CORPORATE SOCIAL RESPONSIBILITY OF MULTINATIONAL CORPORATIONS LISTED IN THE NAIROBI STOCK EXCHANGE, KENYA

BY

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DECLARATION

This project is my original work and has not been submitted for a degree in any other university.

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DEDICATION

I wish to dedicate this research project to my parents for their inspiration, motivation, patience and their support in climbing the academic ladder.

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I register my profound gratitude and sincere acknowledgements to my informants, my fellow students who have assisted me in diverse capabilities. I appreciate the efforts of Timothy Kimani who inspired me to begin this course. I also express my indebtedness and special gratitude to Dr. Martin Ogutu my supervisor who guided me through this project. His insightful criticism, scholarly comments, academic challenges and constructive dialogue were an invaluable inspiration in the completion and quality of this Research Project.

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ABSTRACT

Corporate social responsibility is one of the vital objectives in an organization and has grown exponentially in the last decade. Many companies are engaging in a serious effort to define and integrate CSR into all aspects of the business. However, the nature of the relationship between the socially beneficial behaviors of a corporation and its financial performance has long been debated as to whether CSR is in any way beneficial to the organization or not. Corporate Social responsibility is serious considering the impact of the company's action on society. It is the responsibility to improve the overall welfare of the society by refraining from harmful practices or by making a positive effort to help society. Business organizations have wakened up to the need for being committed towards corporate social responsibility

In order to achieve this objective, the researcher reviewed literature in the corporate social responsibility field with a bias to the firm benefits to the organization A semi-structured questionnaire was used to collect the primary data. The questionnaire was divided into three parts, where the first part was used to determine general information multinational companies and the second part was used to establish the CSR practice in MNC's while part three addressed benefits of the CSR in the organization. The data collected, analyzed and thereafter data was presented using frequency tables and graphs.

Correlation analysis was computed using means score and standard deviation.The findings revealed that most of the companies have CSR policies and objectives of the CSR activities. The findings also reveal that most of the companies concentrate on the activities that benefit the employees. Results also showed that most of the organizations have achieved their CSR objectives though some feel that there is still room for improvement.majority of the organizations are of the opinion that CSR has benefits and it a good practice.

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

The field of corporate social responsibility has grown exponentially in the last decade. More than half of the Fortune 1000 companies issue corporate social responsibility (CSR) reports. A larger number of companies than at any time previous are engaged in a serious effort to define and integrate CSR into all aspects of their businesses. The nature of the relationship between the socially beneficial behaviors of a corporation and its core objective has long been debated, yet it remains unresolved (Margolis and Walsh, 2003). One group of scholars has argued, simply, that social responsibility detracts from a firm's financial performance (Friedman 1970; McWilliams and Siegel, 2000). Any discretionary expenditure on social betterment unnecessarily raises a firm's costs, thereby putting it at an economic disadvantage in a competitive market.

In contrast, another group of scholars has argued that the better a firm's social performance, the better it can attract resources obtain quality employees (Turban and Greening, 1997), market its products and services (Fombrun, 1990), and even create unforeseen opportunities Thus, social responsibility is a source of competitive advantage. In this research, I am finding the activities carrying out as CSR, objectives of CSR as well as benefits gained from undertaking CSR. Corporate Social responsibility is serious considering the impact of the company's action on society. It is the responsibility to improve the overall welfare of the society by refraining from harmful practices or by making a positive effort to help society. Business organizations have wakened up to the need for being committed towards corporate social responsibility.

1.1.1 Corporate social Responsibility

Corporate social responsibility is a set of policies, practices and programs that are set in order to achieve commercial success in ways that honor ethical, commercial, economic and other expectations that the society has for business and making decisions that fairly balance the claims of all key stakeholders (Balabanis, 2001). It is an obligation, beyond that required by the law and economics, for a firm to pursue long term goals that are good for society. It 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 that of the local community and society at large

Corporate Social responsibility has four dimensions namely; Philanthropic – which means giving back to the society. Firms should obey laws protecting consumers, laws promoting equity and protecting the environment; Economic – this society; Ethical – means doing good and not harming our natural environment it also comprises values business has a responsibility to the community where they are conducting their business. That responsibility may be carried in many ways. Often companies support or sponsor community events such as medical camps, sports, school fees, festivals, scholarship and awards and environmental clean-up. Most organizations encourage their employees to get involved in their communities. It is not un-usual to find business people holding key positions as community volunteers. Most organization depends on such cadre of volunteers to accomplish their goals. Getting involved in such activities would repay the company in a thousand ways one never even knew existed.

It is generally held that corporate social responsibility (CSR) could increase company profits and thus most large companies are actively engaged in it. Most executives believe that CSR can improve profits. They understand that CSR can promote respect for their company in the marketplace which can result in higher sales, enhance employee loyalty and attract better personnel to the firm. Also, CSR activities focusing on sustainability issues may lower costs and improve efficiencies as well. Corporate Social responsibility behavior can benefit the firm in several ways, It aids the attraction and retention of staff, attracts green and ethical investment, attracts ethically conscious customers, lead to a reduction in costs through re-cycling, It differentiates the firm from its competitor and can be a source of competitive advantage and it also lead to increased profitability in the long run.

1.1.2 Multinational Corporation listed in Nairobi stock exchange

A multinational corporation (MNC) is a corporation that manages production or delivers services in more than one country. It can also be referred to as an international corporation. The International Labour Organization (ILO) has defined, an MNC as a corporation that has its management headquarters in one country, known as the home country, and operates in several operating under more than one sovereign jurisdiction, they are in nature very similar to local or non-multinational firms producing in more than one state or plant. MNCs are owned by shareholders who expect annual returns or dividends in compensation for funds they make available for the firm's production and sales activities.

Many multinationals, produce global brands with similar marketing mixes across the world, for example, with the same or similar advertising, distribution and retailing techniques and promotions. Multi-National Corporations (MNCs) invest abroad, they usually introduce their management practices, along with production technology, into less developed countries. Inevitably, they face problems relating to cultural differences. Thus, subsidiaries and joint ventures face conflicting pressures from the parent firm and the local environment (Rosenzweig & Singh, 1991).

The exact model for an MNC may vary slightly. One common model is for the multinational corporation is the positioning of the executive headquarters in one nation, while production facilities are located in one or more other countries. This model often allows the company to take advantage of benefits of incorporating in a given locality, while also being able to produce goods and services in areas where the cost of production is lower Another structural model for a multinational organization or MNO is to base the parent company in one nation and operate subsidiaries in other countries around the world. With this model, just about all the functions of the parent are based in the country of origin. The subsidiaries more or less function independently, outside of a few basic ties to the parent.

A third approach to the setup of an MNC involves the establishment of a headquarters in one country that oversees a diverse conglomeration that stretches too many different countries and industries. With this model, the MNC includes affiliates, subsidiaries and possibly even some facilities that report directly to the headquarters. There are several ways that an MNC can come into existence. One approach is to intentionally establish a new company with headquarters in one country while producing goods and services in facilities located elsewhere. In other instances, the multinational corporation comes about due to mergers between two or more companies based in different countries. Acquisitions and hostile takeovers also sometimes result in the creation of multinational corporations.

1.2 Research Problem

Corporate Social responsibility is serious considering the impact of the company's action on society. It is the responsibility to improve the overall welfare of the society by refraining from harmful practices or by making a positive effort to help society. In Kenya, CSR as a business strategy has begun to gain momentum and companies are gradually realizing that CSR is more than a charitable function. It is a strategic investment that has crucial implications for the bottom-line. Corporate social responsibility involve social activities such as support of informal sectors like jua kali sector, assisting disadvantaged members of society like disabled and street children, providing scholarship to bright children, sponsoring sports, planting tree to improve physical environment, famine relief, educating customers about product and services among others to local community.

Multinational corporations investing in Kenya result in a significant injection into the local economy. It initiates a multiplier process generating more income as newly employed workers spend their wages on consumption. Multinational corporations also provide training and education for employees thus creating a higher skilled labour force. Multinational corporations will contribute tax revenue to the government and other revenues if they purchase existing national assets. It leads to inflow of foreign capital. An inflow of foreign capital can reduce or even remove the deficit in the balance of payments if the MNCs can generate a net positive flow of export earnings. Kenyan governments are able to mobilize public financial resources for development projects. Multinationals not only provide financial resources but they also supply a package of needed resources including management experience, entrepreneurial abilities, and technological skills. These can be transferred to their local counterparts by means of training programs and the process of ‘learning by doing’. They have been known in supporting through CSR activities such as sponsorship in sport activities, jua kali sectors, sponsorship of education among others.

There are other related studies already carried out on CSR both local and international content. A study was done in the USA to investigate between social responsibilities and a quantitative measure of profit (Kraft, 1991).The result was mixed. Okeyo (2004) carried out a survey on the rationale and determinants of level of CSR among firms in Kenya. This was a general study and did not focus on MNC’s. Kweyu (1993) studied management attitude towards CSR among banks and found that profitability to be the most documented objectives in implementing CSR in the bank. He did not specifically focus on MNC’s. Research conducted by association of British Insurers (2004) shows that incorporating CSR can reduce portfolio volatility and increase returns however, research findings keep changing with environment, condition and time such that what happened a year ago may not hold now and what happens in one countries might be different with what happens to another. Despite all these many studies, none have been done on corporate social responsibility in multinationals in Kenya. No doubt this study is crucial and timely as CSR has become a key parameter for any company competing in the international markets. The study was carried out by asking, what are the corporate social responsibilities of Multinational Corporation in Kenya? And what are the activities, objective and benefits in corporate social responsibilities of multinational corporations?

1.3 Research Objectives

The project has two objectives

i. Determine the corporate social responsibility of multinational corporations in Kenya

ii. Determine the benefits of corporate social responsibility in multinational corporations in Kenya

1.4 Value of the Study

This study will expose manager and strategic analysts of firm to a better understanding of corporate social responsibility and the overall benefits to the firm. It will also help the firm considering the same strategy of adopting corporate social responsibility by providing deeper understanding of the process. It will give knowledge that can be implemented in various activities of CSR that are geared towards improving the operation of the organization.

The study will provide a basis for debate for academicians as to whether corporate social responsibility really improves firm's operation. This will provide the link between theory and practice. The findings will also contribute to the knowledge in the area of Business management in Kenya. It will also serve as a stimulus to academicians to carry out further research in the same and related fields so as to increase to the existing body of knowledge.

The study will be of great importance to the scholars, mainly the students and future researchers, who will use it as reference material. The findings of the study will also be used by the general public as a point of knowledge on how corporate social responsibility improves firm image, operation as well as performance.

CHAPTER TWO

LITERATURE REVIEW

2.1 Concept of Corporate Social Responsibility

Consistent with (McWilliams and Siegel, 2000), we define Corporate Social Responsibility as situations where the firm goes beyond compliance and engages in actions that appear to further some social good, beyond the interests of the firm and that which is required by law. Corporate social responsibility can be classified as those policies, activities, or behavior undertaken by an organization that go beyond the traditional economic and legal obligations that the firm has with its targeted internal and external stakeholders (Carroll, 1999; Preston and Post, 1997). Corporate social responsibility is more than a business policy or a response to issues raised by society – it is a governing business philosophy (Holmes, 1976; Votaw and Sethi, 1973).

The nature and scope of corporate social responsibility has changed over time. The concept of CSR is a relatively new one, with its phrase only gaining prominence in the 1960s. But, while the economic, legal, ethical, and discretionary expectations placed on organizations may differ, it is probably accurate to say that all societies at some point in time have had some degree of expectation that organizations would act responsibly. In the eighteenth century, Adam Smith expressed the traditional or classical economic model of business. In essence, this model suggests that the needs and desires of society could best be met by the free interaction of individuals and organizations in the marketplace. By acting in a self-interested manner, individuals would produce and deliver the goods and services that would not only earn them profit, but also meet the needs of others. This classical model still forms the basis for free-market economies in the twenty-first century. However, even Smith recognized that the free market did not always perform perfectly and he stated that marketplace participants must act honestly and justly toward each other if the ideals of the free market are to be achieved. Between 1900 and 1960 the business world gradually began to accept additional responsibilities other than making a profit and fulfilling legal obligations. In the 1960s and 1970s the civil rights movement, consumerism, and environmentalism affected society's expectations of business.

Since 1950’s the concept of CSR has been under discussion, but it got tremendous attention of business and research community during recent decades due to the advent of rapid globalization and mass international trade. Bowen (1953), known as one of initial advocates of CSR, suggested that businessmen should pursue those policies, decisions and lines of action which add objectivity and value to our society. Likewise, Manne (1972) argued that people seem to enjoy when they know that a business has a personal responsibility to them outside the market place. This provides a sense of power and relief to people who cannot figure out a multifaceted market system.

2.2 Corporate Social Responsibility Activities

Corporate social responsibility activities have four distinct and heterogeneous dimensions that exist. The first dimension is an environmental capability. The natural environment these days is a very important part of doing business (Panapanaan *et al, 2003*). The firms are required to manage their impact on the natural environment through means such as reduction of waste (water, air and solid waste), planting of trees ,emissions ,recycle of waste and their overall consumption of raw materials (McWilliams and Siegel ,2000). Organizations are subsequently expected to disclosure their level of involvement with the natural environment as part of an inclusion in their sustainability reports.

The second dimension is a workplace capability. It is expected that employees will be provided with a safe and healthy workplace (Carroll, 1999). This includes offices with good lighting, fresh air, and enough space as well as good and right tools and equipments. Workplace may also involve the management of human resources through an ethical work climate, employee empowerment and teamwork (McWilliams and Siegel, 2000) through training and development programs. Organization should also improve the balance between work and home life of its employee by having form such as day care centre for employees’ children. Many organizations list both People and Health and

Safety as important areas of CSR that they concentrate on within their sustainability reports.

The third dimension is a marketplace capability. This dimension is comprises the development of long-term ethical relationships with suppliers, customers, and business partners (Whysall, 2008). Further it involves manufacturing a product that is safe and desired by the community as well as educating the on usage of those product or services. The final dimension is a societal capability. The societal obligation involves short-term investments into the local community for the current generation (Panapanaan *et al, 2003*) as well as long-term investments into the local community for future generations. Philanthropic behavior of a monetary or non-monetary nature and the promotion of basic human rights of all local and global citizens also fall within this dimension. In Kenya such activities include investment in Jua kali sector, sponsorship of sports among others.

2.3 Corporate Social Responsibility Theories

Stakeholder theory argues that a firm's boundary extends beyond the primary stakeholders to include any group that is affected by, or can affect the achievement of the firm's objectives (Freeman, 1984). Normative stakeholder arguments have emerged declaring firms have a moral obligation to uphold the interests of all corporate stakeholders .Instrumental stakeholder theory suggests managers "must induce constructive contributions from their stakeholders" (Donaldson and Preston ,1995) to achieve organizational goals efficiently.

Organizational legitimacy theory argues all organizations must be accepted by their environment In order to survive and be successful (Dowling & Pfeffer, 1975; Hannan & Freeman, 1977; Meyer and Rowan, 1977). Being socially responsible legitimizes the corporation's role in society. This is closely connected with political cost theory, which suggests firms engage in CSR to reduce their political or regulatory costs. (Maxwell and Lyon, 1998) argue firms proactively act in such a way to preempt potential future regulation, by self-regulating with just enough stringency to placate environmentalists and head off the demand for government regulation. While some of these benefits are shared by industry peers, firm specific benefits arise for first-moving firms emerge as higher quality and generate the ability to differentiate themselves from industry peers.

Environmental economic theory recognizes there are externalities arising from business operations. Corporate attention towards social well-being plays an important role in the efficient allocation of resources to deal with negative externalities, providing a Corsican solution to conflicts between society and corporations (Heal, 2005). An externality occurs when the activities of one economic agent affect the activities of another agent in ways that are not reflected in market transactions .In other words, there are costs and benefits that affect stakeholders, but absent an arms-length transaction between the firm and these external parties, there is no formal recognition of these costs and benefits. Generally, in the presence of competitive markets and in the absence of externalities, primary stakeholders are adequately compensated for their inputs and resources are allocated efficiently. When external effects are significant, however, efficient outcomes and socially optimal outcomes will not obtain without intervention from the government or voluntary actions by the firms.

2.4 Resource-Based Management Theory

Resource-based management theory argues valuable, socially complex resources or capabilities that are not easily imitated are necessary to sustain a firm's competitive advantage (Barney, 1991; Hart, 1995), internally, investments in corporate social performance may help firms develop new competencies, resources, and capabilities which are manifested in a firm's culture, technology, structure, and human resources. External, reputational benefits generated from better corporate social performance can also enhance a firm's competitive advantage by increasing its attractiveness to investors, bankers, customers and potential employees (Turban and Greening, 1997). In each of these cases, the authors argue the enhanced reputation or attractiveness to the various stakeholders leads to financial performance gains. Orlitzky et al. (2003) find evidence more strongly supports the external reputation effects over the internal, competencies effects.

Slack resources theory (or available funds theory) suggests an association between CSR and financial performance with better financial performance occurring first and thus generating resources that can be used to fund various socially responsible initiatives (Preston and O'Bannon, 1997; Waddock and Graves, 1997; Orlitzky et al., 2003). Simply stated, firms that are more financially successful can afford to be more socially responsible (McGuire, 1988). Based on the conclusions of (McGuire et al. ,1988; Waddock and Graves (1997) also suggested the virtuous cycle theory, whereby better corporate social performance leads to better financial performance and better financial performance leads to higher corporate social performance. This suggests a simultaneous, interactive relationship with causation going in both directions, consistent with the Orlitzky et al. (2003) conclusion of concurrent bid directionality mentioned previously. Supply and demand theory theorizes a neutral association, maintaining there is an optimal level of CSR (McWilliams and Siegel, 2001). Firms that supply the demanded amount of CSR will maximize profits; those under- or overinvesting in CSR will have less than optimal profits.

Trade-off theory hypothesizes a negative relationship between CSR and financial performance. Based on (Friedman, 1970), this theory views investments as tradeoffs between profit maximization and socially responsive objectives described in (Aupperle et al., 1985; Preston and O'Bannon, 1997). Corporate social performance, therefore, may lower a firm's financial performance because CSR investments use up resources that could be used in a more profit-maximizing way. Managerial opportunism also suggests a negative relationship between corporate social performance and financial performance. Preston and O'Bannon (1997) were the first to suggest managers may avoid CSR investment because of compensation packages linked with short-term firm earnings and stock price behavior. The reason that the benefits of CSR activities are sometimes questioned is because these activities are not linked into the overall strategy of the organization, but are developed in isolation.

2.5 Importance of Corporate Social Responsibility

There are a multitude of reasons behind the motivation of an organization to engage in CSR (Wilson, 2000). These can range from purely selfish motives, such as the impact that CSR may have on the triple bottom line of the firm (Cornelius *et al.* 2007), to complete altruistic reasons that may include investment in a local community to benefit future generations (L'Etang 1995). Based on prior research, there are three major economic benefits to firms engaging in CSR. First, firms avoid or mitigate impacts to financial performance arising from negative events and/or externalities. Second, firms create goodwill and/or other intangible assets, favorably impacting financial performance. Finally, firms gain efficiencies, reducing costs and improving financial performance.

The second major economic benefit of CSR is the creation of intangible assets. Fombrun and Shanley (1990), provide arguments and evidence linking corporate giving, reputational benefits (goodwill), and financial performance. Each paper maintains these benefits provide a way of differentiating the firm from its industry peers, provide persuasive evidence demonstrating an increase in charitable donations leads to increases in one-year a head revenue.

The third major economic benefit of CSR is efficiency gains. Porter and Van der Linde (1995), Heal (2005) provide case study and subjective evidence showing costs savings for more socially responsible firms, relative to their less socially responsible industry peers provide empirical support to such arguments showing waste prevention is associated with higher Tobin’s q and ROA, whereas other methods of dealing with waste (waste transfer or on-site waste management) do not have the same effect.Other benefits of CSR, including increased profits, enhancing customer loyalty, trust, enhancing the brand attitude and skirmishing negative publicity, are well- documented (Murray and Vogel, 1997)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Research Design

This study tried to establish various CSR activities, objectives and benefits of Multinational corporations listed in the Nairobi Stock Exchange according to firm demographics. A survey was therefore considered most appropriate because data collected from various firms of different demographics was useful for the needed comparisons. Mugenda and Mugenda (1999) observed that survey research is appropriate when comparisons among study units are needed. For the purpose of the study, only multinational organizations listed in Nairobi stock Exchange was analyzed.

Descriptive survey design was used for the purpose of this research. Descriptive survey seeks to ascertain respondent's perspectives or experiences on a specified subject. According to Cooper and Schindler (2001), a descriptive study is a design that is concerned with the answering the questions who, which, what, when, where and how of a topic. A descriptive study if carefully designed ensures complete description of the situation, making sure that there is minimum bias in collection of data and reduce errors in interpreting the data collected (Boyd, 1989). Descriptive studies present data in a meaningful form, thus help to offer ideas for further probe and research, and help make certain simple decisions.

3.2 Population

The targeted population was all multinational corporations listed in Nairobi stock exchange. The Nairobi stock exchange (NSE) was ideal for identifying the number of multinational organizations in Kenya. There are around 56 multinational corporations in

Kenya .The NSE (2011) was also used as a source of used data (appendix 1) which was readily available, reliable and accessible. The researcher was however concentrated on companies that have traded actively for the last three years. Gubbins (1998) defines target population as the totality of objects or individuals under consideration of which the statistical attributes may be estimated by the study of a sample or samples drawn from it.

3.3 Sample Design

Stratified random sampling technique was used. Bryman and Bell (2003) define a sample as the segment of the population that is selected for investigation. On the other hand, sampling is the procedure used in selecting the population units that constitute a sample. The researcher classified the various MNC's into three strata based on their nature of business that is agriculture, manufacturing and services. A proportionate stratified sample of 40 corporations will then be selected as shown in the Table 2.

Table 3.1: Sample stratification

Categories	**Population**	**Sample**
Manufacturing	18	15
Services	31	20
Agriculture	7	5
Total	**56**	**40**

3.4 Data Collection

Secondary data was used for Multinational Corporations that are listed in Nairobi Stock Exchange. The data was obtained from annual financial report, company's business review and company's magazine/journals CSR report. The data included activities carried out as CSR activities. Secondary data was also used confirm what various companies had said about the activities they are involved in CSR. The study used primary data collected from the multinational corporations using questionnaires. The respondents were top managers and included financial managers. A semi-structured questionnaire was used (Appendix 3). The open ended questions aimed at obtaining qualitative data while closed questions aimed at obtaining quantitative data for statistical analysis.

The questionnaire was divided into three parts. The first set of questions (section A) was general in nature and was used to gather basic information about the firm which helped in categories firm in their nature of business. The second section (B) was addressing the objective of establishing the CSR practice in MNCs while section (C) was addressing benefits of CSR in an organization. Respondents were asked specific questions regarding the objectives corporation have on CSR, benefits of CSR and activities involved in carrying out CSR objectives. The questions were administered using drop-pick later method.

3.5 Data Analysis

The analysis used descriptive statistics. Percentages were computed for demographic data in the study to determine the distributions across various demographic firms. Mean scores was used to determine the role firms play in various CSR activities as well as to determine the extent of a firm’s role in CSR. The "mean" is the "average" you're used to, where you add up all the numbers and then divide by the number of numbers. This was addressing address the first objective of the study. Standard deviation was conducted to establish variation in response regarding objectives, activities and benefits of CSR. It was address the second objective of the study.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter discusses data analysis, presentation of findings and interpretation. After collecting data from the respondents, the data was edited, classified, coded and tabulated. The data analysis was based on the research objectives and questionnaire items which were analyzed using statistical tools. Tables as presented in the results. The first section contains an analysis of information on quantitative terms while the other part details findings that form the judgmental opinion held by majority of the respondents. This chapter is concluded through a summary of the data analysis.

4.2 General Information

These section details findings as analysis from the feedback received from the respondents. The quantitative analysis and results have been presented in form of tables with frequency, means, standard deviation as well as percentages of the response rate.

4.2.1 Response Rate

From the findings on Table 4.1 below, out of 40 questionnaires that were administered to the respondents, 23 of them were returned for analysis. This translated to 58% response rate was achieved which was considered to be moderately high and good enough for the analysis. Only 17 of the questionnaires issued which were not returned which accounted for 42% of the total number issued.

Table 4.1: Response Rate

Population category	Frequency	Percentage
Actual Response	23	58
Non - Response	17	42
TOTAL	**40**	**100**

4.2.2 Nature of Business

As Table 4.1 below shows, majority of the respondent were from services sector i.e. 57%majority being banks industries. This implies that services industries have spread internationally more than other nature of business. The lowest was agriculture sector and others which included mining companies.

Table 4.2: Nature of Business

Nature of business	Frequency	Percentage
Agriculture	3	13%
Manufacturing	7	30%
Services	13	57%
	23	100%

4.2.3 Duration of operation

From table 4.3 below, all the organization that was interviewed had more than one year in operation. Majority of the organization have operated in more than 15 years which was 65% of the responses received. As the findings indicate, only 13% of the respondents indicated that they had operated between 10-15 years.

Table 4.3 Duration of operation

Duration of operation	Frequency	Percentage
Under 1 year	0	0%
1-10 years	5	22%
10-15 Years	3	13%
over 15 Years	15	65%
	23	**100%**

4.3 Social Responsibility of Multinational

Table 4.4: Objectives of CSR in the Organization

Objectives of CSR	Means	Standard Deviation
Pressure from society	4	2.92
Moral obligation	4.6	1.6
Publicity	4.6	0.88
Corporate image	4.6	1.87
Regulatory compliance	3.6	1.02
Long-term profitability	4.6	1.3
Philanthropy	4.4	0.99
Company policy	3.8	1.4
Grand Mean	**4.3**	**1.50**

Table 4.4 shows an average mean score of 4.3 which means that objectives of companies that practice CSR were influenced to a greater extent. Supporting, Bowen (1953), who is known as one of initial advocates of CSR, suggests that businessmen should pursue those policies, decisions and lines of action which add objectivity and value to our society. There was an average standard deviation of 1.50. Standard deviations almost all the variables tested were greater than one implying that there were significant variations in the responses of the factors influencing the practice of CSR in the organization.

Objectives of CSR due to pressure from the society have the highest variation of 2.92 while Publication had 0.88.

4.4 Benefits of CSR in the organization

Table 4.5 Benefits of CSR in the organization

BENEFITS	**Means**	**Standard Deviation**
Improved corporate image	3.8	4
Increased profitability	3.8	3.2
Increased Publicity	3.8	4.1
Minimized unnecessary regulations	3.8	1.92
Business opportunities	3.6	2.7
Increased sales and customer loyalty	3	2.7
Access to capital	3.2	2.3
Increased productivity and quality	3.8	0.84
Increase ability to attract and retain employees	4.2	2.9
Keeping up with competition	3.8	4.2
Grand Mean	**3.68**	**2.90**

There was an average standard deviation of 2.90. Standard deviations almost all the variables tested were greater than one implying that there were significant variations in the responses of the benefits of CSR in the organization. There was a higher of 4.2 and lower of 0.84.This implies that they support the theory advanced by Manne (1972), who argued that people seem to enjoy when they know that a business has a personal responsibility to them outside the market place. This provides a sense of power and relief to people who cannot figure out a multifaceted market system.

4.5 Corporate Social Responsibility Activities

Table 4.6 shows that most of the organizations (12%) provide fringe benefits to their employees as part of their CSR activities. Most of the responses showed that the bigger percentage of CSR activities is towards the internal clients that to any other stakeholders or outsiders to the organization. As confirmed by Carroll (1999), it is expected that employees will be provided with a safe and healthy workplace. This includes offices with good lighting, fresh air, and enough space as well as good and right tools and equipments. Workplace may also involve the management of human resources through an ethical work climate, employee empowerment and teamwork (McWilliams and Siegel, 2000). The variable that received minimal attention was community policing initiatives at 1%.

Table 4.6 Corporate Social Responsibility Activities

CSR Activities	**Frequency**	**Percentage**
Support Jua kali sector	9	6%
Providing medical care, sick leave, mortgage, day care etc for employees	19	12%
Enhancing working environment, social, sport club more than the minimum safety standards	16	10%
Designing jobs to ensure increased satisfaction of employees	17	11%
Donation to homes hospital or school	14	9%
Environmental conservation initiatives	16	10%
Community policing initiatives	2	1%
Sponsorship of charity walk	12	8%
Building recreation facilities of community	11	7%
Assisting victims of natural disasters	14	9%
Curtailing advertising which promotes products which harm health (eg cigarettes, beer)	7	4%
Employment initiatives in favor of minority group	7	4%
Reduction pollution below the minimum legal standards	16	10%
	160	**100%**

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

In this chapter, the major findings of the research study were interpreted and they explained the relationship between corporate social responsibilities of multinational corporations listed in the Nairobi stock exchange. These were explored deeper in the summary of findings, the research questions were answered from the findings of the study.

5.2 Summary of Findings

The summary of the study was based upon the findings obtained from the questionnaires that were distributed to the respondents. The study revealed that there is need to pay attention to the CSR since their contribution to performance of organization. No single text on a topic as a complex, wider ranging and dynamic as CSR can cover all issues or satisfy all needs. This research project present a glimpse of the history and background as well as the present day status of what the area of the CSR is all about. Corporate social responsibility is a vital issue in contemporary debate. In particular, the responsibility of corporation to the communities is under intense scrutiny. This reflects the growing awareness of the impact of the actions on the environment and the disadvantaged as well as the changing relationship between the organization and communities.

In today business climate, where organization compete globally for customer talent reputation is very important. Financial outcome, social and environment risk have become key organization objectives. Organizations are increasingly being called to account by a broader range of stakeholder across a far wider spectrum of the organization’s activities and operation. In order to demonstrate the commitment to CSR, organization need to refocus their policies, practices and presentations organization can no longer afford to outsource their conscience to a corporate foundation or community development department. Increase CSR is being seen as a core part of the overall business and a direct responsibility of the board which need to manage accordingly.

From the findings of the study, it is clear that majority of the multinational organization have CSR activities as one of their objective and have CSR policies that guide those activities. They measure those objectives through customer feedback and awards received during functions such as company of the year award. The CSR objective according to respondents has being achieved to some extent but still there room of improvement. Some respondents have achieved CSR objectives through increased number of clients since introduction of CSR as well as adhering to the regulatory compliance which protect organization from penalties and fines.

The study also revealed clearly that majority of the respondents felt moral obligations, regulatory compliance, corporate image and company policies are the major factor that influences company to undertake CSR in a very great extent. The researcher also identified involvement of CSR is mainly in Jua kali sector, medical care for employee, enhancing good working condition for employee, environmental conservation and assisting during disasters in Kenya. The activities of building recreation facilities of community, support of minority group in society was less considered as part of activities of CSR in many organizations. In many organizations big part of CSR is done to employee compared with external society.

Majority of the respondents were of the view that, CSR is design to suit the needs of the targeted society. They ensure good corporate citizenship, principle and honor through the value chain. They identify the project that will be of great importance to the community. They also focus on the project that will bring returns to the community.

The researcher established that improved corporate image, increased publicity, increased sales, business opportunities, Increase productivity and quality access were the some of benefits organization can gain from CSR. Other respondents added CSR determine how corporate relates with the society or improves relation. It does also create awareness to the public about the organization, its products and services. It improves organization profitability and performance as well as welfare of the society. In ensure existence and survival of the organization to particular society. It’s a way of appreciating those who work within, organization gain acceptance of the society, its create opportunities for future business with the society.

5.3 Conclusions

From the study it can be concluded that the corporate social responsibility plays a critical role towards the performance of the organization. The intention of this research was not to argue for a specific approach to CSR nor for argue for or against any CSR program, rather it is an attempt to provide an exposition of some of the perspectives on this form of corporate involvement and to provide an overview of the historical and social forces that gave rise to the relevance of an analysis of the subject.

The emerging international discourses surrounding CRS has been invigorated and informed by that of sustainable development. Corporate social responsibility call for organization to respond not only to the shareholders but also to other stakeholders (employees, customers, affected community and the public) on issues such as human rights, employee welfare and climate change. Most significant whereas CSI or philanthropy has to do with how a certain amount of profit are spent on worthy cause, CSR is primarily about how those profit are made in the first place. Proponents of CSR, corporate citizenship and corporate investment hold the opinion that in a society like Kenya with its high level of poverty, inequality and social problems arising from this material condition. Organization has a crucial role to play in security, equitable and stable environment in which to conduct business.

Corporate social responsibility refers to all the organization impacts on social and the need to deal responsible with the impacts on each group of stakeholders. Typically those are shareholders, customers, suppliers, employees and the community. The key issue vary with the sector to sector and the organization but this approach usually embraces the following; Human rights, Labour condition, Environment impacts of the products and or services from creation to disposal, Impact of operation to local community and Impact of product or services on customer.

5.4 Limitations for the Study

The researcher experienced lack of cooperation from respondents. The information being sought required an individual to take some time off from his busy schedule and fill in the questionnaire. Also, some respondents were hostile and failed to assist the researcher in conducting the survey despite being in the right positions to respond on the issues of concern. The researcher overcame this by increasing the number of respondents.

The researcher experienced challenges in situations where the respondents gave untrue information. This is because this had the potential of affecting the validity of the research. The researcher surmounted this by approaching the respondents in a professionally, assured them of their confidentiality and engaging them in an interaction that ensured they did not introduce any bias.

Some of the information being sought was of confidential nature and some respondents were not willing to divulge such information. This was likely to prevent the researcher from accessing the required information for the study. The researcher subdued this by assuring the respondents that the information was to be used for academic purposes and that the information was going to be handled in strict confidence.

5.5 Suggestions for Further Research

The findings of this study open up other research opportunities that can be explored by future scholars, particularly in identifying appropriate solutions or interventions that are necessary in enhancing the performance of the organization in relation with the corporate social responsibility. Whilst the study was limited to multinational companies listed at the Nairobi stock exchange, there is need for a step forward by looking at the in-depth look at the area of social responsibility especially with the change in global competition. Further studies should also be carried out on the global CSR effects on economic growth and empowerment of the society. Further, studies can be carried out to cover other organizations other than multinational corporations in order to identify the commitment of local organization to supporting the society from which they draw their inputs from.

5.6 Recommendations for Policy and Practice

Corporate social responsibility is here and everyone must live with it. Government should implement a policy where CSR report should be a legal requirement. Government, business and society should work together more closely to improve company involvement in the society. Corporate social responsibility is an important topic and which every organization in Kenya should recognize as crucial to thing in today's business environment. It is not enough to take matters for granted and assume that we are somehow protected from an eventuality. Accordingly organization will need to take steps to formalize CSR guideline to be applied throughout the company. In other words, organization has to devote more and more attention to non financial aspects to satisfy not only worldwide pressure group but in the aid to survive at all. Corporate social responsibility should not be done with intension of increasing profit or sales but should be done because it's good thing right thing whether organization will improve in productivity or not.

Multinational should support CSR mainly because it have both financial and non financial benefit as well as enable firms avoid or mitigate impacts to financial performance arising from negative events and/or externalities. Second, firms create goodwill and/or other intangible assets, favorably impacting financial performance. Finally, firms gain efficiencies, reducing costs and ensure regulatory compliance hence evading penalties and fines.

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APPENDICES

Appendix I: Introduction Letter

23rd September 2011

Dear Respondent,

RE: RESEARCH DATA COLLECTION

This questionnaire is designed to gather information on **“The Relationship Between Corporate Social Responsibility and Performance of Multinational Corporations Listed in the Nairobi Stock Exchange, Kenya”**. The study is being carried for a management project paper as a requirement in partial fulfilment for the degree of Master of Business Administration, School of Business, University of Nairobi.

The information in this questionnaire will be treated confidentially and in no instance will your name be mentioned in this research. Also, the information will not be used for any other purpose than for this research.

Your assistance in facilitating the same will be highly appreciated. A copy of this research paper will be made available to you upon request.

Thank you in advance.

Yours faithfully

Damaris Kiniu | Dr. Martin Ogutu

MBA STUDENT | **SUPERVISOR**

Appendix II: Questionnaire

The information obtained will strictly be used for the research of the relationship between corporate social responsibility and firm performance

Section A: Personal Information

1. Name of the company---

2. Nature of the business

   a) Agriculture ( )

   b) Manufacturing ( )

   c) Services ( )

   d) Others (Specify) --

3. For how long has your company been in operation?

   a) Under 1 year ( )

   b) 1-10 years ( )

   c) 10-15 years ( )

   d) Over 15 years ( )

4. Does your company have a corporate social responsibility policy?

   Yes ☐ No ☐

5. Is corporate social responsibility (CSR) activities an objective of your firm?

   Yes ☐ No ☐

6. If yes please tick against each activity that your organization pursues in fulfillment of those objectives.

A. Support Jua kali sector	
B. Providing medical care, sick leave, mortgage, day care etc for employees	
C. Enhancing working environment, social, sport club more than the minimum safety standards	
D. Designing jobs to ensure increased satisfaction of employees	
E. Donation to homes hospital or school	
F. Environmental conservation initiatives	
G. Community policing initiatives	
H. Sponsorship of charity walk	
I. Building recreation facilities of community	
J. Assisting victims of natural disasters	
K. Curtailing advertising which promotes products which harm health (eg cigarettes, beer)	
L. Employment initiatives in favor of minority group	
M. Reduction pollution below the minimum legal standards	

N. Others (please specify)……………………………………………………………

…………………………………………………………………………………………
…………………………………………………………………………………………
…………………………………………………………………………………………

Section B: Establishing the objective of CSR in organizations

7. Indicate (using a tick) the extent to which the following factors influence the practice of CSR in the organization. Rate on scale, where: 1= not at all, 2= little extents, 3=moderate, 4=Great extent and 5=Very great extent

FACTORS	1	2	3	4	5
Pressure from society					
Moral obligation					
Publicity					
Corporate image					
Regulatory compliance					
Long-term profitability					
Philanthropy					
Company policy					

8. Do you think that your company has achieved the objectives in CSR? Explain

…………………………………………………………………………………………………

…………………………………………………………………………………………………

…………………………………………………………………………………………………

…………………………………………………………………………………………………

…………………………….………………………………………………………………

9. What do you think your company could do to improve its practice of CSR?

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…………………………………………………………………………………………………

…………………………………………………………………………………………………

…………………………………………………………………………………………………

Section C: Establishing the benefits of CSR in organizations

10. Indicate (using a tick) to what extent to which you believe the benefits below are derived from CSR. Rate on scale, where: 1= not at all, 2= little extents, 3=moderate, 4=Great extent and 5=Very great extent

BENEFITS	**1**	**2**	**3**	**4**	**5**
Improved corporate image					
Increased profitability					
Increased Publicity					
Minimized unnecessary regulations					

Business opportunities					
Increased sales and customer loyalty					
Access to capital					
Increased productivity and quality					
Increase ability to attract and retain employees					
Keeping up with competition					

11. In general do you think CSR in a good practice? Explain

……………………………………………………………………………………………

……………………………………………………………………………………………

……………………………………………………………………………………………

……………………………………………………………………………………………

THANK YOU FOR YOUR PARTICIPATION.

Appendix III: Companies Listed in Nairobi Stock Exchange

AGRICULTURAL
Eaagads Ltd
Kapchorua Tea Co. Ltd
Kakuzi
Limuru Tea Co. Ltd
Rea Vipingo Plantations Ltd
Sasini Ltd
Williamson Tea Kenya Ltd
COMMERCIAL AND SERVICES
Express Ltd
Kenya Airways Ltd
Standard Group Ltd
TPS Eastern Africa (Serena) Ltd
Scangroup Ltd
Uchumi Supermarket Ltd
Hutchings Biemer Ltd
TELECOMMUNICATION AND TECHNOLOGY
AccessKenya Group Ltd
Safaricom Ltd
AUTOMOBILES AND ACCESSORIES
Car and General (K) Ltd
CMC Holdings Ltd
Sameer Africa Ltd
Marshalls (E.A.) Ltd
BANKING
Barclays Bank Ltd
Diamond Trust Bank Kenya Ltd
Housing Finance Co Ltd
Kenya Commercial Bank Ltd
National Bank of Kenya Ltd
NIC Bank Ltd
Standard Chartered Bank Ltd
Equity Bank Ltd
The Co-operative Bank of Kenya Ltd

INSURANCE
Jubilee Holdings Ltd
Pan Africa Insurance Holdings Ltd
Kenya Re-Insurance Corporation Ltd
CFC Insurance Holdings
British-American Investments Company (Kenya) Ltd
INVESTMENT
City Trust Ltd
Olympia Capital Holdings ltd
Centum Investment Co Ltd
Trans-Century Ltd
MANUFACTURING AND ALLIED
B.O.C Kenya Ltd
British American Tobacco Kenya Ltd
Carbacid Investments Ltd
East African Breweries Ltd
Mumias Sugar Co. Ltd
Unga Group Ltd
Eveready East Africa Ltd
Kenya Orchards Ltd
A.Baumann CO Ltd
CONSTRUCTION AND ALLIED
Athi River Mining
Bamburi Cement Ltd
Crown Berger Ltd
E.A.Cables Ltd
E.A.Portland Cement Ltd
ENERGY AND PETROLEUM
KenolKobil Ltd
Total Kenya Ltd
KenGen Ltd
Kenya Power & Lighting Co Ltd

Source: Nairobi Stock Exchange (2011)