers invest in corporate social responsibility (CSR)? The answer to this question has been argued by scholars from various perspectives. While some look at the argument from the extremes, others have taken the middle ground. Proponents of strict capitalism hold that there is no relationship between CSR and returns to the firm and therefore managers should not invest in social activities. To them, such investments do not yield any tangible returns to the firm and are inconsistent with the managerial obligation to return cash to shareholders as pointed out by Easterbrook and Fischel (1991). It is not worth then investing in value eroding activities.

Proponents of the other extreme (Business citizenship) holds that businesses have an obligation to return part of their earnings to the society that they exist in and therefore managers should invest in social activities irrespective of any economic gains. Like Logsdon and Wood (2002) and Waddock (2001) put it, “corporate social responsibility stands as an obligation borne by business citizens of a community”.

Scholars like Deshpande et al (2002) have argued on a compromise position from the extremists. They hold that although the core object of the firm is to generate returns to investors (and therefore no need to engage in social affairs as argued by strict capitalists), there should be an optimal level of investment in social activities that do not compromise the shareholders wealth creation (but not any how as argued by business citizenship).

The history of CSR stems back to over two hundred years but it was not until the twentieth century that its nature came under close scrutiny. Friedman (1970) noted that the only purpose of social responsibility is to increase profits of firm’s stockholders. According to him all such contributions should be focused on profit-maximizing ventures

or return the surplus funds to shareholders to decide on how to use them. He however encourages such contributions only as a means of supporting life. Drucker (1984) on the other hand stressed the need for businesses to engage in social issues for they do not exist in vacuums. He argued that for a business to prosper, society (stakeholders) must also prosper. The arguments by the two scholars have taken the debate on corporate philanthropy a step further and researchers over the years have evidenced the need to engage in such activities but reasonably not to compromise the economic goals. Therefore, there should be proper structures and focused programs to manage such activities so as to gain competitive advantage.

There are various definitions that have been advanced by various scholars to describe the term CSR. According to Drucker (2001), corporate social responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large. It is all about a business giving back to the society that it exists in.

It has also been referred as the concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment or where companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis by Epstein (1987). It is all about how companies manage the business processes to produce an overall positive impact on society. In more economic sense, FASB (1993) defines it as 'an unconditional transfer of cash or other assets to an entity or a settlement or cancellation of its liabilities in a voluntary non reciprocal transfer by entity acting other than as an owner'.

As evidenced by many prior works, there is variety of definitions which complicate how CSR process should be managed and its benefits measured. Sound empirical findings that can realistically support the hypothesized relationship between CSR and shareholders wealth remains elusive due to lack of an accepted definition. For example in their studies, Margolis and Walsh (2001) established mixed results in the link between CSR and improved CFP. They argued that there is not even a small measure of the benefits due to

lack of a definite link between social responsibility and CFP which makes it difficult to model them mathematically.

Corporate social responsibility has over the years elicited the debate on how it contributes to CFP and hence value creation. For example, Godfrey's (2005) model suggests a backward or "back door" mechanism where CSR protects and insures CFP. Strategic philanthropists hold that although the firm receives no tangible, explicit or discrete exchange value, philanthropic activities, which are part of CSR, generate intangible assets. Such examples are reputational capital (Fombrun et al., 2000), employee commitment (Turban & Greening, 1996), trust (Frank, 1996; Zucker, 1986), positive action (Neihesiel, 1994) etc. These assets will in turn be able to create shareholders wealth when appreciated well by the stakeholders in a firm as will be demonstrated.

A lot of empirical studies have been conducted regarding strategic social activities, as well as theoretical development and its contribution to the firm's goals among them wealth. For example, in their survey among managers engaged in corporate giving, Saia et al (2003) noted that those in control of corporate giving see the activity as becoming increasingly strategic and that organizational leaders expect a link between social activity and corporate goals or strategies. The work of Fombrun et al. (2000) also establishes potential connections between social and financial performance through associational rather than causal relationship. An opinion survey among managers by Ofori (2007) also concluded the CSR worth due to reputational capital and hence value addition to the firm.

In sum, social activities will generate positive moral capital (by virtue of receiving positive evaluations from firm's stakeholders). This positive moral capital yields insurance like protection to the firm's relationship-based intangible assets (by virtue of mitigating negative assessments and sanctions from stakeholders when negative events by the firm impact badly on the stakeholders). This protection is in turn able to generate (relational) wealth to shareholders. However, firms should exercise a trade off between social involvements and the strategic interests of the firm to increase shareholders wealth. Over allocating resources to social issues could dilute the wealth.

Intangible (relational) assets are resources which are unique to the firm, and may have been developed over a number of years (Barney, 1991). Such assets like royalty, reputation etc are said to be relationship-based because their earnings potential depends on the relationship a firm has with its stakeholders and the related assessments that such stakeholders make regarding some (or all) elements of the firm's activities according to Wood and Jones (1995). Moral reputation or moral capital, according to Jones (1995), has to do with moral values, principles, intentions, and character elements developed and assessed by the stakeholders based on the level of interaction of the firm and the society in trying to achieve its corporate goals. If the stakeholders' assessment is high, the moral capital will also be high and vice versa.

Shareholder wealth is the net present value of a firm's expected future cash flow stream generated by employment of its tangible and intangible assets while Insurance is the act of protecting to mitigate risks on maturity. According to Stultz (1996), insurance adds value to a firm's equity price by protecting shareholders against risks (like bankruptcy) that may make it difficult to liquidate a position at a gain or favorably. Negative events are the organizational activities adversely affecting the firm's stakeholders like disposal of effluents in a river. It is also the organizational action or conducts that impact badly on the firm's stakeholders, Godfrey (2005). Such events constitute the bad act element of an offense as will be discussed in the mens rea doctrine.

In Kenya, firms have also been involved in social activities. For example, Auka (2006) conducted a survey on financial institutions on the factors that influence them to practice CSR and most bank managers reported that they do so to improve their corporate image and hence sales due to customer loyalty. This is indeed consistent with Formbrun (1996) assertion that the reason for CSR is publicity potential.

A study by Nkoroï (2007) on perceived benefits on CSR in Safaricom Company limited found that firms that practice CSR gain in market size, public image and healthy cash flows. In trying to ascertain the relationship between CSR and portfolio performance for firms trading at the NSE, Obusubiri (2006) found that a positive relationship exists and that pursuing CSR reduces business risks from disruptions or losses from social unrest.

This is due to the goodwill and trust created, providing the insurance like protection hence shareholders wealth consistent with Godfrey (2005) assertion.

In conclusion, it is imperative to appreciate that an opinion survey on attitudes was preferred in realizing the objective than empirical investigation due to unavailability of data. Not many firms in Kenya, if any, maintain data on corporate giving as at times it is ad hoc. Attitude has been referred to as a hypothetical construct that represents an individual's like or dislike for an item which could be positive, negative or neutral by White and Bartolome (1982). According to them, many people can simultaneously possess a positive or negative bias towards the attitude in question. For instance in a survey on the attitudes of chief executive officers towards CSR, they found that major American corporations were generous in their philanthropic programs and that many chief executives forecast increases in their companies' future giving.

1.2 Statement of the Problem

Corporate Social Responsibility worldwide has been a major concern to all the stakeholders in a firm. There have been many studies conducted to ascertain whether it affects firm's wealth. Theoretically, like Obalola (2005) observed, respondents are expected to support the existence of a strong and positive relationship between corporate social responsibility and shareholder wealth. In his study, he found strong perceived opinions by managers on social involvement as it is believed to enhance shareholder value.

There are other studies that have been conducted yielding mixed results, with some showing a positive relationship, no relationship and others a negative one. For instance, in a survey conducted by the German Federal Ministry for the Environment and Federation of German Industries (2002), it was found that Corporate Social Performance can realize corporate benefits (intangible assets) like employees' morale and public reputation thereby enhancing the corporate wealth. The study was however affected by many peoples refusal to give full information on fear of suspicion to this government agency.

In trying to regress the Cash Flow Performance using Research and Development, Williams et al (2001) on the other hand found that Corporate Social Responsibility has a neutral impact on firms' financial performance while Sankar and Bhattacharya (2001), in a survey of consumer reactions to Corporate Social Responsibility found that Corporate Social Responsibility can under certain circumstances negate the consumers' appetite to buy a firms product therefore reducing the wealth. Williams et al study was however limited by the use of Reseach and Development as the only predictor variable while Sankar and Bhattacharya's study was limited by the choice of basic foodstuff only ignoring other products.

Therefore, due to these conflicting findings based on various limitations in various studies, more empirical studies have been carried out with a view to resolve them. In Kenya, there are also documented empirical studies on corporate social responsibility in various fronts known to the researcher but only a few on the relationship to shareholders value. It was therefore imperative to ascertain the levels of awareness of the subject matter from investors and their opinions on why many firms in Kenya do not engage in such activities besides global attention and to determine the true position vis-à-vis the aforementioned relationship particularly from insurance like protection to wealth created by intangible assets. The choice of listed firms is likely to minimize the limitations cited above due to the diverse nature of their scope.

1.3 Objective of the Study

The objective of the study was to survey the perceived opinion of investors of listed firms at the NSE on corporate social responsibilities

1.4 Importance of the Study

The findings of the study provide theorists, empirical researchers, employees of firms, investors and executives with pertinent information on philanthropy which enable them to completely refocus on the concept and its value to the firm as follows:

To the managers, if a positive relationship between CSR and shareholders value exist, then they might be encouraged to dedicate more time and effort to such activities and allocate more resources to them. They may also be interested to investigate the underlying causes of the relationship as a basis of resource allocation too.

To theorists and researchers, it provides them with more insights on how and to what extent should management of firm practice social responsibilities. It also assists them as a basis in pursuing further research on the same issue particularly quantitatively.

To the investors, it assists them make informed decisions on the choice of their investments in an attempt to maximize their returns on their investment portfolios. It also acts as a good way of evaluating the performance of the respective managers and make decisions on their retention.

To the employees, they are able to assess their appreciation within their work places and make moves as appropriate. Ideally, where a positive relationship exists, employees are encouraged to stay on in the firm as it enhances the value of the firm which could translate to higher perks over time.

CHAPTER TWO

LITERATURE REVIEW

2.1. Theoretical Literature

A lot of debates on whether or not firms should engage in social activities continue to attract attention world over and all stakeholders are equally interested in knowing the true position so as to exercise their decisions with caution. This chapter highlights theories that have been advanced by researchers on their findings, management process and empirical findings on the subject matter.

2.1.1 Economic theory

This theory of the firm championed by Friedman (1970) holds that a society determines and meets its needs and wants through the market place where the self-interest pursuit by business results in society getting what it wants. This is the concept of the invisible hand. Friedman says that the social responsibility of business is to increase its profits in a free enterprise system where there is no coercion and deception whilst conforming to the basic rules of the society embodied either in the law or ethical customs. He does not dispute CSR whose aim is instrumental however.

He adopts an agency perspective of a firm and sees the main players as the shareholders who invest primarily to increase their value and the managers whom the day-to-day decision making is delegated and must act in the shareholders interests to make profits. He recognizes only groups like the suppliers, employees, and the customer whose relationship with the corporation is primarily economic. This approach however is criticised for ignoring other parties that are linked to firms like communities, media, or even the natural environment, which are important for the long-term sustainability of the firm.

Traditional economics of strict capitalism therefore hold that there is no relationship between CSR and returns to the firms and therefore managers should only invest in activities that maximize the shareholders wealth and not value eroding activities. Indeed, Friedman (1962) argues that managers should only make decisions that maximize the wealth of the firm's equity holders. Jensen and Meckling (1976) further argue that firms

that engage in such social activities at a high cost are likely to face market disciplinary actions like takeovers or inability to access capital.

2.1.2. Stakeholder theory

This theory views the firm as an entity through which a variety of participants who may be interdependently related accomplish multiple and at times divergent goals. According to Muthuri (2000), stakeholder theory describes the firm as a nexus of co-operative and competitive interests possessing intrinsic value. Businesses rely on the contribution of a much wider set of stakeholders not just shareholders for its success and they have a duty to take into account the interests of these stakeholders as well as shareholders.

Additionally, corporations face numerous challenges that threaten their very existence that is not necessarily directed to shareholders and value maximization. Issues like global environmental disasters, global insecurity and terrorism, and social issues are external that could affect an organization negatively. It is therefore vital for firms to keep in mind the other stakeholders in mind and giving back to the society that it belongs part of its profits.

Business citizenship and society scholars therefore argue that businesses have an obligation to return part of their earnings to the society that they exist in and therefore managers should invest in social activities irrespective of whether there are economic gains or not. Their take is that concentrating only on wealth creating activities is too simplistic and may sometimes lead to other stakeholders interests among them the society, being ignored yet such interests could be superior to wealth creating activities as much as there is cash flow reduction. As noted by Godfrey et al (2001), firms have an obligation to the society that they exist in that goes beyond equity holders value maximization.

2.1.3. Relativity theory

This is a theory that proposes a model of a person who is satisfied for whose work and mission aligns. According to Swenson (2007), who has turned down countless offers to manage wealthy people's money, people think working for something other than the most money you could get is an odd concept, but it seems a perfectly natural concept to him. He is very happy with what he does for Yale Endowment, and has no interest in leaving for hedgier, greedier environments. He therefore theorize that CSR engagement is relative to firms willingness and commitment and not mandatory.

2.1.4. Modigliani-Miller Theory of Altruistic Corporate Social Responsibility.

A new theory of altruistic corporate social responsibility is developed. Firms that advertise their social and environmental good works in effect solicit charitable contributions from customers, employees, investors and other stakeholders. They compete with not-for-profits in the market to supply public and altruistic goods. To analyze how corporate altruism affects firm valuations, a model is developed in which investors gain utility both from personal consumption and from making donations to worthy causes.

A share in a responsible firm is a charity-investment bundle. When individuals view corporations and not-for-profits as equally competent suppliers of charity-related warm glow, small changes in firms' social policies induce exactly offsetting changes in individuals' portfolio choices hence there is no effect on firm value, and no change in the aggregate supply of good works. When a sizable fraction of investors prefer corporate philanthropy over direct charitable giving however, e.g. to avoid taxation of corporate profits, firm value will be maximized by following social policies that involve strictly positive levels of corporate altruism. This implies that corporate giving is value adding if selectivcly targeted and controlled.

This theory is consistent with strategic philanthropists' argument that firms need to engage in strategic social activities while still ensuring that the shareholders value is not compromised. They argue that there is need for an optimal level of investment in such activities that strikes a trade-off between shareholders value creation and their costs.

Fombrun et al (2000) for instance puts it that such activities generate reputational capital while Frank (1996) argues they generate trust hence customer royalty

The debate as to how much and to which activities that the firms should focus its efforts on pertaining to CSR still remains a major challenge. However, some scholars have tried to expound on the same and have come up with interesting observations as will be discussed.

2.1.5 How much to invest in corporate social responsibility

There is no rule of thumb as to how much that a firm should invest in social activities. Social responsibility theorists like Mitchell et al (1997) argue that it is sometimes good for firms to engage in activities that are beneficial to employees, suppliers, customers and the society at large even if such activities are bound to dilute the present value of the cash flows generated by a firm. They however do not attach any specific amount to such activities. Indeed, lack of a proper definitive stopping rule as to how much should be invested in CSR is the strongest argument advanced by the proponents of traditional economics that firms should not engage in such activities. Easterbrook & Fischel (1991) for instance puts it that firms should only invest in activities that create tangible and explicit value for shareholders.

2.1.6 Focus in social activities

Just like the lack of specified amounts to social activities, there is no specific guideline on where firms should direct their efforts in CSR. However, it is generally accepted that such investments should be in tandem with the firm's mission, vision, strategies, policies, systems and objectives since stakeholders assess interactions between them and such attributes of the firms. On the overall, firms should engage in social activities that auger well with its stakeholders as this will ensure shareholders value generation in times of negative events. Indeed, Korten (1996) advocates the need for corporate involvement to build a good society that by and large is an integral part of any firm's survival. Fombrun et al (2000) note that a good corporate reputation is an asset to a firm and therefore the need to engage in CSR as a means of boosting the same.

2.1.7 Management and value creation of social responsibility.

Managing the process of CSR is also not in any standard manner but is all geared towards a design that can isolate and exploit the strategic value of social activities. Irrespective of the methodology employed by the various firms, governed by several factors specific to a particular firm, the process should be in a position to generate positive moral capital that provides insurance like protection to the firm's value. It is worth noting that if CSR process is not well managed, it could lead to a negative moral capital which in return dilutes or destroys the firm's value.

The economic value of moral (reputational) capital stems from the fact that it makes stakeholders to hold values and beliefs towards firms and therefore engage in actions that create or destroy firm's wealth. Fombrun (1996), for instance models moral (reputational) capital as the outcome of the process of assessments and evaluations of the firm's stakeholders. Such assessments could be either way i.e. positive or negative. Epstein (1987) reasons that corporate social engagement policy is a systematic process considering internal and external stakeholders' interests, relationships, concerns, values, goals, decision making, policy implementation and evaluation (which could be either positive or negative) by the stakeholders.

In addition, Pelozo (2006) asserts that positive reputation for CSR has been perceived as a license to operate or even as a form of insurance for a firm in case of negative events against the stakeholders. Basu and Palazzo (2008) contends that the stakeholder standards and interests are important for an organization to know and implement in trying to achieve the desired performance levels since the principle of corporate reputation, as perceived by the stakeholders' counts as it can bring revenue. Related to this argument therefore, it is imperative to appreciate the fact that moral or social or reputational capital is a stockpile of goodwill that can assist a firm in addressing and recovering from crisis in times of bad situations. Employees for example will continue to work in a firm even in bad times due to their emotional attachment to the firm, suppliers will take risks and continue to provide stocks to the firm at a delayed payment, customers will stick to firm's brand due to loyalty etc.

2.1.8 Mens Rea doctrine and value creation

Under common law tradition, for an offence to occur, there must be a bad act that adversely affects others and a bad state of mind. According to LaFave (2000), an act does not make one guilty unless his mind is guilty. He further argues that in judging an individual, an observation on his intention, knowledge of harm, negligence, or recklessness is imperative. In corporate world therefore, an organization is judged based on these facts. As Khanna (1999) puts it, it is very challenging to judge a firm which has no mind of its own but only exists as a legal creation. However as organized groups, Barnard (1938) argues that they possess certain moral and social values. These values will, while they impact on stakeholders be judged in specific ways by different stakeholders and by and large as noted by Jones & Ryan (1997), create a platform for individual moral choice and action.

When bad acts occur, it is reasonably assumed that stakeholders will heavily borrow from the mens rea doctrine to help them determine appropriate sanctions and punishments. According to Strong (1999), positive moral capital will mitigate assessments of a bad mind, reducing the probability of a firm possessing the evil mind to justify harsh sanctions and punishment like product boycott and closure campaigns. Low ratings will therefore be attached to the facts on the firm's intention, knowledge of harm, negligence, or recklessness for a firm with positive moral capital.

According to Trieschmann & Gustavson (1998), this positive moral capital will in turn provide insurance-like protection to firms' relational assets and earnings streams potential against loss of value from operating risks of a business thereby creating the shareholders wealth. For instance, firm's reputation is tampered with but remains; brand royalty is less affected etc, and by virtue of that value erosion is safeguarded.

It is however imperative to realize that sometimes, social activities can generate negative moral capital thereby diluting the wealth as was the case of AT&T wireless Inc. In this case, AT&T, having supported family planning for long was pressured by the pro-life groups to withdraw its support. To these groups, the firm's support initiatives constituted bad act which impacted badly on them and therefore negative evaluation. Indeed, Sankar

and Bhattacharya (2001) in a survey of consumer reactions to CSR found out that CSR can under certain circumstances negate the consumers' appetite to buy a firm's product therefore reducing the wealth

It is equally vital to know that the insurance protection referred to in this study is not the traditional insurance market protection; it is imputed, since the relational assets aforementioned fails in many attributes as required in the traditional setting. For instance, losses suffered due to mistrust or lost goodwill in a firm is difficult to quantify and measure as required by the traditional market. Indeed, Rejda (1992) provides that for a traditional insurance market to function, there must be a large number of exposure objects to be insured, the loss be accidental, be determinable, measurable, not catastrophic to the insurer, chance of occurrence be approximately determinable and the premiums be economically feasible. Neither relational assets nor the losses suffered on their degradation passes the litmus test of the majority of these criteria therefore making the traditional insurance concept to fail.

2.1 Empirical Literature

Over the years, many scholars have taken research on the relationship between CSR and firms' success or failure. Interestingly, diverse empirical findings and inferences have been reported therefore necessitating further research in an attempt to unravel the true relationship between CSR, which is increasingly becoming more of a discipline in modern business practices, and the shareholders value creation. Notwithstanding many other researches and their findings, the following discussion highlights a few studies as conducted by various researchers.

In his study on the views of top executives and management on CSR and ethics in Ghana, Ofori (2007), found that managers and executives believe that it is important for their firms to be socially responsible and to be seen to be behaving ethically even though there is no legal framework for CSR. These, they assert is mainly because of the good corporate reputation and hence value addition to the company. A survey method by way of 42 questionnaires with purposive sampling procedure was used to select a sample size

of seven companies which have consistently engaged in CSR activities from a list of members of the Ghana Club 100. Indeed, 77% of respondents said that CSR engagement have a positive impact on the success of an organization. His findings are therefore in tandem with Godfrey's (2005) assertion that CSR creates the shareholders wealth by way of insuring the intangible assets in times of bad events. It would have been imperative however for him to study more than seven firms to make the results more representative.

In an opinion survey to ascertain the importance of corporate citizenship policies to reputation and hence corporate sustainability among mining firms in Australia, Tuck(2006) found that mining industry reputation formation and the drivers of reputation vary between stakeholder groups and that industry's actions impact on the formation of corporate reputation and hence sustainability

With a sample of 70 participants, she established four round group discussions that lasted approximately two hours and was tape recorded. The tape from the focus group that comprised of employees, shareholders, NGO's and regulators was fully transcribed and then content analysis done to yield the conclusions. Although the results were in tandem with those of Fombrun et al (2000), it would have been better for the researcher to include other industries in his survey to make the results more representative.

In a qualitative opinion survey to examine the current trends in CSR, its commercialization, ripple effects and determining if consumers are willing to pay more for products or services that claim to direct profits towards a social cause in England, Mittal (2008) found participants preference for companies to engage in social initiatives since such issues will create reputation. However, majority did not perceive reputation as necessarily translating into generating profits. He used questionnaires, focus group discussion and corporate interviews on a sample of 240 participants, 110 women and 130 men selected from residents and companies in Nottingham city. Participants were asked to comment on their understanding of CSR, its importance, opinion of marketing on the pretext of CSR, their response to such measures, what CSR ratings meant to them and to

imagine a hypothetical situation of a company taking some of its profits to CSR in determining their purchase decision.

While almost 75% of the respondents thought of CSR as a corporation's commitment to social initiatives, 20% considered CSR to be putting people before profits and creating a sustainable environment, while only 5% thought of it as philanthropic gestures on the part of an organisation. On reputation, 80% felt that CSR creates it, while 16.7% said it did to a certain extent. Only 12.5% however felt that it contributed to profits with 46% feeling the same but just to a certain extent and 20% feeling no difference. On the hypothetical situation of a company sending a portion of its profits to a social cause, only 4% said they would buy such a product, 67% said they would buy it just once and 17% said they would never buy since it was marketing trick.

In his study of CSR characteristics and initiative programs in the Silicon Valley area of Northern California, Verma (2005) illustrates the nature and extent of such programs, factors that influence a company's CSR activities, and the implications of corporate giving to relief efforts for natural and manmade disasters. Using a survey method, he found that cash donations with 87% were the most common method of CSR, followed by employee participation in community relations at 80%. In addition, the most common factor that influenced a company's choice of CSR activity was the interests of the employees at 67%. Employees' morale-building and retention was found to be a key motivator for companies to engage in such activities. These findings therefore suggest that employees' effort in a firm is a vital tool to success, a strong case of generation of the intangible asset which in turn generates the shareholders wealth.

In their empirical review (meta analysis) to ascertain the link between CSP and CFP for studies conducted from 1972 to 2007, Margolis et al (2007) found that 27% reflected a positive relationship between CSP and CFP hence shareholders wealth creation, 2% negative relationship while the other 58% were non significant. They used 167 studies to study 192 effects both accounting based and market based. Their conclusion was that there is no clear direction vis a vis the relationship between CSP and CFP as much as the

overall effect is mildly positive. The results are strikingly interesting and the choice of the studies and effects would be of interest to anyone wishing to extend the review. However, they provide the general perception about the stakeholders view on CSR and firms value.

In their research to ascertain whether charitable activities helps a company's financial picture in Columbia, Nair et al (2004) found that it all depends on the type of industry. They concluded that there is a more positive relationship between CSR and profit in firms with high levels of charity and a negative relationship for firms with low social levels. In trying to do these, they collected financial data from 1991 to 2003 on 3,000 companies from the Compustat database and also relied on database maintained by KLD Research & Analytics on social actions. Companies were assigned a rating score based on certain levels and patterns of giving, such as support for housing or education initiatives. Considerations on good deeds that could have the effect of boosting a company's productivity and in turn its profits like to operate an environmentally friendly plant were excluded. AS expected they found that the advertising-intensive industries (the top 25%) have average KLD philanthropy ratings that are more than double those in the bottom 25% of advertising intensiveness. These results are in tandem with the general perception that the society will generally rate firms practicing CSR better than those not engaged in the same. Trust and goodwill are created that enhances the firm's capabilities.

In an event study to examine the effect of philanthropic giving on abnormal stock returns surrounding negative legal events, Godfrey et al (2005), found that philanthropic activities generate shareholders wealth by way of insurance. However, while tangible forms of donation have better insurance, there is no extra insurance generated by very high levels of giving. In their study, they used KLD Socrates' data base on a sample of 151 from a total of 160 firms between year 1991-2000. As much as one would agree with the assertion that philanthropy creates shareholders wealth as concluded here, the five day event window and the use of only one bad event could have favored the results in their direction. A much wider event period and possibly multi-bad events scenario would have improved the findings.

In a survey on the attitudes of chief executive officers on a sample of 69 Fortune 1300 companies in U.S. towards CSR, White & Bartolome (1982) found that major American corporations were generous in their philanthropic programs and that many chief executives forecast increases in their companies' future giving. Many chief executives believed their giving programs are under achieving their major corporate and social objectives, and corporate giving is a relatively underdeveloped, poorly understood function in most companies. In the study, 73 companies with \$50 to \$100 million annual sales volume, and 77 companies with \$25 to \$49 million annual sales volume were used with efforts directed to current giving practices, general attitudes of chief executives toward cash giving and the goals of giving, factors determining chief executives level of commitment to corporate giving; and projections of future giving, including the factors that could increase giving in the future. The findings suggest that corporate giving negate the corporate object of value creation. However, the choice of firms without the turnover levels under study may have contributed to the results. It would have been fair to include firms with over \$100 million.

In his research to determine the managers' perceptions about CSR, structural changes to enhance, its implementation, and the pattern of current CSR actions in Nigeria, Obalola (2005) found a strong support for social involvement as it is believed to enhance the shareholders wealth. In his study, he used a sample of 93 insurance firms from 116 firms in year 2004 and while using a quantitative approach to his study, out of the 67 returned questionnaires, 3 (4.5%) went missing, 44 (65.7%) completed the survey as managers while 20 (29.9%) respondents completed it as others. Overall, the respondents gave a strong support for CSR. This survey is in line with many others only that the one would query the choice of insurance firms as a fair representation of the Nigeria economy. Including other sectors of the economy would have perhaps improved the results in terms of representativeness.

In their study to determine whether Black Economic Empowerment (BEE) transactions in South Africa creates or destroys shareholders wealth, Jackson et al (2005) found that

announcements of BEE deals were associated with positive abnormal returns. Investors on average were seen to reward firms that participated in empowering Blacks. This empowerment by way of selling equities to them at discounted prices was viewed as a CSR activity since the Black majority was poor. Using data from the Business Map Black Empowerment Database, an event study methodology on a sample of 20 deals from a potential of 208 deals between 1996 and 1998 (the rest were filtered out on qualification criteria like the less than one year deals were not considered) was used to calculate the cumulative abnormal returns (CARs) associated with public announcements of BEE transactions with 1.8% CARs on a 5 day event and 1.3% CARs on a 3 day event recorded. These results therefore imply that corporate philanthropy creates shareholders wealth and is therefore consistent with Godfrey et al (2005) assertion. However, there was need to increase the sample size and the scope particularly to cover after 1998.

In an attempt to determine the management perception of CSR at KRA in Nairobi, Korir (2006) found that although it is scantily appreciated and reflected in KRA's strategic planning with no clear intention pertaining it, there was a positive perception index of 86.7%. This implied that CSR has a long term advantage for the organization as Bateman et al (1998) asserts. In deed, in line with this study, such an advantage accrues from the motivation and attachment of employees to the firm (intangible assets). Using both descriptive and content analysis methods for both quantitative and qualitative data for year 2006 respectively on a sample of 30 respondents, 27 (90%) felt that management have regard for CSR, 1 (3.3%) felt otherwise with 6.7% being indifferent. These results were encouraging given that KRA is a parastatal and the general notion about government oriented entities is that they have no regard for such issues. Much more should be done to include the social issues in the corporate goals and strategies.

In an attempt to ascertain the link between CSR and corporate strategies among listed firms in Kenya, Ominde (2006) found that all organizations had corporate planning departments, vision and mission statements and conducted long term planning. Using a descriptive analysis on a sample of 48 respondents as at April 2006, the conclusions were drawn on an 81% response rate. The fact that the organizations incorporated their CSR programs in their objectives implies that CSR is a vital tool in realizing the goals of the

firms and should therefore be pursued. Although the results were in tandem with many others, it would have been advisable to increase the sample size to make it more representative.

In an opinion survey to determine the extent to which CSR influences the consumer purchase decisions in Kenya, Makau (2006) found that consumers are more inclined to purchase products from organizations that show concern for communities they exist in. In so doing, she used a sample of 100 economically active persons selected by stratified random sampling method in Nairobi in the same year. Persons were stratified into their income, education and occupational status and attitude indices were computed with the overall index being positive reflecting the consumers' appetite to purchase from CSR oriented firms. These results are a manifestation of trust (Frank, 1996) and goodwill hence positive action (Neihesieli, 1994) that the customers develop towards CSR sensitive firms.

2.3 Summary of Literature Review

It is evident from the many empirical findings and theories that to date, although there is a relationship that exists between CSR and shareholder value, there is no universally accepted position on the relationship between CSR and shareholders value. As Margolis and Walsh (2001) put it, past findings are just a mixed complex web leading to academic confusion. It is therefore imperative for the researchers to learn and realize the same and therefore not to rest their case on what is currently at hand but to continue burning their midnight oil in trying to seek the true position that subsists between the variables under study. In particular they should give emphasis on how firms should maintain data on CSR and how to measure the benefits associated which have manifested as the major challenges in management of CSR process.

CHAPTER THREE

METHODOLOGY OF THE STUDY

3.1 Introduction

This chapter describes the methodology that was adopted by the researcher in order to reach the target population, collect, organise and analyze data so as to achieve the project's objectives. It consists of the research design, target population, sample and sampling procedures that were used, data collection method, instruments and their administration on the respondents, data analysis procedures and methods that were used.

3.2 Research Design

This research is qualitative in nature. This is mainly due to unavailability of data in the market as few firms if any maintain data on CSR since at times it is ad hoc. For simplicity, an economic scenario of firms that practise CSR was presented to the respondents. The respondents were then expected to answer questions that manifest several attributes and their perception of a firm they know among these firms all geared towards achieving the objective of the study.

3.3 Target Population

The study targeted the investors of listed companies at the Nairobi Stocks Exchange market. The target population choice was necessitated by their knowledge, application and interest as stakeholders of the subject at hand. In addition, listed firms were preferred due to their diverse nature of investors and whose major concern is value addition to their investment. Listed firms are also more accountable to the public by way of information provision. As noted by Mugenda and Mugenda (2003), a population of study must have common characteristics conforming to a given specification.

3.4 Sample and Sampling Procedures

3.4.1 Sample

A sample is a portion of the target population from which data is collected, summarised, analysed and inferences about the target population from which the sample is drawn is done, Nachmias & Nachmias (1996). A good sample should be logical and practicable (representative) and have regard for time, costs, validity and accuracy of the data, Nachmias & Nachmias (1996). To this end therefore, a sample of 50 investors, 10 from

each of the following five stock brokerage firms i.e Faida securities, Dair and Blair, Bob Mathews, Suntra stocks and Ngenye Kariuki were selected and interviewed from the target population above using non probabilistic sampling technique and in particular convenience sampling. Mugenda and Mugenda (2003) asserts that a sample of 30 is recommendable and therefore representative hence the choice of 50.

3.4.2 Sampling procedures

3.4.2.1 Convenience sampling

Convenience sampling is a non probabilistic method where the selection of respondents is based on the ease of availability for instance going to the streets and asking passers-by their opinion on a subject matter. This method was used to select the 50 investors and was necessitated by the lack of a proper sampling frame, time and cost savings.

3.5 Data and Data Collection Procedures

After getting clearance and a research introductory letter from the university, further research permissions were obtained from the managers of the said brokerage firms. Thereafter, questionnaires were administered to a sample of respondents to yield the primary data. The choice of primary data was necessitated by the fact that only a few firms (if any) maintain records on the opinions and perception of the stakeholders towards CSR.

3.6 Data Collection Instrument.

Data was collected using questionnaires.

3.6.1 Questionnaire.

A questionnaire is a set of questions or statements that assesses attitudes, opinions, beliefs or any other information about a subject matter. It ought to be words economical but ensure clarity, anonymity, use standardized questions, uniform procedures, provide time for subject to think about response and structure questions in order likely to attract the respondent's attention, Mugenda and Mugenda (2003).

A three part questionnaire was administered where question one to five surveyed the investors opinion of CSR and intangible assets, question six to nine surveyed on improved performance and question ten to thirteen on business protection.

3.7 Validity and Reliability of Instrument

3.7.1 Validity

According to Nachmias & Nachmias (1996), validity of an instrument is the degree to which an instrument measures what it is supposed to measure and consequently permits appropriate interpretation of scores. Before the research instrument was administered to the sample members, it was validated by review with peers and other specialists.

3.7.2 Reliability

According to Mugenda and Mugenda (2003), reliability is a measure of the degree to which a research instrument yields consistent result or data after repeated trials. To ensure this consistency, the questionnaire was pilot tested on 10 people to ensure that its contents are stated clearly and have the same meaning to all respondents. A repeat test was done one week after and same results were obtained.

3.8 Data Analysis, Presentation and Interpretation

After data was collected, it was subjected to SPSS (Statistical Package for Social Sciences) to organise and yield descriptive statistics. Organisation involved generating frequency tables with each attribute or issue in the questionnaire shown against the total respondents for the various interest groups. The groups comprised of those in support of the issue (agree and strongly agree), indifferent (neither agrees nor disagrees) and not in support of the issue (disagrees and strongly disagrees).

Descriptive statistics involved computation of proportions or percentages of respondents for the various issues amongst various groups from the frequencies above and the mean score. The proportions of respondents on issues relating to creation of intangible assets, insurance protection and improved performance was then consolidated to find the overall mean proportions of those in support or not in support of the same by simple average method.

The findings are presented to the public by way of bar charts. The bar show the proportions of respondents that support, neutral and not support of creation of intangible assets, insurance protection and improved financial performance. Content analysis is used to generalize the sample results as a true representation of the whole population.

CHAPTER FOUR

DATA FINDINGS, PRESENTATION AND INTERPRETATION

4.1 Introduction

This chapter contains the findings and presentation of the analysis. Data was obtained from the said five brokerage firms and the following were the findings and presentation for the three part structured questionnaire on analysis.

4.2 Data findings and presentation

The first part of the questionnaire, questions one to five, surveyed the investors' opinion on the creation of intangible assets by CSR practicing firm. Interestingly, 100% of respondents felt that CSR creates reputation and goodwill. The mean attitude score for both was also above 4.7 from a possible maximum of 5. However, 48% with mean attitude score of 2.66 did not agree with question B5 implying that many were dividend oriented and were not therefore willing to wait any more like growth oriented investors. 28% were neutral while only 24% agreed to hold and wait for growth. This implies that trust can be slightly compromised in favour of individual's own interests.

With a 92% and a mean of 4.36 out of a maximum of 5, the respondents felt that a CSR practicing firm enjoys trust from existing investors and hence the bailout, with 4% disagreeing with that and 4% being indifferent. These therefore imply that there is strong attachment to the firm that they own. Apart from question B5, all others had standard deviations of less than 1 implying the consistency of the response from the various respondents. Table 4.2.1 gives the summary of that analysis.

Table4.2.1

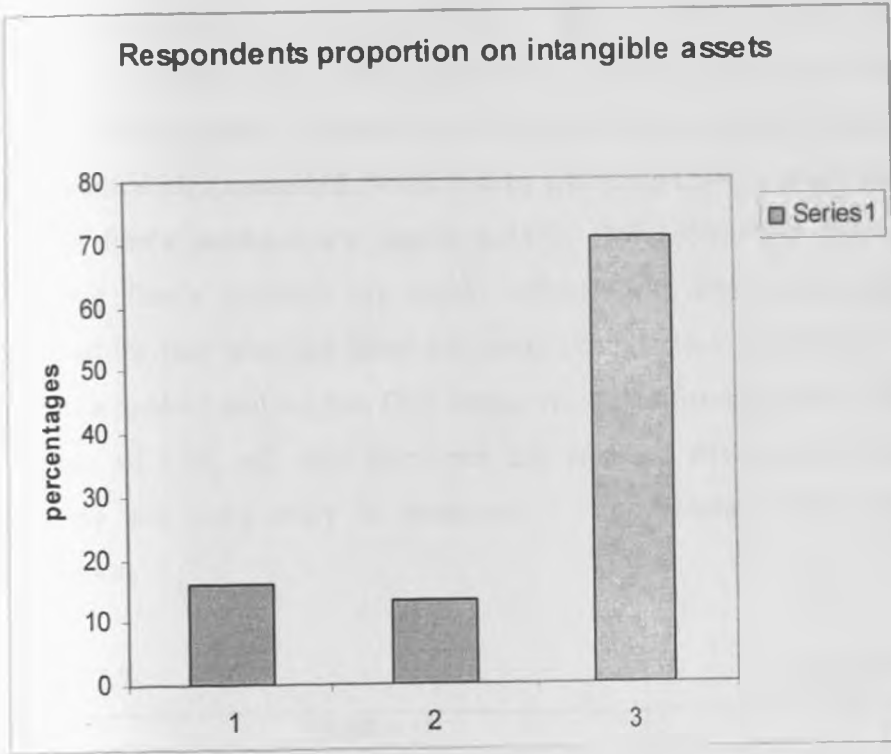
Proportion

	Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree	Total	P	Q	R	Mean	Std Dev
B1		2	2	22	24	50	4	4	92	4.36	0.75
B2				11	39	50	0	0	100	4.78	0.42
B3				12	38	50	0	0	100	4.76	0.43
B4	1	13	17	16	3	50	28	34	38	3.14	0.95
B5	9	15	14	8	4	50	48	28	24	2.66	1.19
						mean	16	13.2	70.8	3.94	0.748

Source: Field survey, September 2009

The overall mean proportions of respondents that were in support, were neutral and those who disagreed with the creation of intangible assets for a CSR practicing firm were computed and found to be 70.8%, 13.3% and 16% and denoted as P, Q and R respectively in the table above. The following bar chart therefore is a presentation of the same findings.

Figure 4.2.1



Source: Field survey, 2009

Key:

1. Proportion of respondents in disagreement with creation of intangible assets
2. Proportion of respondents who were neutral
3. Proportion of respondents in support of creation of intangible assets

The second part of the questionnaire from questions six to nine surveyed the investors' opinion on the performance improvement of the CSR practicing firm. As regards improved cash flow, 90% of respondents with a mean of 4.3 out of a possible 5 felt that CSR really improves the cash flow position. 8% however disagreed with 2% being indifferent on the same. As for mergers, 90% also with a mean of 4.1 felt that CSR practicing firms are likely to attract attention of other firms wanting to diversify with 10% being neutral on the same. Interestingly, none of the respondents disagreed on merger attraction.

For the market size, 72% of the respondents with a mean of 3.8 out of a possible 5 felt that CSR increases it. 26% were however neutral with 2% feeling that CSR does not increase the market share. The respondents reasoning was that by doing good to the society, the customers reciprocate by buying the firm products. Interestingly, 54% of respondents with a mean of 2.74 felt that by practicing CSR, it does not necessarily imply that the firm's products are highly sellable. Only 38% held the opinion that CSR practicing firm's products are highly sellable with 8% being neutral. The reason advanced for this was that there are many other factors governing consumer appetite towards a product and not just CSR initiatives. Apart from products sale with a standard deviation of 1.38, all other questions had standard deviations of less than 1 again indicating the consistency in responses by respondents. Table 4.2.2 reflects this information.

Table 4.2.2

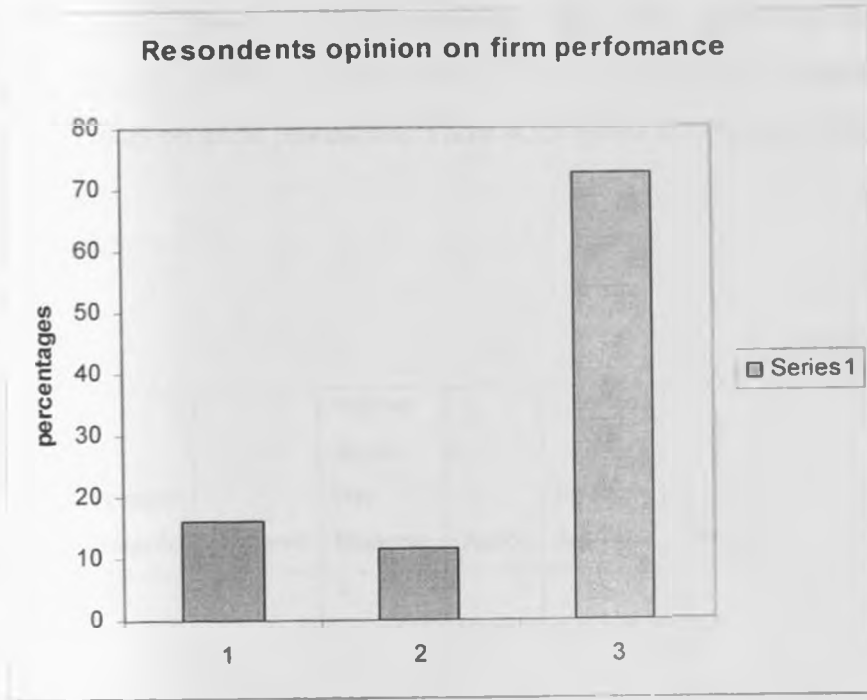
proportion

	Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree	Total	P	Q	R	Mean	Std Dev
B6	11	16	4	13	6	50	54	8	38	2.74	1.38
B7	2	2	1	19	26	50	8	2	90	4.3	0.99
B8			5	35	10	50	0	10	90	4.1	0.54
B9		1	13	31	5	50	2	26	72	3.8	0.64
						mean	16	11.5	72.5	3.735	0.88'

Source: Field survey, September 2009

The overall mean proportions of respondents that were in support, were neutral and those who disagreed with improved business performance for a CSR practicing firm were computed and found to be 72.5%, 16% and 11.5% and denoted as P, Q and R respectively in table 4.2.2 above. The findings are then presented below using the bar chart in figure 4.2.2.

Figure 4.2.2



Source: Field survey, 2009

Key:

1. Proportion of respondents in disagreement with improved business performance
2. Proportion of respondents who were neutral
3. Proportion of respondents in support of improved business performance

Part three of the questionnaire, question ten to thirteen, was to survey the investors' opinion on the protection that the firm is likely to enjoy from the stakeholders in times of bad events. A 100% of respondents with a mean of 1.14 out of a possible 5 felt that managers reporting the same profits like non CSR practicing firm should not be fired. As for the closure due to non compliance with environmental requirements, 92% of respondents with a mean of 1.38 opinioned that they would shield the firm from closure, 8% were neutral while no respondents supported closure. On business disruptions by employees' strikes, 98% of respondents with a mean of 1.22 felt that the firm operations should not be disrupted with 2% being neutral on the same.

However, 88% of respondents with a mean score of 4.2 out of a possible 5 felt that there should be no favour on audit procedures for CSR practicing firm over non CSR practicing firm. 10% were neutral while 2% opinioned that CSR practicing firm should enjoy favours on audit procedures. Table 4.2.3 below shows these findings

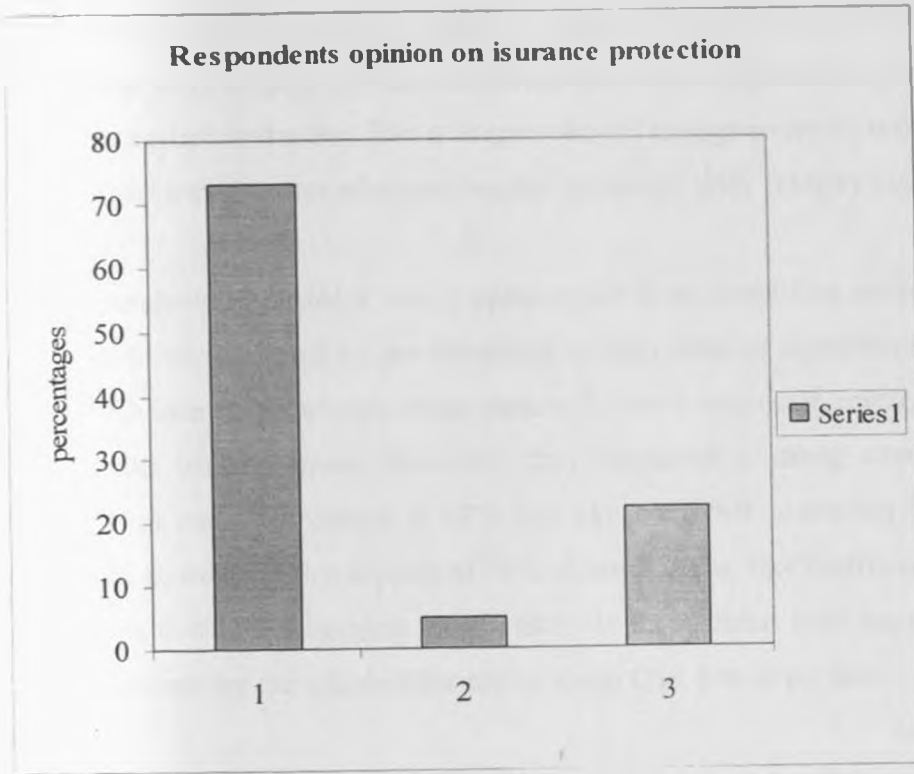
Table 4.2.3

Proportion											
	Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree	Total	P	Q	R	Mean	Std Dev
B10	35	11	4			50	92	8	0	1.38	0.64
B11	1		5	26	18	50	2	10	88	4.2	0.78
B12	43	7				50	100	0	0	1.14	0.35
B13	40	9	1			50	98	2	0	1.22	0.46
						mean	73	5	22	1.985	0.5575

Source: Field survey, September 2009

The overall mean proportions of respondents that were in support, were neutral and those who disagreed with business protection in times of bad events for a CSR practicing firm were computed and found to be 73%, 5% and 22% and denoted as P, Q and R respectively in table 4.2.2 above. The findings are then presented below using the bar chart in figure 4.2.3.

Figure 4.2.3



Source: Field survey, 2009

Key:

1. Proportion of respondents in support of business protection
2. Proportion of respondents who were neutral
3. Proportion of respondents in not in support of protection

4.3 Summary of findings and interpretation

From the above analysis, it is evident that the respondents have a high rating for social engagements. Indeed, trust, goodwill and reputation were rated highly with a mean of over 4 by over 70% of respondents. Overall, 70.8% of the respondents supported the argument that corporate social responsibilities indeed create intangible or relational assets. This therefore implies that social activities by firms are worth as observed by Obalola (2005).

In addition, over 70% of the respondents further supported the argument that social responsibilities increases firm market size, cash flow and possibility of attracting

mergers. The only exception in that category of questions was that of product sales by the firm which was supported by 46% of respondents. Overall however, 72.5% of respondents were in support that social responsibilities improve the performance of the firm. This again implies that firm managers should engage in social activities to improve business performance thus relational wealth, consistent with Godfrey (2005) assertion.

The respondents also held a strong opinion that firms practicing social responsibilities are likely to be protected by the stakeholders from risks of disruptions in times of bad events with over 90% not supporting closure for non compliance, management discipline and a strike by employees. However, they supported a strong case for equality of treatment on audit procedures at 88% just like non CSR practicing firm. The overall conclusion however with a support of 73% of respondents, like Griffin and Mahon (1997) observed is that CSR engaging firm is likely to be shielded from negative sanctions of bad assessments by the stakeholders unlike a non CSR practicing firm.

In conclusion, firm managers should invest in social responsibilities as this is likely to create relational assets, improve business performance and reduce the risks of harsh assessments when the firm is in the wrong, a cycle which is a surety to a firm survival.

CHAPTER FIVE

SUMMARY, CONCLUSIONS, LIMITATIONS AND RECOMMENDATIONS

This chapter contains of summary of the results, conclusions, limitations and recommendations from the study.

5.1. Summary and conclusions.

From the above descriptive analysis coupled with content analysis on the reasons advanced by the respondents on their various opinions, it is evident that the respondents support the argument that CSR indeed enhances the value of the firm by way of improved performance. Majority of respondents felt that engaging in CSR, the firm is likely to improve on its public image, trust and reputation among others. Such intangible assets as referred to by Turban and Greening (1996) are a reflection of high attitude rating by the society.

The intangible assets generated are further in a position to make a turnaround to the firm by way of improved business performance due to the competitive advantage that it is likely to enjoy compared with a non CSR practicing firm. These results are in tandem with Godfrey's (2005). Indeed, the respondents held that by a firm doing good to the society, it is in return rewarded by increased customer base and market segment hence improved revenue which is consistent with Epstein (1987) assertion.

It is also evident from the opinion of respondents that the society is likely to protect business from disruptions that may affect it adversely in times of bad events. They assert that due to the good deeds the firm passes on to the society, it creates trust, goodwill, reputation and strong attachment among others that the society does not want to live without. This protection therefore reduces the risk of losses in a firm and assures it of going concern compared with a non CSR practicing firm which is consistent with Obusubiri (2006) findings.

It is however worth noting that the respondents did not quite contend with the fact that a CSR practicing firm is in a position to make more product sales than a non CSR

practicing firm. This, respondents said is due to the fact that product sales are based on many other factors like quality, packaging, preference etc and not CSR engagement alone as the consumer preference is multifaceted. This suggests that if the only factor surveyed was that of product sale, it would have shown a dilution of value as observed by Stultz (1996).

Respondents also gave a strong support on regulatory framework and were on the opinion that even CSR practicing firms should be subjected to audit procedures like any other. This implies that the stakeholder protection is not guaranteed all the times and hence the need for the firm to invest socially prudently as Deshpande et al (2002) observed.

5.2. Limitations of the study

Inherently like other studies, a few limiting factors as discussed were experienced. For instance, the time available for the study was fairly short and this may have limited the respondents' full potential in answering the questions which may have compromised the quality of findings. Future surveys should be undertaken probably for longer period of time to ensure full interaction with the respondents.

The choice of respondents was also challenging since majority had no in-depth knowledge of the subject under study. This led the researcher to take much more time than expected explaining the contents of the questionnaire and even screening who among the target members should be selected as sample respondents. Future studies should address the issue perhaps by incorporating other stakeholders like firm managers who are likely to be more informed on the subject matter or device ways of increasing stakeholder awareness of such CSR initiatives.

Availability of resources to undertake the survey in a more divergent target population and to enable the use of probabilistic approaches that are relatively expensive was also limited. In future, this can be overcome by researchers appeal to the research institutions to probably fund the research on the promise to pass the benefits of the same to the financiers in return.

5.3. Recommendations

Since it is evident that social investment enhances business performance by stimulating the stakeholders to act in ways that help the company experience business success, it would be wise for the firm managers to refocus entirely on the concept of CSR and incorporate such programs in the business mission and vision statements. It would however be imperative to invest in select activities that can exploit the strategic value of such social engagements. Over allocating resources to social engagements may dilute firm value or even collapse it as observed by Godfrey et al (2005).

In addition, in an attempt to pave way for more robust empirical surveys in future in Kenya, it would also be strongly recommended that firm managers think of maintaining accounts on how much is invested in social activities. This data would assist to model variables of interest mathematically and hypothesis tests undertaken that can be used to generalize the results with some levels of degree of confidence. In addition, it is also vital for more emphasis to be put on stakeholder awareness on CSR initiatives as it is likely to refine the findings of future studies.

5.4 Suggestions for further research

Once the recommendations above on maintaining the data on social investment is pursued, there is need to undertake further research on the empirical investigation of the relationship between corporate social responsibilities and firm value. In addition, there is also a need to do research to determine the key or strategic social activities that contribute greatly to the firm value and the optimal levels of such social engagements.

The results of this further research will provide additional information that will improve the quality of the decisions by stakeholders. Managers discharged with the responsibility of social investment, investors to the firm among others will be in a position to invest prudently in an attempt to maximize their value if investment.

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APPENDIX I

LETTER OF INTRODUCTION

I am an MBA student at the School of business, University of Nairobi carrying out an opinion survey from investors of listed firms at the NSE on corporate social responsibilities. I am therefore humbly requesting you to provide the relevant information that will assist me to achieve the desired objective to the best of your ability and knowledge. I wish to assure you that all the information you will provide is purely for academic purposes and it will be treated with strict confidentiality.

APPENDIX II
QUESTIONNAIRE

A. GENERAL INFORMATION

A1) Respondent number _____

A2) Date and time of interview _____

A3) Broker _____

B) Assign a score rating of 1 to 5 that reflects your attitude and perception levels on the following statements for a firm that you know practices CSR where:

1= Strongly disagree, 2= Disagree, 3= neither agree nor disagree, 4= Agree, 5= Strongly agree.

	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>Reasons</u>
B1) The firm is requesting for a bail out from existing shareholders to hedge it from financial crisis.						
B2) The firm has high reputation in the public domain.						
B3) The firm enjoys high goodwill in the society.						
B4) The firm has requested new investors to invest in it instead of a similar non CSR practicing firm reporting the same profits.						
B5) The firm has requested investors to hold on their share sale though no dividends are to be paid due to anticipated expansion.						
B6) The firm products are highly sellable compared to similar non CSR practising firm.						

B7) The cash flow position of the firm is improved by its initiatives.					
B8) The firm is likely to attract a merger easily than non CSR practicing firm.					
B9) The market size of the firm is likely to expand due to its initiatives.					
B10) The firm wants to be closed by the government for not complying with environmental degradation requirements.					
B11) The firm should not enjoy any leniency in audit procedures over a similar non CSR practicing firm reporting the same profits.					
B12) The management of the firm should be fired for reporting the same low profits as a non CSR practicing firm.					
B13) Employees of the firm want to strike for higher perks and other tax free allowances due to economic meltdown.					