THE LINK BETWEEN CORPORATE SOCIAL RESPONSIBILITY AND CORPORATE STRATEGY AMONG COMPANIES LISTED ON THE NAIROBI STOCK EXCHANGE

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DECLARATION

This management research project is my original work and has not been submitted for another degree qualification at this or any other University or Institution of learning.

Signed .... Date: 25th October 2006.

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This management research project has been submitted for examination with my approval as the University Supervisor.

Signed: .... Date: 27/10/06

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DEDICATION

I dedicate this work to my husband Nicholas and our children Vanessa and Wayne.

ACKNOWLEDGEMENT

I would like to extend my appreciation to my project supervisor, family, colleagues, friends and all those who contributed tremendous input towards the completion of this research project.

Special thanks to my supervisor, Mr. Jackson Maalu for his tireless assistance and support on the project supervision, experience and initiatives, which guided me throughout the entire research. Secondly, I am grateful to my MBA colleagues, specifically Joseph whose assistance on this project cannot be overlooked.

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LIST OF ABBREVIATIONS

CSR	Corporate Social responsibility
CBI	Confederation of British Industry
NSE	Nairobi Stock Exchange
CEO	Chief Executive Officer
DID	Department for International Development
FKE	Federation of Kenya Employers
IISD	*International Institute for Sustainable Development*
AIDS	Artificially Immune Deficiency Syndrome
FKE	Federation of Kenya Employers
NGO	Non Governmental Organization
BPP	Business Partnerships Program
ILO	International Labour Organization

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ABSTRACT

The objective of this study was to establish how corporate social responsibility is linked to corporate strategy among companies listed on the Nairobi Stock Exchange.

This was a descriptive study conducted through a census, which targeted all companies listed on the Nairobi Stock Exchange. The data was collected with the help of a structured questionnaire.

A response rate of 81% was achieved out the targeted 48 respondents, the data was analyzed with the help of descriptive statistics i.e. frequencies, percentages, mean scores and standard deviations. The findings indicate that all the organizations had a corporate planning department, a vision and mission statement, explicitly stated corporate objectives, conducted long-term business planning which were considered very important to the organizations. The planning process resulted into explicit/ formal organizational corporate plans in all the organizations which to a great extent were implemented once developed. Corporate social responsibility department was present in all the firms, formal / explicit organizational corporate strategic plan included CSR plan in majority of the firms. The initial preparations and analysis done by the organizations were; business environmental analysis, societal needs assessment, organizational internal analysis, social cost-benefit analysis, environmental impact analysis and budgetary allocations.

Most of the organizations had corporate strategies and objectives with regard the impact of their activities on the environmental components, funded by providing for them in the budget and as contingencies. However, these measures are in place to a less extent to curb the impact of their activities on physical environmental. The benefits mainly offered to the

employees were circumstantial leave, medical cover, insurance cover and competitive remuneration.

The main measures adopted by the organization in dealing with HIV/ Aids pandemic were assuring victims of job security and anti-discriminatory policies. Other measures adapted to a less extent were, free guidance, counseling, testing and provision of free ARVs. These measures were reflected to a large extent in the organizations corporate strategy.

All the organizations advertised their products and to a large extent these organizations had put measures in place to ensure that advertisement of their products/ services were truthful and fair and reflected in most of the organization's corporate strategy. In majority of the organizations, there were in-built channels of dealing with consumer complaints. There were policies against corrupt practices which were clearly spelt out as one the corporate objectives of the organizations.

CHAPTER ONE: INTRODUCTION

1.1 Background

1.1.1 Social Responsibility of Organizations

In post-independence Kenya, people had a slogan for pulling together and that slogan was *harambee. Harambee* was a call to cooperate in the name of national development. The International Institute for Sustainable Development (IISD) (2003) observes that today, communities and their leaders are pulling together across borders and from across oceans to address political, social economic and environmental issues of mutual concern. One such crosscutting issue is Corporate Social Responsibility. *In the Free Encyclopedia* (Wikipedia) (2004), it is further noted that today's heightened interest in the proper role of businesses in society has been promoted by increased sensitivity to environmental and ethical issues. Issues like environmental damage, improper treatment of workers, and faulty production leading to customers inconvenience or danger, are highlighted in the media. In some countries Government regulation regarding environmental and social issues has increased, and standards and laws are also often set at a supranational level.

Over the past three to four decades, corporate social responsibility has been a subject of debate. In as much as it has aroused a lot of interest, it has also been marred with controversy as can be found in the different views held by different scholars over the subject matter. The core belief is that a corporation incurs responsibilities to societies beyond profit maximization. Davis (1967) observes that huge corporations possess the power to control and influence the quality of life of employees, customers, shareholders, and residents of local communities in which they operate. A single corporate decision can irrevocably change the lives of thousands of people. Power necessarily entails responsibility. Managers, in pursuing their primary goal of increasing shareholder value, have social responsibilities beyond meeting the minimal requirement of the law.

There has been a growing intense debate in Corporate Social Responsibility (CSR) across a range of disciplines. Whichever perspective is adopted, CSR has to have a purpose and has to be championed, whether for a reason of economic reputation management, or as a reflection of individuals' personal values. The Confederation of British Industry (CBI), the UK organization for employers defines CSR as follows: Corporate Social Responsibility requires companies to acknowledge that they should be publicly accountable not only for their financial performance but also for their social and environmental record. More widely, CSR encompasses the extent to which companies should promote human rights, democracy, community improvement, and sustainable development objectives throughout the world (CBI, 2001a).

In the Free Encyclopedia (Wikipedia) (2004), it is noted that corporate social responsibility (CSR) is an expression used to describe what some see as a company's obligation to be sensitive to the needs of all of its stakeholders in its business operations. The principle is closely linked with the imperative of ensuring that these operations are "sustainable" i.e. that it is recognised that it is necessary to take account not only of the financial/economic dimension in decision making but also the social and environmental consequences "Sustainable Development". A company's stakeholders are all those who are influenced by and/or can influence a company's decisions and actions, both locally and globally. These include (but are not limited to): employees, customers, suppliers, community organizations, subsidiaries and affiliates, joint venture partners, local neighborhoods, investors, and shareholders (or a sole owner)

In his seminal book ***Social Responsibilities of the Businessman***, Bowen (1953) looks at social responsibility as referring to obligations to pursue those policies to make decisions or to follow those lines of actions that are desirable in terms of objectives and values of society. This argument presupposes that corporations should focus their resources on objectives that are socially desirable, even if they are economically less so. It is businessmen's decisions and actions taken for reasons at least partially beyond the firm's direct economic or technical interest. Keith (1960) notes that this alludes to the importance of corporations, paying attention to the social-cost benefit analysis of their actions. Carroll (1996) identifies four components that need to be present in order for business to claim it is socially responsible. These are economic, legal, ethical, and philanthropic responsibilities. Philanthropic responsibilities are described as "purely voluntary". Therefore, exceeding the requirements of the law is also a dominant feature of the CSR literature (Robin and Reidenbach, 1987; Baker, 2001; Business for Social Responsibility, 2002).

Issues of CSR are numerous and complex and the problems are sometimes contingent on the situation. As a result, SR decision-making is the domain of corporate level management. However, rigid rules of conduct are possible, as each enterprise must decide on its approach in trying to meet its social responsibility. These different approaches will reflect differences in competitive position, industry, country, environmental and ecological pressure and a host of other factors- both situational and differing priorities in the acknowledgement of responsibility (Pearce and Robinson, 2003).

Andrews (1971), defines strategy in terms of corporate strategy as the pattern of major objectives, purposes, or goals and essential policies and plans for achieving those goals, stated in such a way as to define what business the company is in or is to be in and the kind of company it is or is to be. Corporate strategy deals with the decisions that, by their nature, should be addressed with the fullest scope encompassing the overall firm. They are decisions that cannot be decentralized without running the risk of committing sub optimization errors. These decisions tend to be more value-oriented, more conceptual, and less concrete. They are often characterized by greater risk, cost, and profit potential; greater need for flexibility; and longer time horizons (Hax and Majluf, 1996; Pearce and Robinson, 2003).

Strategy, according to Chandler (1962), in strategy and structure, is "… the determination of the basic long-term goals and objectives of an enterprise, and the adoption of courses of action and allocation of resources necessary for carrying out these goals". Strategy is the match between an organization's resources and skills and the environmental opportunities and risks it faces and the purpose it wishes to accomplish (Hofer 1978). It is meant to provide guidance and direction for activities of the organization, since strategic decisions influence the way organizations respond to their environment, the purpose of strategy is to provide directional cues to the organization that permit it to achieve its objectives while responding to the opportunities and threats in the environment (Schendel and Hofer, 1979).

According to the World Bank, corporate citizenship/social responsibility is an approach by which a company recognizes that its activities have a wider impact on the society in which it operates and the society's development in turn impacts on its ability to pursue its business successfully; actively manages the economic, social, environmental, and human rights impacts of its activities across the world, basing these on principles which reflect international values, reaping benefits both from its own operations and reputation as well as for the communities in which it operates; seeks to achieve these benefits by working closely with other groups and organization, local communities, civil society, other businesses, and home and host governments (Quoted from Gichana, 2004)

Pearce and Robinson (2003) note that the thorniest issues faced in defining a company mission are those that pertain to social responsibility. Issues of concern are numerous, complex and contingent on the situation. As a result, different firms adopt different approaches which reflect differences in competitive position, industry, country, environmental and ecological pressure and a host of other factors. In other words, they reflect both situational factors and differing priorities in the acknowledgement of claims.

The Kenyan economy has in the past experienced enormous pressure to support its people amid growing concerns for productivity and other related hardships. For example, freezing of donor aid, political turbulence, economic restructuring, massive lay offs, corruption etc. Incidences of disease such as HIV/AIDS, Malaria, etc; climatic change; and a host of other conditions have made it difficult for the government to go it alone. This has necessitated the government, in its efforts to improve the welfare, to urge the corporate world to adopt policies that will enhance CSR (Kenya Commission for Human Rights, 2004).

In recent years, there have been efforts by the enterprises globally and indeed in Kenya to move their focus beyond the race to the bottom. This is more so in the wake of citizens around the country becoming more vocal in demanding that business be held accountable for conduct that could undermine economic, social, or environmental progress. Most companies have responded by developing Codes of conduct, general principles, and reporting standards among many tools to promote global corporate responsibility and engaging in corporate Philanthropy. While these are acceptable steps of self-regulation and responsibility, they remain limited. To many analysts, voluntary codes of conduct are an attractive alternative to direct regulation by governments. Such codes are formal statements of the values and business practices of a corporation (Kenya Commission for Human Rights, 2004).

1.2 Firms Listed on the Nairobi Stock Exchange

Kenyan companies have not been left behind in championing for the spirit of "corporate statesmanship" and many encouraging examples exist. The companies listed in the Nairobi Stock Exchange (NSE) are large employers, who attract both local and foreign investors. The actions of these companies would have a great impact on our economy (society) hence their need to engage in social responsibility.

Goddard (2005) observes that corporations are large social mechanisms with significant influences over physical, intellectual, social, and environmental assets in developing communities. Their mere presence, duration of operations, and the directness of the relationships they form with communities to maintain a "license to operate" (particularly in the extractive industries) identify them as forces capable of creating positive change, moving beyond ham minimization strategies. Corporations should focus their resources on objectives that are socially desirable even if they are economically less so (Bowen, 1953). This arises from the existence of a myriad of problems associated with rapid population growth and economic development in the emerging economies in which there are political and social issues that exceed the mandate and the capabilities of any corporation. Paradoxically, corporations are the sole organizations with resources, technology, the global reach, and ultimately, the motivation to achieve sustainability (Hart, 1997).

The social responsibility aspects (both internal and external) are very critical in the corporate strategy of companies listed on the NSE. These companies need to build social issues into strategy in a way which reflects their actual business importance. They need to articulate business's social contribution and define its ultimate purpose in a way that has more subtlety than "the business of business is business" worldview and is less defensive than most current CSR approaches. It can help to view the relationship between big business and society in this respect as an implicit "social contract". This contract has obligations, opportunities and mutual advantage for both sides.

Recently, as a show of their social responsiveness, a number of companies (including those listed in the NSE), responded positively to appeals for help during the recent famine that struck most Kenyan parts. Others have been involved and are still being involved in various social responsibility activities. Examples are numerous but the latest ones include the following among others.

Mumias Sugar Company is investing resources in conserving River Nzoia amid its call for concerted efforts from other stakeholders to participate in the same. The company is working with Moi University's department of environment towards an agreement to help research on conservation efforts. The company also avails 110,000 tree seedlings worthy Kshs 10 million annually to farmers in the area to plant towards mitigation against environmental degradation (Standard Newspaper, 3^{rd} April 2006).

TPS Serena Hotels, a newly listed company in the NSE, joined other companies' responsiveness (both listed and non-listed) by donating foodstuff towards famine relief in Amboseli and Samburu. The company also provided transport to move the consignment worth Kshs 500,000 to the famine struck regions (Standard Newspaper, 27^{th} March, 2006), while East Africa Portland Cement Company donated food to the residents of Kajiado North Constituency (Daily Nation, 27^{th} March 2006). Apart from being the chief initiator of erecting an electric fence around the Arberdares, the Nation Media Group together with Standard Chartered Bank and East African Breweries are running the Save a Life Campaign for the famine-hit victims in various parts of Kenya (Daily Nation 21^{st} April 2006).

The East African Cables has launched a Kshs 20 Million campaign against substandard goods in the Kenyan market. This was an effort to curd electricity mishaps to consumers which, according to the company's CEO Mr Mugo, would be more disastrous than the recent accident in Nairobi's Nyamakima area (Daily Nation 17th March 2006).Barclays bank has unveiled a Kshs 18 million computerization project that will benefit schools in East Africa, which aims at improving access to information technology. The bank has so far donated more than 700 refurbished computers to schools in Africa (Sunday Nation 5th March 2006)

Total Kenya Limited is sponsoring a successful tree planting campaign called "Total EcoChallenge" dubbed "Miti ni Mali. Miti Tosha" which has drawn participants from various sectors of the economy, public and private institutions, social groupings and individuals. The countrywide tree planting campaign is a forestation programme that aims at curbing desertification and preserving the environment. The company has so far awarded participants in the various categories, including companies listed in the NSE (Unilever Tea Kenya, British American Tobacco, and Kenya Airways) to encourage further tree planting programmes.(Sunday Nation, 23rd April 2006).

The above initiatives are social responsibility activities among many more others by other companies listed on the NSE. As noted by Ndioo (Daily Nation 2nd May 2006), CSR funding could change dramatically if a new programme (Kenya Community Development Foundation) initiated to manage contributions to development projects has its way. The foundation, Ndioo points out, invests funds contributed by corporations to have a long-term impact on the beneficiaries. The CSR programme aims at engaging 30 leading companies in its preliminary phase. According to Munilla and Miles (2005), the task of making an organization's strategy socially responsible means (1) adopting organizational activities within the bounds of what is considered ethical and in the general public interest, (2) responding positively to emerging societal priorities and expectations, (3) demonstrating a willingness to take action ahead of regulatory confrontation, (4) balancing stockholder interests against the larger interests of society as a whole, and (5) being a good citizen in the community. On the global scene, there has been much discussion about the extent of a firm's corporate social responsibility obligations. Studies by Van Marrewijk (2003), Goddard (2005), Valor (2005), and Haman et al (2005) among others have looked at the subject of CSR in different dimensions and within different organizational and societal contexts.

1.3 Statement of the Problem

Many businesses in emerging markets are realizing benefits from corporate social responsibility initiatives, with quantified improvements in revenue and market access, productivity, and risk-management. While emerging-market companies tend to focus more on short-term cost savings and revenue gains, intangibles, such as brand value and reputation issues, are more significant for companies in developed countries. The contemporary corporate social responsibility agenda, however, is relatively immature in all countries. Despite widespread rhetoric, its impact is still patchy. In practice, implementation of this agenda by many companies is shallow and fragmented (Ian, 2004).

Valor (2005) observes that the concept of corporate social responsibility has gained a substantive focus in the global economy. Factoring in societal values and priorities, business ethics, community concerns, and the potential for onerous legislation and regulatory requirements is a regular part of external situation analysis at more and more companies. Intense public pressure and adverse media coverage make such practice prudent. He, however, notes that complying with legal requirements does not seem enough, partly because not all the public's demands are protected by laws, and partly because CSR is favored as it is believed to overcome inefficiencies derived from regulation.

The involvement of Kenyan companies listed on the NSE in social responsibility actions is variously motivated (philanthropic, competitive/strategic etc). Whether their actions are linked to their corporate strategy is ambivalent. The need to study corporate and community relationships, determining how socially responsible activity best meets community needs within the corporate framework, is well documented (Schwartz and Gibb, 1999; Griffin, 2000; McMichael, 2000; Wulfson, 2001). Holistic corporate citizenship describes the systematic culture in corporations that reflects behavior and actions across each aspect of mission and practices that acknowledge the impact corporations exert on community (Birch, 2001).

In Kenya, there is an upsurge in corporate social responsibility by companies, a phenomenon which has seen most of them establishing foundations like the Safaricom Foundation, East African Breweries Ltd., among others. Other companies have had corporate social responsibility programs to address various societal needs and also as a way of implanting a positive corporate image in the public. It is imperative that these companies ought to have structures and budgets that are linked to the corporate strategy so that the overall organizational objectives are achieved.

A number of studies on corporate social responsibility (Kamau, 2001; Kiarie, 1997; Kweyu, 1993; Mulwa, 2002; Gichana, 2004) have been done in the local context. Most of these studies (Kamau, 2001; Kiarie, 1997; Kweyu, 1993; Mulwa, 2002) have focused on managers' attitude(s) towards social responsibility in various companies operating in various sectors of the economy; while others like Gichana (2004) focused on the social responsibility practices by companies listed on the Nairobi Stock Exchange (NSE). While most of these studies argued that the rationale for existence of these firms is profit and that they would thus engage in social responsibility practices in order to attract more business, no study has looked at how these companies' social responsibility actions are linked to their corporate strategy, yet its understanding is important in their financial and strategic performance. This study would therefore seek to investigate into how these two crucial issues are linked among companies listed in the Nairobi Stock Exchange. It thus seeks to answer the question: How is corporate social responsibility linked to corporate strategy among companies listed on the Nairobi Stock Exchange?

1.4 Objective of the Study

The study was to establish how corporate social responsibility is linked to corporate strategy among companies listed on the Nairobi Stock Exchange.

1.5 Significance of the Study

i. Findings of this study would help communicate how seriously the concept of Social Responsibility is considered by the studied companies and as such provide a basis for objective judgment of the nature of their "Social Contract"

ii. The study will provide an impetus for reconsideration of Corporate Social Responsibility by the respective managements of the companies and how it could be, as much as possible, tied with corporate strategy.

iii. The findings of the study will contribute to the broadening of the knowledge base and hopefully provide a basis for further research into the area of corporate social responsibility.

CHAPTER TWO: LITERATURE REVIEW

2.1 The Concept of Corporate Social Responsibility

Corporate social responsibility has been viewed as management's obligation to set policies, make decisions and follow courses of action beyond the requirements of the law that are desirable in terms of the values and objectives of society (Mosely, 1996). Maclagan (1998) observes that this reference to managers brings into focus the point that key individuals will be instrumental in formulating and implementing companies' CSR policy: "CSR may be viewed as a process in which managers take responsibility for identifying and accommodating the interests of those affected by the organization's actions.

Hemingway and Maclogan (2004) assert that once we construe CSR in this manner, the importance of individuals' values and motives is raised, and in particular, the corporate as opposed to individual status of the ensuing initiative is called into question. Thus they propose two key dimensions for the analysis of CSR in practice. First, the motivational basis: is this commercial or is it idealistic, even altruistic? Second, the locus of responsibility: is this corporate (as in the definition of CSR) or individual? The dimensions point towards a framework for analysis of CSR.

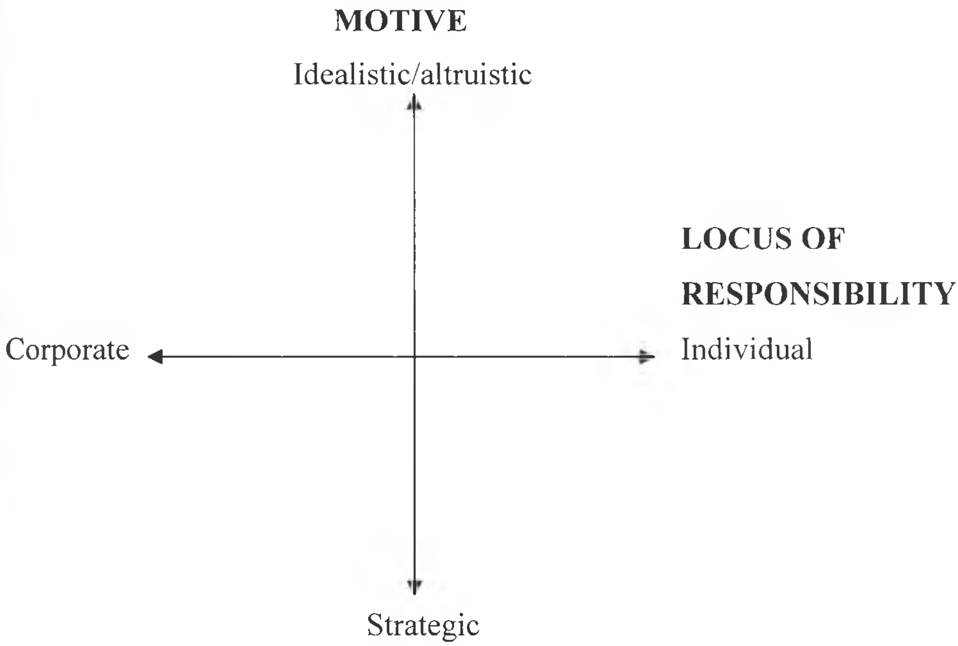

Figure 1: A Framework for Analyzing CSR, ***Source***: Hemingway and Maclogan (2004), *Journal of Business Ethics* ***50(1)***

Johnson and Scholes (2002) view corporate social responsibility as that which is concerned with the ways in which organizations exceed the minimum obligations to stakeholders specified through regulation and corporate governance. This includes considerations as to how the conflicting demands of different stakeholders can be reconciled. They further argue that since the legal and regulatory frameworks pay uneven attention to the rights of different stakeholders, it is useful to distinguish between contractual stakeholders such as customers, suppliers, and employees, who have a legal relationship with an organization; and community stakeholders such as local communities, consumer and pressure groups, who do not have protection of the law to the extent of the first group. They thus recognize that corporate social responsibility policies of companies will be important to the community stakeholders in particular.

Steiner (1975) offers an interesting understanding of CSR. He observes that at any one time in any society, there is a set of generally accepted relationships, obligations, and duties between the major institutions and the people- termed as 'social contract' by philosophers and political theorists. This argument is indicative of an assumption that on the concept of social responsibility, there exists a theory about the social role of corporations in the modern society. Then, the theory would not only explain the interest of the public, but would also advocate for the monitoring of firms in line with the value judgment upon which the theory may be said to be founded.

Bowen (1953), points out that social responsibility refers to "obligations to pursue those policies to make decisions or to follow those lines of actions which are desirable in terms of objectives and values of society". This argument presupposes that corporations should focus their resources on objectives that are socially desirable, even if they are economically less so. Keith (1960), on the same line of thought observe that social responsibility refers to businessmen's decisions and actions taken for reasons at least partially beyond the firm's direct economic or technical interest. Both Bowen and Keith allude to the importance of corporations, paying attention to the social-cost benefit analysis of their actions.

Reidenbach and Robin (1987), argue that the interest of the community in the behavior of firms is expressed at the local and national levels. At the local level, local authorities and bodies in both direct and indirect socio-economic impact of the activities of the corporations express this interest. At the national level, the interest is manifested in the concern of the government in many aspects of corporate activities such as economic well-doing, contribution to welfare, participation in economic growth and so on.

Different organizations have different definitions of corporate social responsibility, although there is much common ground. Definitions generally focus on how companies manage their core business to add social, environmental and economic value in order to produce a positive sustainable impact for both society and for the business. Terms such as 'socially responsible business' and 'corporate citizenship' are used to mean the same thing. There is no blueprint for corporate social responsibility, but there are common themes amongst responsible companies: the Board is committed to and promotes corporate social responsibility; local laws and tax rules are followed; stakeholders' opinions are taken into account; there are high labor standards and measures to protect the environment; their economic, social, and environmental performance and impact, is monitored and reported to the public; and there is a high standard of employee training and steps aimed at raising awareness of the company's responsibility (Department for International Development (DID), 2004).

A broad definition offered by the International Organization for Standardization characterizes CSR as 'a balanced approach for organizations to address economic, social and environmental issues in a way that aims to benefit people, communities and societies'. There is, however, no universally accepted definition of CSR and important conceptual issues remain unresolved. While some studies focus on philanthropy, the more substantial part of the CSR agenda is about corporate accountability to codes of conduct. Whether such codes ought to be binding or non-binding, mandatory or market-driven, is an area of contention in recent scholarship. For generations, governments in North America and Europe have regulated various industries for various purposes. What is relatively new is that economic globalization and liberalization have made it easier for companies to operate overseas according to less commendable standards of CSR, to play by different rules, than they would at home (International Institute for Sustainable Development (IISD) (2003).

In Kenya, the law has provided an embodiment and expression of this value judgment, for instance employment of women, young persons and children Act (Cap 227) and the workmen's compensation Act (Cap 236) to say the least. However, the concept of CSR goes beyond notions embodied in the current law. The Federation of Kenya Employers (FKE) and its member enterprises are facing a complex and moving environment involving national and international standards in the areas of work, environment, trade requirements, increasingly demanding consumer associations, ethical auditors and the trade block requirements. At the same time, they both must handle difficult relations regarding social and environmental issues with civil society and try to fight corruption (Department for International Development (DID), 2004).

Therefore, the FKE concentrates its energies, in addition to its basic industrial relations activities, on the response to these challenges by highlighting best practices and on needs-based interventions. In this regard the Global Compact offers a framework to promote corporate social responsibility, the elimination of worst forms of child labor, the promotion of productivity improvement initiatives, management training in support of the

ILO's fundamental principles and rights at work, combating HIV/AIDS at the workplace and environmentally friendly production. The FKE has thus a great awareness of corporate social responsibility and commits an important amount of time to this field (DID, 2004).

However, while considering that the Global Compact represents an integrated framework for the principles of corporate social responsibility, the FKE perceives the limits between corporate social responsibility and the issue of legal compliance with regard to labor law and health and safety at the workplace. In order to continue its efforts in the promotion of the Global Compact the FKE is looking at the initiative to set up a National Global Compact Forum including the social partners. This is intended to promote and support initiatives related to the Global Compact. FKE continues to collaborate actively with the industrial sectors in the creation of sectoral codes of conduct (DID, 2004).

Johnson and Scholes (2002), captures and lists CSR aspects and labels them as either internal or external to the organization(s). Internal aspects include employees' welfare, working conditions, job designs, intellectual property etc; while external aspects include green issues, products, markets and marketing, suppliers, community activity etc. The aspects could either be philanthropic, which are purely voluntary; and those that are induced by government incentives, market conditions or public pressure. Advocates for increased participation in corporate social responsibility emphasize an increased involvement (by companies) in philanthropy in areas of education, employment and training of poor classes, and provision f direct financial or personal support to charity. The non-philanthropic activities are increasingly being perceived as either direct or indirect business costs and not as social responsibility activities and to this extent they reflect the traditional functions of the firm.

2.2 The Concept of Corporate Strategy

Strategy is a multi-dimensional concept and various authors have defined strategy in different ways. Chandler (1962), in strategy and structure, calls strategy "... the determination of the basic long-term goals and objectives of an enterprise, and the adoption of courses of action and allocation of resources necessary for carrying out these goals". Strategy is the match between an organization's resources and skills and the environmental opportunities and risks it faces and the purpose it wishes to accomplish (Hofer 1978). It is meant to provide guidance and direction for activities of the organization, since strategic decisions influence the way organizations respond to their environment, the purpose of strategy is to provide directional cues to the organization that permit it to achieve its objectives while responding to the opportunities and threats in the environment (Schendel and Hofer, 1979).

According to Ansoff (1965), the concept of strategy is the firm's business and the common thread which is arrived at through the use of product-market scope. Andrews (1971), defines strategy in terms of corporate strategy as the pattern of major objectives, purposes, or goals and essential policies and plans for achieving those goals, stated in such a way as to define what business the company is in or is to be in and the kind of company it is or is to be. According to Jauch and Glueck (1984), strategy is "a unified and integrated plan that relates the strategic advantages of the firm to the challenges of the environment and that is designed to ensure that the basic objectives of the enterprise are achieved through proper execution by the organization. Mintzberg (1994) defines strategy as a pattern in a stream of decisions and actions. He defines strategy as a plan, ploy, pattern, position, and perspective.

Corporate social responsibility issues are deliberated upon at corporate level in an organization. It, therefore, follows that an organization's corporate strategy ought to address these issues. Andrews (1971), defines corporate strategy as the pattern of major objectives, purposes, or goals and essential policies and plans for achieving those goals, stated in such a way as to define what business the company is in or is to be in and the kind of company it is or is to be. Hax and Majluf (1996) state that there are three imperatives to strategy at corporate level: leadership, economic, and managerial that are to be used to characterize corporate strategic tasks depending on whether the firm is concerned with shaping the vision of the firm, extracting the highest profitability levels or assuring proper coordination and managerial capabilities. They point out that decisions on corporate social responsibility are made at corporate level.

Consequently, decisions made at this level tend to be more value oriented, more conceptual. They are concerned with overall purpose and scope of an organization and how value will be added to the different parts of the organization and by their nature, ought to be addressed with the fullest scope encompassing the overall firm. These decisions are often characterized by greater risk, cost and profit potential; greater need for flexibility; and longer time horizons. Such decisions include the choice of businesses, CSR that can be used to better understand the complex issue of how a corporation fulfills its various responsibilities. Munilla and Miles (2005) point out that Carroll's (1991) pyramid of CSR is predicted upon the economic responsibilities of the firm, because without it the others become moot consideration. In his framework, other CSR responsibilities include the responsibility of management to comply with regulatory and legal requirements; to act in accordance with the societies' ethics; to be a good corporate citizen by contributing to the community's quality of life. This results in a "pyramid" that prioritizes the responsibilities of the firm to its relevant stakeholders.

An alternative CSR framework, developed by Miles and Covin (2002) and subsequently used by Karna et al. (2003), proposed that firms tend to relate to environmental management either by mere compliance or strategically leveraging CSR as a means to create and renew competitive advantage. Miles and Covin (2002) suggest that a strategic perspective can be used as a foundation for building competitive advantage by both enhancing firm efficiency and, simultaneously, increasing the value of the firm's market offering to specific market segments. Munilla and Miles (2005) assert that firms that perceive CSR in terms of compliance will typically compete in commodity markets from a cost basis, while firms that leverage CSR in a strategic manner will have more options in developing strategy and creating competitive advantage.

Van Marrewijk (2003) proposed a more comprehensive framework based on the stakeholder primacy perspective that consisted of five "ambition levels" of CSR grounded on how a corporation's management relates to its social, economic, and environmental responsibility. His framework includes the adoption by the firm of a CSR philosophy that is compliance driven, profit driven, driven by caring, synergistic, or holistic. For example, many firms simply wish to comply with their duties and obligations to society and nothing more, while others may hold a more holistic perspective and see the adoption of a new orientation toward CSR as an opportunity to transform corporate culture to a more innovative, quality-focused corporation. Munilla and Miles (2005) point out that while the normative framework proposed by Van Marrewjk (2003) has a five-level continuum, all perspectives offered imply that a stakeholder primacy focus of CSR is a philosophy that all firms should adopt, and most saliently, that there are never negative consequences that may result from adopting a stakeholder primacy-based approach to CSR.

Neither the Carroll (1991), the Miles and Covin (2000), nor the Van Marrewijk (2003) frameworks explicitly illustrate how firms could be pressured or forced into adopting a stakeholder primacy-based CSR perspective. The expanded CSR framework, based on the work of Miles and Covin (2000) and Karna et al (2003) is suggested by Munilla and Miles (2005). The augmented CSR framework explicitly incorporates situations when a more extreme perspective of CSR is forced on a firm by a minority of activist external stakeholders and suggests that forced CSR can in fact, result in negative consequences for the firm and the majority of its relevant stakeholders. The proposed managerial framework (Table 1) addresses levels of a corporation's commitment to CSR that follow a continuum from compliance to strategic, to forced CSR. For illustration purposes, exemplars are taken from recent business practices to discuss the compliance, strategic, and forced perspectives of CSR.

Table 2: The CSR Continuum and Basis of Competitive Advantage

CSR Continuum	Source of Competitive Advantage	Form of Competitive Advantage
Compliance	CSR expenditures perceived as a cost of doing business	Typically a cost-based positional advantage, attempting to create superior efficiency in value delivery
Strategic	CSR expenditures perceived as an investment in the firm's set of distinctive competencies	Could take cost and/or differential position to be either more efficient or more effective in creating value propositions for the customer
Forced	CSR expenditures perceived as a "tax" being mandated by NGOs or other external stakeholders that will diminish the firm's ability to create values for other relevant stakeholders	None

Adapted from Miles and Covin (2000) and Karna et al. (2003).

2.4 Theoretical Grounding of Corporate Social Responsibility

Garriga and Mele (2004) provide a classification of theories that is based on their assumed hypothesis that the most relevant CSR theories and related approaches are focused on one of the following aspects of social reality: economics, politics, social integration and ethics. They argue that the inspiration of this hypothesis is rooted in four aspects that can be observed in any social system: adaptation to the environment (related to resources and economics); goal attainment (related to politics); social integration and pattern maintenance or latency (related to culture and values). Consequently, this hypothesis permits them to classify these theories into four groups as discussed below.

Instrumental Theories: In this first group, they note that it is assumed that the corporation is an instrument for wealth creation and that this is its sole social responsibility. Only the economic aspect of the interactions between business and society is considered. So any supposed social activity is accepted if, and only if, it is consistent with wealth creation. Here, CSR is seen only as a strategic tool to achieve economic objectives and ultimately, wealth creation.

Political Theories: In this second group of theories, Garriga and Mele (2004) note that the social power of the corporation is emphasized, specifically in its relationship with society and its responsibility in the political arena associated with this power. This leads the corporation to accept social duties and rights or participate in certain social cooperation. The CSR theories and approaches in this group focus on interactions and connections between business and society and on the power and position of business and its inherent responsibility. They include both political considerations and political analysis in the CSR debate.

Integrative Theories: This third group of theories considers that business ought to integrate social demands. They usually argue that business depends on society for its continuity and growth and even for the existence of business itself. Garriga and Mele (2004)further note that social demands are generally considered to be the way in which society interacts with business and give it a certain legitimacy and prestige. As a consequence, corporate management should take into account social demands, and integrate them in such a way that the business operates in accordance with social values.

Ethical Theories: This fourth group of theories understands that the relationship between business and society is embedded with ethical values. This leads to a vision of CSR from an ethical perspective and as a consequence, firms ought to accept social responsibilities as an ethical obligation above any other consideration. These theories are based on principles that express the right thing to do or the necessity to achieve a good society.

2.5 Perspectives of Social Responsibility

Two opposing views have been castigated by scholars. This is based on their perception of the objectives of the firms. The first one is that championed by Adam Smith (1776), who vehemently opposed contributions made by firms to the society. The second one is that purported by Davis (1960) and Steiner (1953), which hold that managers are committed to various social responsibilities and would use their discretionally powers accordingly. Therefore, two major perspectives of CSR are held by its proponents and opponents (for and against CSR).

Proponents of CSR argue that social responsibility has the effect of prolonging an organization's lifetime particularly when compounded by strong support by the public. Being socially responsible ensures popularity with the local community, which is a source of a firm's market and labor forces (Bashaijah, 1977). The general public would like to be associated with responsible organizations, that is, those whose activities do not negatively affect them. Such corporations will go an extra mile to address any issues that are likely to jeopardize the welfare of those concerned. The society gives business the charter to exist and organizations would engage in social responsibility issues to prevent problems that may affect them in the future. Social responsibility can therefore increase the profitability of the organization as well as business opportunities.

The defensive posture of CSR springs from its genesis. Its popularity as a set of tactics among companies was driven in large part by a series of anti-corporate campaigns in the late 1990s. These were given impetus in turn by the anti-globalisation protests around the same time. Since then companies have been drawn to CSR, attracted by nice-sounding, if vague notions such as the “triple bottom line” (the idea that companies can simultaneously serve social and environmental goals as well as profits). They have seen it as a means to avoid NGO and reputational flak, and to mitigate the rougher edges and consequences of capitalism (Ian, 2004).

Social power is a concept that cannot be overlooked in its contribution to ensuring that organizations behave responsibly. Davis (1974), calls it an “iron law” of responsibility, which states that in the long run, those who do not use power in a manner that society considers responsible will tend to lose it. This defensiveness starts the argument on the wrong foot, certainly as far as business leaders should be concerned. Big business provides huge and critical contributions to modern society. These are insufficiently articulated, acknowledged or understood. Among these are productivity gains, innovation and research, employment, large-scale investments, human-capital development and organisation. All of these are, and will be, essential for future national and global economic welfare. Big business also provides a vehicle for investment that is likely to be central to the provision of pensions in the ageing OECD. In poorer developing countries, meanwhile, the entry of multinational companies (through foreign direct investment) has often contributed critical capital, technology, skills and other poverty-reducing economic spillovers. It is no coincidence that developing countries place such emphasis on attracting big businesses and the investment it can bring to their economies.

Some scholars (Preston, 1978; Anderson and Frankle, 1980; and Bowman, 1978) observe that social responsibility could improve the value of the firm. The corporations that report their activities have experienced increased share value as opposed to those firms that do not engage in social disclosure. The scholars have also shown existence of a positive correlation between social disclosure and economic performance. They further show that an efficient market can detect those giving misleading reports, and discriminate those firms that engage in social responsibility and those that do not.

Other scholars e.g. Bateman et al (1998), argue that social responsibility has a long term advantage for organizations for instance, organizations can improve their image and avoid unnecessary and costly regulation if they are perceived as socially responsible. The society's problems can offer business opportunities, and profits can be made from systematic and vigorous efforts to solve problems. They conclude that it pays to be good.

An obvious next step for companies, having understood the possible evolution of these broad social pressures, is to map long-term options and responses to them. This process clearly needs to be rooted in strategic development. Yet typical CSR initiatives—a new ethical policy here, for example, or a glossy sustainability report there—are often tangential to this. It is perfectly possible for a firm to follow many of the prescriptions of CSR and still to be caught short by seismic shifts in its socially-driven business environment.

On the other hand, there are those who hold a different perspective with regard to CSR of organizations- the opponents of CSR. The classical economists are the major advocates against social responsibility led in chief by Smith (1776), who believed that any social benefits accruing to production are unintended by products of men's search for private gain. Smith advocated for 'Laissez-faire', which holds that the businessman has no formal social obligations to the public, he serves society best when he tends to his own affairs without giving much thought to social problems and that there is an 'invisible hand' regulating business dealings in the market. However, due to imperfections in the assumed competitive market dynamism, it does not guarantee protection to every participant and as such there is need for specific regulation to ensure fairness to all in the open system. It is thus imperative that corporations strive to achieve a dynamic equilibrium with environmental demands so as to achieve stability for survival and growth.

Some critics of CSR argue that a corporation's principal purpose is to maximize returns to its shareholders, whilst obeying the laws of the countries within which it works. Others argue that the only reason corporations put in place social projects is utilitarian; that they see a commercial benefit in raising their reputation with the public or with government. Proponents of CSR, however, would suggest a number of reasons why self interested corporations, seeking to solely to maximise profits are unable to advance the interests of society as a whole. The critics hold the view that organizations may help in improving the quality of life so long as such actions are aimed at increasing profits. Others insist that if business uses its resources in other social problems, it means that its profits will decrease and less returns given to the shareholders. He views corporate social responsibility as being costly (Friedman, 1990; Drucker, 1986).

In other arguments (Journal of General Management, July 1998), some executives perceive social responsibility as being costly; they argue that such cost will eventually be passed on to the society by way of hiked prices. They further argue that if pursuance of social goals is done alongside economic ones, confusion and ineffectiveness may result due to division of interest. They see the singular pursuit of profits as enabling the firm to reduce costs and prices to the benefit of the society.

Key challenges to the idea of CSR include: - the rule of corporate law that a corporation's directors are prohibited from any activity that would reduce profits - other mechanisms established to managethe principal-agent problem, such as accounting oversight, stock options, performance evaluations, deferred compensation and other mechanisms to increase accountability to shareholders. Because of this, it has become clear that a CSR activity generally can only be effective at achieving social or environmental outcomes to the extent that it maximizes profits: hence the CSR slogan - "doing well by doing good" (Hamann et al., 2005).

Note that this requires that the resources applied to CSR activities must have a higher return than those resources could obtain if applied anywhere else, e.g. capital or productivity investment, lobbying for tax relief, outsourcing, offshoring, fighting against unionization, taking regulatory risks, or taking market risks - all of which are frequently-pursued strategies. This means that the possible scope of CSR activities is drastically narrowed. And corporations, with their constant incentive to maximize profits, often have identified all areas where profits could be increased, including those that have positive external social and environmental outcomes. The scope for CSR is thus narrowed to situations in which: resources are available for investment; the CSR activity will yield higher profits than any other potential investment or activity; and the corporation has been remiss in identifying this profit opportunity (Ian, 2004).

In conclusion therefore, critics of the role of business in society argue that: corporations care little for the welfare of workers, and given the opportunity will move production to sweatshops in less well regulated countries; unchecked, companies will squander scarce resources; companies do not pay the full costs of their impact. For example the costs of cleaning pollution often fall on society in general. As a result profits of corporations are enhanced at the expense of social or ecological welfare; and regulation is the best way to ensure that companies remain socially responsible (Wikipedia, 2004).

On the other hand, supporters of a more market based approach argue that: by and large, free markets and capitalism have been at the centre of economic and social development over the past two hundred years and that improvements in health, longevity or infant mortality (for example) have only been possible because economies (driven by free enterprise) have progressed; in order to attract quality workers, it is necessary for companies to offer better pay and conditions which leads to an overall rise in standards and to wealth creation; investment in less developed countries contributes to the welfare of those societies, notwithstanding that these countries have fewer protections in place for workers. Failure to invest in these countries decreases the opportunity to increase social welfare (Van Marrewijk, 2003).

They further argue that free markets contribute to the effective management of scarce resources. The prices of many commodities have fallen in recent years. This contradicts the notion of scarcity, and may be attributed to improvements in technology leading to the more efficient use of resources; there are indeed occasions when externalities, such as the costs of pollution are not built into normal market prices in a free market. In these circumstances, regulatory intervention is important to redress the balance, to ensure that costs and benefits are correctly aligned; and whilst regulation is necessary in certain circumstances, over regulation creates barriers to entry into a market. These barriers increase the opportunities for excess profits, to the delight of the market participants, but do little to serve the interests of society as a whole (Wikipedia, 2004).

2.6 Incorporating CSR in the Company Mission

Questions of social responsibility are perhaps the thorniest of all issues faced in defining a company mission. In defining or redefining the company mission, strategic managers must recognize and acknowledge the legitimate responsibilities to all the stakeholders. The stakeholders view approach offers the clearest perspective on the problem. Thus, appropriate stakeholder mapping is paramount. These include among others: investors, employees, customers, suppliers, governments, unions, competitors, local communities ad the general public. Generalizing, stockholders want appropriate returns on investment; employees want job satisfaction; customers want value for their money; suppliers seek dependable buyers; governments want adherence to legislation; unions seek benefits for members in proportion to contributions to company success; competitors want fair competition; local communities want companies to be responsible citizens; and the general public seeks improvement in the quality of life from the firms' existence.

There is always a conflict in interest amongst the major stakeholders, which the organization must seek to strike an amicable balance amid its efforts to achieve its performance objectives. The major groups are insiders and outsiders. Broadly stated, outsiders often demand that any responsibility to insiders be subordinated to the greater good of the society, that is, to the greatest good of the outsiders. They believe such issues as elimination of solid and liquid wastes, pollution, and conservation of natural resources should be the principal considerations in strategic decision-making.

On the other hand, broadly stated, insiders tend to believe that the competing responsibilities to be the outsiders should be balanced against each other in a way that protects the company mission. For example, the consumers' need for a product must be balanced against the water pollution resulting from production if the company cannot totally afford to eliminate the pollution and remain profitable. Further, some insiders argue that the society, as activated by government regulation, should provide tax money that is more than sufficient to eliminate unwanted business by-products such as pollution if this is truly the wish of the general public.

Thus an organization's self concept should be incorporated in the mission and communicated to both insiders and outsiders (Kelly, 1992). However, when an organization attempts to define its mission to incorporate the interests of these groups, broad generalizations are insufficient. Four steps need to be taken to avert this insufficiency.

First is identification of stakeholders where obviously though, every business faces slightly different set of stakeholders who vary in number, size, influence, and importance. In defining a mission, strategic managers must identify all groups and weigh their relative ability to affect the firm's success.

Second is understanding of specific claims vis-à-vis the company. Strategic decision makers should understand each and every group's specific demands. It is only then they will be better able to both appreciate these concerns and initiate clearly defined actions.

Third is reconciling of claims and assigning them priorities. Unfortunately, the concerns of various groups often conflict. For example, the responsibility for government and general public tend to limit profitability, which is the central concern of most creditors and stockholders. Thus, this should be reconciled. To achieve a unified approach, managers must define a mission that resolves the competing, conflicting, and contradicting responsibilities. For objectives and strategies to be consistent and precisely focused, mission statements must display a single-minded, though multidimensional approach to business aims.

Finally, coordination of responsibilities with other elements of the mission should be undertaken. Demands of groups for responsible action by a company constitute only one set of inputs to the mission. Managerial operating philosophies and determination of the product-market offering are the other principal components considered. The latter factors essentially pose a reality test that the accepted demands must pass. The key question is; how can the company satisfy all responsibilities and simultaneously optimize its success in the market place?

2.7 Aspects of and Approaches to Corporate Social Responsibility

The social responsibility spectrum is wide and open and as such cannot be stated in an absolutely way. However, some scholars (e.g. Johnson and Scholes, 2002), have offered some insights into areas of concern. They have examined two aspects which, in the practice of CSR by organization cater for the two major categories of stakeholders. That is, the internal and external aspects of CSR.

On the one hand Johnson and Scholes (2004), point out that internal aspects concern insiders, i.e. individuals and groups who are either stockholders or employees of the firm. The aspects include among others, employee welfare which relates to provision of medical care, assistance with mortgages, extended sick leave, assistance for dependants, etc; working conditions which relate to enhancement of working surroundings, social and sporting clubs, above minimum safety standards, etc; job design i.e. designing jobs to the increased satisfaction of workers than for economic efficiency; intellectual property i.e.

respecting and not claiming corporate ownership of the private knowledge of individuals, etc; largest possible returns i.e. dividends and increase share/stock value, etc.

On the other hand, they state that external aspects concern outsiders i.e. all other individuals or groups affected by the actions of the firm. This extremely large and often amorphous set of stakeholders makes the general demand that the company be socially responsible. The aspects will include among other, the green issues i.e. reducing pollution to below legal standards if competitors are not doing so; products i.e. danger arising from the careless use of products by consumers and quality of the products; markets and marketing i.e. deciding not to sell in some markets; advertising standards; suppliers i.e. fair terms trade, blacklisting suppliers; employment i.e. positive discrimination in favor of minorities, maintaining jobs, etc.

Other scholars (e.g. Donaldson and Preston, 1995) have suggested three main approaches have been suggested for corporations in instituting social ethics. These are the adaptive mode, the proactive mode, and the interactive mode. The adaptive mode entails a corporation adapting a 'low profile' strategy in its social responsibility practices. An active role in social responsibility is avoided, and instead, the firm normally adapts in cases where it has no power over the demanding factor. This approach is criticized for not being conclusively related to social responsibility as the firm is just complying with the law and no more. The proactive mode entails a firm initiating the activity after an analysis of its environment to identify opportunities to be exploited. The society will perceive the firm as undertaking social responsibility. However, in the long run, it is the firm which benefits and not the society. This is because the activities undertaken are weighed in favor of the firm's benefit and thus critics view this approach as a 'selfish' approach. Lastly is the interactive mode, which leads to both the society and the firm to benefit. The firm interacts with its environment as much as possible in social activities for purposes of mutual gain. This approach requires an inherent understanding of the social fabric. The approach is thus viewed as a 'bargaining response' because the corporation bargains with the groups demanding social responsiveness.

2.8 Social Responsibility Response Strategies

According to Carroll (1991), and Karna and Heikki (2003) response to social responsibility by corporations can be categorized into three stages: the Token Behavior stage, Attitude change stage, and Substantive change stage. The Token Behavior stage involves management undertaking a limited concern for society as a commitment towards social responsibility. This may be in the form of speech, handouts from headquarters as bonuses, and so on. The Attitude change stage involves management appointing a staff executive responsible to the Head of Corporate Social Responsibility activities. This stage is characterized by an attitude that is pro-social action though expenditure incurred is minimal. Nevertheless, this stage can lead to organization expansion and potential for conflict within management due to a clash in perception. Finally, the Substantive change stage involves management embracing on structural and behavioral changes to implement social responsibility actions. This may involve setting up task forces, committees, special departments, executive to handle social issues and others. There is increased commitment on the part of management, labor is more specialized, and there is a more meaningful representation within the labor force. This stage has a high expenditure and thus likely to induce conflict among decision makers.

Ian (2004) asserts that an important point is that companies will have quite different tactical responses depending on their circumstances, so off-the-shelf, or simply nice-sounding, solutions may not always be appropriate. Transparency offers a good example. It is easy, but wrong, to say that there can never be enough of it. What might be good for a pharmaceutical firm trying to restore consumers' trust could be damaging for a hedge-fund manager. And a voluntary code of practice for a retailer naturally would read very differently from that of a copper-mining company. Companies not only need to understand their individual "social contracts", but also actively strive manage them. To do this they can choose from a range of potential tactics such as: more transparent reporting; shifts in R&D or asset reorganisation to capture expected future opportunities or to shed perceived liabilities; changes in regulatory approach; and, at an industry level, development and deployment of voluntary standards of behavior.

2.9 Corporate Social Responsibility Planning and Operation

Cohen (2002) observes that businesses need to introduce explicit processes to make sure that social issues and emerging social forces are discussed at the highest levels as part of overall strategic planning. This means executive managers must educate and engage their boards of directors. It also means they need to develop broad metrics or summaries that usefully describe the relevant issues, in much the same way that most firms analyse customer trends today. The risk that stakeholders—including governments, consumer groups, lawyers and the media—will mobilise around particular issues can be roughly estimated based on the known agendas and interests of these groups.

An organization should assess its strengths and weaknesses in readiness for determination of its action on social responsibility. This requires an assessment of its own resources against industry requirements as indicative on its ability to fulfill its responsibility. Since organizations are environment serving, such policies should be formulated, evaluated, and changed to achieve a dynamic equilibrium. It thus follows that management needs to evaluate the opportunities it can exploit in its discharge of social responsibilities as well as the threats it may experience in regard to other forces (McMurry, 1963).

Business leaders need to shape the debates on social issues much more consciously. This means establishing ever higher standards of integrity and transparency within their own companies. It also means becoming much more actively involved in external debates and in the media on social issues that shape their business context. A starting point may be for CEOs to articulate publicly the purpose of business in less dry terms than shareholder value. Shareholder value should continue to be seen as the critical measure of business success. However, it may be more accurate, more motivating—and indeed more beneficial to shareholder value over the long term—to describe business's ultimate purpose as the efficient provision of goods and services that society wants (Wikipedia, 2004; Wheatley, 2002).

This is a hugely valuable, even noble, purpose. It is the fundamental basis of the contract between business and society, and forms the basis of most people's real interactions with business. CEOs could point out that profits should not be seen as an end in themselves, but rather as a signal from society that their company is succeeding in its mission of providing something people want—and doing it in a way that uses resources efficiently relative to other possible uses. From this perspective, shareholder-value creation or profits are the measure, and the reward, of success in delivering to society the more fundamental business purpose. The measures and rewards reflect the predominant values of the relevant society (Ian, 2004; Murray, 2005).

By moving away from a rigid linguistic focus on shareholder value, big business can also make clear to a broad audience that it understands the trade-offs that are inherent in its social contract. The debate between business and society is essentially one over the management of, and agreement over, those trade-offs. Business leaders should not fear their greater advocacy of the contract between business and society. Public receptiveness to active business leadership on issues such as these may be a lot better than some might be inclined to think. Despite the poor image and bad press of big business in recent times, polls suggest that people retain a belief in the ability of business to provide a positive contribution to society (Ian, 2004).

2.10 Actions Necessary to Implement Social Responsibility

According to Rue (1992), the biggest obstacle to organizations assuming more social responsibility is pressure by financial analysts and stockbrokers. They push for steady increases in earnings per share on quarterly basis. Concern about immediate profits makes it difficult to invest in areas that cannot be accurately measured and still have returns that are long run in nature. Furthermore, pressure from short-term earnings affects corporate social behavior; most companies are geared to short-term profit goals. Rue adds that budgets, objectives, and performance evaluation are often based on short run considerations. Managers who state the willingness to lose short-term profits to achieve short-term objectives- who sacrifice profit and seek to justify these actions on the basis of corporate social goals may find stockholders unsympathetic.

According to Gantt (1989), for organizations to implement social responsibility, some actions are necessary. First, organizations should carefully examine their cherished values- short-term profits and others to ensure that these concepts are in tune with the values held by society. This should be a constant process because the values held by society are ever changing. Second, organizations should also re-evaluate their long-range planning and decision-making processes to ensure that they full understand the potential social consequences. Plant location decisions are no longer merely economic matters. Environmental impact and job opportunities for the disadvantaged are examples of other factors. Third, organizations should seek to aid both governmental agencies and voluntary agencies in their social efforts. This should include technical and managerial help as well as monetary support. Technological knowledge, organizational skills, and managerial competence can all be applied to solving social problems. Finally, organizations should look at ways to help solve social problems through their own businesses. Many social problems stem from economic deprivation of fairly large segments of our society. Attacking this could be the greatest social effort of organizations.

Porter (1980), points out that the best companies take their social responsibility seriously. This is because they know that a socially responsible business is more competitive, fast moving, and stronger business. Social responsibility is crucial to winning that trust and thereby keeping good people and winning more business. Scott (1994), on his part observes that businesses are increasingly experiencing pressure from the society to be socially responsible. This is due to the facts that society has become more enlightened i.e. more educated society is more aware of its problems, rights, and the role a business can play in social welfare; and society's problems have become more alarming i.e. the society is impatient and feels that something must be done. Therefore, more than ever before, businesses cannot be expected to just sit and wait. They must also play a role in helping to combat these problems.

In the local context, the Kenyan Business Partnerships Programme (BPP) focuses on improving productive opportunities and living conditions for the poor by supporting the development of corporate social responsibility and promoting ethical trading. This programme, funded by the Department for International Development (DID)-UK and run by the Kenya Federation of Employers, encourages businesses to incorporate corporate social responsibility principles into their core business processes and to carry out corporate social responsibility audits (Department for International Development, 2004).

2.11 The Link between Corporate Strategy and CSR

It could be argued that the motivation for engaging in CSR is always driven by some kind of self-interest (Moon, 2001), regardless of whether the activity is strategically driven for commercial purposes alone, or whether it is also partly driven by what appears, at least superficially, as altruistic concern. As Rollison (2002) observes, "...it is always difficult to tell whether behaving ethically towards external stakeholders is prompted by altruism or self-preservation". Of the corporate motives considered, Hemingway and Maclagan (2004) point out that the strategic theory of the firm perspective, incorporating corporate image management and the need to facilitate the integration of a global workforce, would seem to represent business self-interest and can be contrasted with the possibility of an altruistic impulse among business leaders or managers. They, however, note that the relationship between altruism and self-interest is complex.

The theory of the firm argument is holds that the concern of management is to maximize shareholder value. From this viewpoint, CSR is a response to the competitive environment and the demands on managers from various stakeholder groups (Menon, 1997; McWilliams and Siegel, 2001). It may also entail manipulation of those stakeholder groups in order to seek the survival of the firm. Similarly, Gray et al. (1995), identify the inclusion of stakeholders in corporate affairs and CSR reporting as mechanisms by which the organizations satisfy (and manipulate) pressures on them to demonstrate satisfactory SR performance. Thus, CSR disclosures and reporting can be viewed in terms of corporate image management, a strategic marketing activity. Here the tools of marketing communications are employed, notably public relations activity in order to improve the competitive position by delivering the message designed to create or maintain a good image (Adkins, 1999; Darby, 1999). Consequently, the marketing literature concentrates on marketing's role in the management of stakeholder (especially customer) perceptions and CSR's effect on the (corporate) brand. "Doing good deeds" produces a positive public relations story.

It has also been argued that corporations adopt CSR to cover up the impact of corporate misdemeanor. Skeptics have accused corporations of taking a public ethical stance in order to project a "good" image, regardless of their unpublicized unethical practices (Caulkin, 2002). A final strategic motive for the adoption of CSR can also be linked with managing the environment as a means to an end, i.e. concerning the commercial need to achieve financial targets and to deliver enhanced financial performance (Hemingway and Maclagan, 2004).

Garriga and Mele (2004) in discussing instrumental theories of CSR identify three main groups of depending on the economic objective proposed. In the first group, the objective is the maximization of shareholder value measured by share price. Frequently, this leads to a short-term profits orientation. The second group of theories focuses on the strategic goal of achieving competitive advantages, which would produce long-term profits. In both cases, CSR is only a question of enlightened self-interest (Keim, 1978) since CSRs are a mere instrument for profits. The third is related to cause-related marketing and is very close to the second. Cause-related marketing involves the process of formulating and implementing marketing activities that are characterized by an offer from the firm to contribute a specified amount to a designated cause when customers engage in revenue-providing exchanges that satisfy organizational and individual objectives (Varadarajan and Menon, 1988).

From the foregoing literature, it would be deduced that organizations' corporate social responsibility endeavors ought to have a conceptually mapping onto the organizations' corporate strategies. The organization's vision would be grafted to reflect the organization's intent that takes into consideration the social issues and emerging social forces that are to be discussed at the highest levels of management as part of overall strategic planning. The long-range planning and decision-making processes would be re-evaluated to fully understand their potential social consequences. This will call for a careful and continuous examination of the organization's cherished values to ensure that they are in tune with those of the society. The vision will reflect the organization's ethical perspective as accepting social responsibilities as an ethical obligation above any other consideration. The organization will also have these issues in its mission statement whereby appropriate stakeholder mapping would be paramount. This ensures that the organization recognizes and acknowledges its legitimate responsibilities to all stakeholders. This will involve their identification, weighing their relative ability to affect firm's success, understanding their specific claims vis-à-vis the company, and reconciling them and assigning them appropriate priorities.

The organization's corporate objectives would then draw from the mission and vision statements to ensure consistency and focus with respect to social responsibility issues. This requires the organization to assess its strengths and weaknesses in readiness for determination of its action on social responsibility. The objective will be indicative of top management's focus on the detection and scanning of, and response to, the social demands to achieve social legitimacy, greater social acceptance and prestige. The corporate management will take into account the social demands and integrates them in such a way that the business operates in accordance with social values. The organizational social responsibilities policies would be formulated, evaluated, and changed to achieve a dynamic equilibrium. This will go to an extent of appointing of staff executive responsible to the Head of CSR activities, budgeting fully for SR expenditures, setting up task forces, committees, special departments, and executives to handle social issues. The firm will have continuous interaction with its environment as much as possible in social activities with the objective and purpose of achieving mutual gain.

Finally, the organizational action plans would be focused on the coordination of social responsibility with other elements of the mission. They would be tailored towards aiding both governmental agencies and voluntary agencies in the social responsibility efforts by offering both technical and managerial support. Further, the action plans will be integrative enough so the organization solves social problems through its business activities.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

This was a descriptive study conducted through a census survey. Using this design information on characteristics of members of the entire population was obtained and studied. In establishing and determining the link between corporate strategy and corporate social responsibility, a census survey of all the companies listed on the Nairobi Stock Exchange was done. This design was appropriate because the number of members in the population is of manageable size (small i.e. 48 companies), which would not necessitate sampling and will ensure that no member of the population is left out. Through this design, the study was able to capture unique characteristics of specific companies. Gichana (2004) successfully adopted this design in a similar study.

3.2 Population

The population of study consists of all companies listed in the Nairobi Stock Exchange (NSE). This being a small population from varied fields of operations, all members of the population was studied and a census survey was thus appropriate for the study. There were 48 listed companies (Appendix II) according to the list obtained from the Nairobi Stock Exchange as at April 2006. The companies are scattered throughout all sectors of the economy and most of them have their headquarters located in Nairobi, which makes them easily accessible for data collection.

3.3 Data Collection

The study used primary data which was collected using a semi-structured questionnaire. The questionnaire consisted of both closed and open-ended questions and has four sections. Section one focused on organizational profile, section two focused on organizational corporate strategic planning, section three focused on social responsibility activities of the firms, and section four focused on data relating to the link between corporate strategy and corporate social responsibility. The questions were presented in form of statements on a 1-5 likert scale for respondents to score statements that describe how corporate social responsibility is linked to corporate strategy and how they perceived this link. The questionnaires were administered through mail (Post, e-mail, drop and pick). The respondents of the study were managers responsible for corporate strategy in the listed companies.

3.4 Data Analysis

Data obtained was analyzed using descriptive statistics. To establish how corporate social responsibility is linked to corporate strategy, frequencies and percentages of the statements describing the link was used. The frequencies and percentages were used to determine areas with high proportion of linkage between corporate strategy and CSR. From the same scores, means were calculated to determine how closely the two are linked. The higher the mean scores, the more closely they are linked and vice versa. The findings of the study was summarized and presented in tables.

CHAPTER FOUR: FINDINGS AND DISCUSSION

4.1 Introduction

This chapter contains summaries of data findings together with their possible interpretation. The chapter has been divided into four sections; company profile, organizational corporate planning, corporate social responsibility issues and link between CSR and corporate strategy. Forty eight (48) questionnaires were distributed to the respondents out of which thirty nine (39) responded. This gave a response rate of 81%.

4.2 Profile of Responded Organizations

The company profile considered in the study included year of incorporation, sector of the economy the organization operates in, nature of organization's operations and the year the company was listed in the Nairobi Stock Exchange.

4.2.1 Years in Operation

Table 4.1: Years in Operation

Years	Frequency	Percentage
00-10	2	6
11-20	1	3
21-30	6	19
31-40	7	22
41-50	6	19
51-60	3	9
61-70	2	6
71-80	3	9
81-90	2	6
Total	**32**	**100**

4.2.2 Respondents by Industry

This question required respondents to indicate the sector of the economy their firms were operating in. The objective of this question was to verify whether companies that linked CSR to corporate strategy cut across all sectors of the economy. As can be seen in table 4.2 below, the companies cut across a large representation of the economy, from Finance, Industry and trade, Agriculture, Transport, Information, Energy and Tourism. We can conclude that existence of the link between CSR and corporate strategy is not dependent on a particular industry.

Table 4.2: Sector of Economy

Sector of Economy	Frequency	Percentage
Finance	13	33
Industry & Trade	13	33
Agriculture	7	18
Transport	2	5
Information	1	3
Energy	2	5
Tourism	1	3
Total	**39**	**100**

From the findings 33% the organizations were operating in the finance sector, 33% in industry and trade, 18% agriculture, 5% in transport sector, 3% in information sector, 5% in the energy sector and 3% in the tourism sector.

4.2.3 Nature of Operations

The respondents were to indicate the nature of their organizations operations.

Table 4.3: Nature of Operations

Nature of your organization's operations	Frequency	Percentage
Transport	1	3
Service	20	51
Manufacture	14	36
Agriculture	4	10
Total	**39**	**100**

The findings indicate that 3% of the organizations provided transport, 51% services, 36% manufacturing and 10% agriculture.

4.2.4 Year of listing on the Nairobi Stock Exchange

Table 4.4: Year of listing on the Nairobi Stock Exchange

Year	Frequency	Percentage
2000 – 2006	3	9
1990 – 1999	8	24
1980 – 1989	2	6
1970-1979	11	33
1960-1969	3	9
1950 -1959	5	15
1940 – 1949	1	3
Total	**33**	**100**

4.3 Organizational Corporate Strategic Planning

(i) Introduction

Corporate social responsibility issues are deliberated upon at corporate level in any given organization. It, therefore, follows that an organization's corporate strategy ought to address these issues. Andrews (1971), defines corporate strategy as the pattern of major objectives, purposes, or goals and essential policies and plans for achieving those goals, stated in such a way as to define what business the company is in or is to be in and the kind of company it is or is to be. The organizational corporate planning attributes studied included; presence of a corporate planning department, presence of vision and mission statements, presence of explicitly stated corporate objectives, whether the organization conducts long term business planning, whether the planning process results into explicit/

formal organizational corporate strategic plans, time period covered by the strategic plans, the extent of implementing the programs once developed.

(ii) Purpose

The purpose of analyzing this aspect of business is to establish whether or not responding organizations conducted corporate strategic planning. The evidence of this role can only be seen if these organizations have a dedicated department handling corporate strategy.

Corporate strategic planning entails establishment of a vision and mission statement as a guide of focus and direction of where the organization wants to be as well as stating the purpose of the organization. The nature of planning in terms of period is an indicator of how serious corporate planning is being carried out.

The main challenge in corporate planning is operationalization of the plans. In this study, it was important to find out whether or not the objectives are explicitly stated and implemented.

Closed and open ended questions were put to respondents to derive answers to the issues above. Importance of implementing corporate plans was measured on a likert scale. Results and analysis of these questions can be seen in tables 4.5 and 4.6 and relevant explanations and interpretation against each table as shown below.

Table: 4.5: Presence of Corporate Planning Department, Vision and Mission statements and explicitly stated corporate objectives

Corporate planning Dept	Vision and mission	Explicit corporate objectives	Frequency	Percentage
YES	YES	YES	39	100

All the organizations that responded had a corporate planning department thus evidence that they all carried out corporate strategic planning. This leads us to establishing existence of a link between corporate strategy and CSR.

Similarly all the organizations that responded had a vision and mission statement, and explicitly stated corporate objectives indicative of the fact that there exists corporate planning within these organizations. This motivates further analysis to establish CSR practices and their link to corporate strategy.

4.3.2: Length of Planning

Table 4.6: Period Covered by the Strategic Plans

Time Period Covered by the Strategic Plans	Frequency	Percentage
1Yr -2 Yrs	17	44
3Yrs – 5Yrs	22	56
Total	**39**	**100**

Strategic plans covered between 1- 2 years in 44% of the organizations and 3-5 years in 56% of the organizations. Responding organizations stated that plans were implemented once they were developed to a very large extent with a mean score of 4.11. Most of the respondents were in close agreement on their views with a standard deviation of 0.33.

4.4 Corporate Social Responsibility

Analysis in this sub theme indicates that matters on CSR oscillate around planning, decision making and operating company policies. This conforms to Mosley's observation that corporate social responsibility has been viewed as management's obligation to set policies, make decisions and follow courses of action beyond the requirements of the law that are desirable in terms of the values and objectives of society (Mosley, 1996). Similarly, Mac lagan (1998) observes that this reference to managers brings into focus the point that key individuals will be instrumental in formulating and implementing companies' CSR policy: "CSR may be viewed as a process in which managers take responsibility for identifying and accommodating the interests of those affected by the organization's actions.

This part of this analysis seeks to establish whether or not the companies under study include CSR plans in their overall planning. Respondents were required to rate the extent to which CSR plans were implemented.

As evidence on whether or not CSR planning is carried out, respondents were asked to state on a likert scale the extent to which initial preparations and analyses are carried out in implementing CSR plans. These included business environment analysis, societal needs assessment, organizational internal analysis, societal cost benefit analysis, environmental impact analysis and budgetary allocations. As seen in table 4.9 all companies scored a mean score of more than 3.5 in all above areas except in budgetary allocations; this indicates that responding companies carry out to great extent initial preparations and analyses before planning for CSR.

Most CSR activities are carried out in response to impact of organization's activities on environment. In table 4.10 respondents were asked to score on a likert scale their organization's impact on air, water, land, and noise. As seen in the outcomes all responding organizations had an impact on air to a fairly large extent however the impact on water, land and noise was to a lesser extent.

All organizations in the study required to state how they funded CSR activities. In corporate planning budgets are drawn to meet set objectives. Evidence of such drawn budgets will be indicative of a link between corporate strategy and CSR.

The manner in which companies handle retrenchment programs, extent and nature of benefits offered to employees and policies around HIV/AIDS is another indicator of how organizations embrace CSR in so far as staff matters are concerned. In table 4.15 respondents demonstrated to a large extent that benefits were offered to employees. These included circumstantial leave, medical cover, insurance and competitive remuneration. Other benefits given but to a fairly lesser extent are housing, car loans and mortgage loans. These benefits are reflected in the organizations corporate strategy thus depicting a link between CSR and corporate strategy!

Table 4.16 indicates various measures adopted in dealing with HIV and AIDS, all of which are reflected in the responding companies' corporate objectives, again indicating a link between CSR and corporate strategy.

Ethics around advertisement of company products, participation in community service activities, and inbuilt mechanisms of handling customer complaints form areas of demonstrating CSR within organizations. On the other hand policies guiding on corrupt activities within the organization is another area of corporate citizenship, an aspect of CSR.

Table 4.17 indicates that organizations participated to a fairly large extent in community service by releasing their executives to participate in specific community projects, sponsorships, charity work as well as offering scholarships.

4.4.1 Whether the Organizational Corporate Strategic Plan include CSR Plan

Table 4.7: Whether the Organizational Corporate Strategic Plan include CSR Plan

Whether Corporate Strategic Plan include a CSR Plan	Frequency	Percentage
Yes	35	89
No	4	11
Total	**39**	**100**

The organizational corporate strategic plan included CSR plan in 89% of the firms. However, it was not included in 11% of the firms. This indicates that the organizational corporate strategic plan included CSR plan in majority of the firms. It is thus safe to state there is evident link between corporate strategy and CSR by this high percentage.

4.4.2 Nature of the Organizational Corporate Strategic Plan

Table 4.8: Nature of the Organizational Corporate Strategic Plan

Nature of the Plan	Frequency	Percentage
Formal/Explicit	35	89
Informal/Implicit	4	11
Total	**39**	**100**

The plans were formal/ explicit in 89% of the firms and informal in 11% of the firms. Thus, majority of the firms had formal organizational strategic plans.

4.4.3 Initial Preparations and Analysis

Before undertaking CSR, plans the organizations undertake initial preparations and analysis. The respondents were to rate the extent to which this were done.

Table 4.9: Initial Preparations and Analysis

	Mean Score	Std Dev
Business environmental analysis	3.89	0.60
Societal needs assessment	3.89	1.05
Organizational internal analysis	3.78	0.83
Social cost-benefit analysis	3.78	0.83
Environmental impact analysis	3.56	1.13
Budgetary allocations	3.44	1.01

Business environmental analysis (3.89), societal needs assessment (3.89), organizational internal analysis (3.78), social cost-benefit analysis (3.78), environmental impact analysis (3.56) were done to large extent. While budgetary allocations (3.44) were done to moderate extent.

4.4.4 Impact of Organization's Operations on Physical Environmental Components

The respondents were to rate the impact of their organization's operations on the physical environmental components.

Table 4.10: Impact of Organization's Operations on Physical Environmental Components

	Mean Score	Std Dev
Air	2.67	1.66
Water	1.67	0.71
Land	1.56	0.73
Noise	1.56	0.73

To a fairly large extent (2.67) the operations had an impact on the air. On the other hand, the impact on water (1.67), land (1.56) and noise (1.56) was to a less extent.

4.4.5 The Extent the Organizations put Measures in Place to address the Impact of their Operations on Physical Environment

The respondents were to rate the extent their organizations put measures in place to address the impact of the operations on environmental components

Table 4.11: The Extent the Organizations put Measures in place to address the Impact of their Operations on Physical Environment

	Mean Score	Std Dev
Air	2.89	1.27
Water	2.33	1.00
Noise	2.33	1.12
Land	2.22	1.09

To a fairly large extent (2.89) measures were put in place for the impact of the organizations activities on air. While to a less extent, measures were put in place for the impact of the organizations activities on water (2.33), noise (2.33) and land (2.22).

4.4.6 Presence of Organizations Corporate Strategies and Objectives with Regard to Impact Created on Environmental Components

Table 4.12: Presence of Organizations Corporate Strategies and Objectives with Regard to Impact Created on Environmental Components

	Frequency	Percentage
Yes	30	78
No	9	22
Total	**39**	**100**

78% of the organizations had corporate strategies and objectives with regard the impact of their activities on the environmental components, while the remaining 22% did not have corporate strategies and objectives with regard the impact of their activities on the environmental components.

4.4.7 Funding of the Measures on Environmental Components

Table 4.13: How the organizations fund the measures on Environmental Components

How organization funds the above measures	Frequency	Percentage
Providing for them in the budget	25	64
Pays for them as contingencies	6	15
Pays for from profits	8	21
Total	**39**	**100**

Measures on the environmental components were funded by providing for them in the budget (64%), as contingencies (15%) and from profits (21%).

4.4.8 How Organizations handle retrenchment

The respondents were to rate the extent the organizations used the following ways to deliver the downsizing/ retrenchment message and the reflection of the programs in the organization's corporate strategy.

Table 4.14: Retrenchment program message

	Mean Score	Std Dev
Retraining of the employees	2.11	1.36
Guiding and counseling	2.11	1.54
Offering redundancy package	2.11	1.54
The extent to which programs reflected in the organization's corporate strategy	2.22	1.48

Retraining of the employees (2.11), guiding and counseling (2.11) and offering redundancy package (2.11) was used and reflected in the organization's corporate strategy to a less extent.

4.4.9 Benefits Offered to Employees

The respondents were to rate the extent to which their organizations offered the following benefits to its employees.

Table 4.15: Benefits offered to employees

	Mean Score	Std Dev
Circumstantial leave	4.00	0.87
Medical cover	3.78	0.44
Insurance cover	3.78	0.67
Competitive remuneration	3.78	0.97
Housing	3.44	0.88
Car loans	3.33	1.22
Mortgage loans	3.11	1.36
The extent benefits are reflected in the organization's corporate strategy	**3.78**	**0.83**

Circumstantial leave (4.00), medical cover (3.78), insurance cover (3.78), competitive remuneration (3.78) were offered to employees to a large extent. However, to fairly large extent the employees were provided by housing (3.44), car loans (3.33) and mortgage loans (3.11). These benefits were to a large extent reflected in the organizations corporate strategy.

4.4.10 Measures Adopted by the Organizations in Dealing with HIV/ Aids Pandemic

The respondents were to rate how the organizations had adopted ways to deal with HIV/ AIDS pandemic.

Table 4.16: Measures adopted by the organization in dealing with HIV/ Aids Pandemic

	Mean Score	Std Dev
Assuring victims of job security	3.22	1.20
Having anti-discriminatory policy	2.67	1.22
Offering free guidance, counseling and testing	2.44	1.24
Provision of free ARVs	2.33	1.32
The extent the above ways reflected in the organization's corporate strategy	3.33	0.87

To a fairly large extent the organizations assured victims of job security (3.22) and had anti-discriminatory policy (2.67). To a less extent, the organizations offered free guidance, counseling and testing (2.44) and provided free ARVs (2.33). These were reflected to a large extent (3.33) in the organizations corporate strategy.

4.4.11 Organizations Involvement in Community Service

The respondents were to rate the extent of the organizations involvement in community services.

Table 4.17: Organization involvement in community service

	Mean Score	Std Dev
Release executives from the firm to participate in specific community projects	3.22	1.09
Sponsor awareness campaigns e.g. for HIV/AIDS	3.11	1.17
Participate and/or sponsor walks e.g. freedom from hunger walks	3.11	1.36
Supporting any charities e.g. children's homes	2.89	1.17
Offering scholarships to needy students in society	2.44	1.13
The extent the above services reflected in the organization's corporate strategy	3.33	1.00

To a fairly large extent the organizations released the executives from the firms to participate in specific community projects (3.22) sponsored awareness campaigns (3.11) and participated / sponsored walks (3.11). While to a less extent, the organizations sponsored charities (2.89) and offered scholarships to needy students in the society (2.44). These were reflected to a fairly large extent in the organizations corporate strategy (3.33).

4.4.12 In-built Channels of Dealing with Consumer Complaints

The respondents were to indicate whether their organizations had in-built channels of dealing with consumer complaints

Table 4.18: Presence of In-built Channels of Dealing with Consumer Complaints and policies on corrupt practices

Channels for complaints	Policy on corruption	Frequency	Percentage
YES	YES	35	89
NO	NO	4	11

In 89% of the organizations, there were in-built channels of dealing with consumer complaints. In the same percentage there exist policies against corrupt practices. This analysis confirms that the responding organizations have CSR practices imbedded in their operations.

4.5 Link between CSR and Corporate Strategy

(i) Introduction

This formed the crux of the matter in this study. The table below shows evidently existence of a link between CSR and corporate strategy. The responding organizations all strongly confirmed existence of this link.

The respondents were to rate by agreeing or disagreeing with the following statements describing the link between corporate social responsibility and the organization's corporate strategy.

Table 4.19: Link between CSR and Corporate Strategy

	Mean Score	Std Dev
The organization assesses its strengths and weaknesses in readiness for determination of its action on social responsibility	4.44	0.73
The top management focuses on the detection and scanning of, and response to the social demands to achieve social legitimacy	4.44	1.01
There is effective coordination of responsibilities with other elements of the mission of the organization	4.33	0.71
The organization provides fully and adequately for social responsibilities in its budgets	4.33	0.71
The organization does appropriate stakeholder mapping to recognize and acknowledge the legitimate responsibilities to all stakeholders	4.33	0.71
The organization formulates, evaluates, and changes its social responsibility policies to achieve a dynamic equilibrium	4.33	0.71
Organizational corporate objectives are always consistent and focused with respect to social responsibility	4.33	0.71
The organization has appointed staff executives responsible to the head of corporate social responsibility activities	4.33	0.71
Long-term strategies of the organization are developed in relation to Corporate Social Responsibility	4.33	1.00
The top management of the organization does a continuous examination of organizational values to ensure they are in line with those of society	4.33	1.00
Organizational business strategies incorporate within them some business activities that contribute towards solving social problems	4.22	0.67
The top management re-evaluates its long-term planning and decision-making processes to fully understand their potential social consequences	4.22	0.97
The organization has set up task forces, committees, special departments, and executives to specifically handle social issues	4.22	0.97
Social issues and emerging social forces are discussed at the highest level of management as part of overall strategic planning	4.11	0.60
The organization's vision of the corporate social responsibility is taken from an ethical perspective and integrated in the organization's overall vision	4.11	0.60
All the social programmes, services, and involvements of the organization are reflected in the organization's corporate strategy	4.00	0.87

The respondents strongly agreed with the above statements as describing the link between corporate social responsibility and the corporate strategy.

4.6 DISCUSSION

Organizational Corporate Planning

Corporate social responsibility issues are deliberated upon at corporate level in an organization. It, therefore, follows that an organization's corporate strategy ought to address these issues. Andrews (1971), defines corporate strategy as the pattern of major objectives, purposes, or goals and essential policies and plans for achieving those goals, stated in such a way as to define what business the company is in or is to be in and the kind of company it is or is to be. The findings indicate that, all the organizations had a corporate planning department, a vision and mission statement, explicitly stated corporate objectives, conducted long-term business planning which were considered very important to the organizations. The planning process resulted into explicit/ formal organizational corporate plans in all the organizations which to a great extent were implemented once developed.

Corporate Social Responsibility

Corporate social responsibility has been viewed as management's obligation to set policies, make decisions and follow courses of action beyond the requirements of the law that are desirable in terms of the values and objectives of society (Mosely, 1996). Maclagan (1998) observes that this reference to managers brings into focus the point that key individuals will be instrumental in formulating and implementing companies' CSR policy: "CSR may be viewed as a process in which managers take responsibility for identifying and accommodating the interests of those affected by the organization's actions. From the findings, corporate social responsibility department was present in all the firms, formal / explicit organizational corporate strategic plan was included CSR plan in majority of the firms. The initial preparations and analysis done by the organizations were; business environmental analysis, societal needs assessment, organizational internal analysis, social cost-benefit analysis, environmental impact analysis and budgetary allocations.

Johnson and Scholes (2004),to below legal standards if competitors are not doing so; products i.e. danger arising from the careless use of products by consumers and quality of the products; markets and marketing i.e. deciding not to sell in some markets; advertising standards; suppliers i.e. fair terms trade, blacklisting suppliers; employment i.e. positive discrimination in favor of minorities, maintaining jobs, etc. state that external aspects concern outsiders i.e. all other individuals or groups affected by the actions of the firm. This extremely large and often amorphous set of stakeholders makes the general demand that the company be socially responsible. The aspects will include among other, the green issues i.e. reducing pollution. The organization's operations on physical environmental components fairly affected on the air and to a less extent on water, land and noise. To curb the impact on the physical environment the organizations largely put measures in place for the impact of the organizations activities on air and to a less extent the impact of the organizations activities on water, noise and land. Most of the organizations had corporate strategies and objectives with regard the impact of their activities on the environmental components, which were mainly funded by providing for them in the budget and as contingencies.

From the findings a few firms had carried out retrenchment or downsizing. To a less extent this were communicated to the employees through retraining of the employees, guiding and counseling and offering redundancy package, this were reflected in the organization's corporate strategy to a less extent. The benefits mainly offered to the employees were circumstantial leave, medical cover, insurance cover and competitive remuneration. However, to fairly large extent the employees were provided by housing, car loans and mortgage loans. These benefits largely reflected in the organizations corporate strategy. According to Johnson and Scholes (2004), point out that internal aspects concern insiders, i.e. individuals and groups who are either stockholders or employees of the firm. The aspects include among others, employee welfare which relates to provision of medical care, assistance with mortgages, extended sick leave, assistance for dependants, etc; working conditions which relate to enhancement of working surroundings, social and sporting clubs, above minimum safety standards, etc; job design i.e. designing jobs to the increased satisfaction of workers than for economic efficiency; intellectual property i.e. respecting and not claiming corporate ownership of the private knowledge of individuals, etc; largest possible returns i.e. dividends and increase share/stock value, etc.

The main measures adopted by the organization in dealing with HIV/ Aids pandemic were assuring victims of job security and anti-discriminatory policy. Other measures adapted to a less extent were, free guidance, counseling and testing and provision of free ARVs. These measures were reflected to a large extent in the organizations corporate strategy. To a fairly large extent the organizations released the executives from the firms to participate in specific community projects sponsored awareness campaigns and participated / sponsored walks. While to a less extent, the organizations sponsored charities and offered scholarships to needy students in the society. These were reflected to a fairly large extent in the organizations corporate strategy.

All the organizations advertised their products and to a large extent the organization had put measures in place to ensure that advertisement of its products/ services were truthful and fair and reflected in most of the organization's corporate strategy. In majority of the organizations, there were in-built channels of dealing with consumer complaints and policy against corrupt practices which were clearly spelt out as one the corporate objectives of the organizations.

Link between CSR and Corporate Strategy

It could be argued that the motivation for engaging in CSR is always driven by some kind of self-interest (Moon, 2001), regardless of whether the activity is strategically driven for commercial purposes alone, or whether it is also partly driven by what appears, at least superficially, as altruistic concern. As Rollison (2002) observes, "...it is always difficult to tell whether behaving ethically towards external stakeholders is prompted by altruism or self-preservation". Of the corporate motives considered, Hemingway and Maclagan (2004) point out that the strategic theory of the firm perspective, incorporating corporate image management and the need to facilitate the integration of a global workforce, would seem to represent business self-interest and can be contrasted with the possibility of an altruistic impulse among business leaders or managers. They, however, note that the relationship between altruism and self-interest is complex.

The respondents strongly agreed that the following statements were describing the link between corporate social responsibility and the corporate strategy. the organization assessed its strengths and weaknesses in readiness for determination of its action on social responsibility, the top management focused on the detection and scanning of, and response to the social demands to achieve social legitimacy, there was effective coordination of responsibilities with other elements of the mission of the organization, the organization provided fully and adequately for social responsibilities in its budgets, the organization did appropriate stakeholder mapping to recognize and acknowledge the legitimate responsibilities to all stakeholders, the organization formulated, evaluated, and changed its social responsibility policies to achieve a dynamic equilibrium, organizational corporate objectives were always consistent and focused with respect to social responsibility, the organization had appointed staff executives responsible to the head of corporate social responsibility activities, long-term strategies of the organization are developed in relation to Corporate Social Responsibility, the top management of the organization does a continuous examination of organizational values to ensure they are in line with those of society, organizational business strategies incorporate within them some business activities that contribute towards solving social problems, the top management re-evaluates its long-term planning and decision-making processes to fully understand their potential social consequences, the organization has set up task forces, committees, special departments, and executives to specifically handle social issues, social issues and emerging social forces are discussed at the highest level of management as part of overall strategic planning, the organization's vision of the corporate social responsibility was taken from an ethical perspective and integrated in the organization's overall vision and all the social programs, services, and involvements of the organization are reflected in the organization's corporate strategy.

CHAPTER FIVE: CONCLUSION AND RECOMMENDATION

5.1 Introduction

This chapter gives the conclusions gathered from analysis of data. Findings have been summarized alongside the objectives of the study, conclusions have been drawn from the study and the recommendations are given.

5.2 Conclusion

All the organizations had a corporate planning department, a vision and mission statement, explicitly stated corporate objectives, conducted long-term business planning which were considered very important to the organizations. The planning process resulted into explicit/ formal organizational corporate plans in all the organizations which to a great extent were implemented once developed.

Corporate social responsibility department was present in all the firms, formal / explicit organizational corporate strategic plan included CSR plan in majority of the firms. The initial preparations and analysis done by the organizations were; business environmental analysis, societal needs assessment, organizational internal analysis, social cost-benefit analysis, environmental impact analysis and budgetary allocations.

The impact of organization's operations on physical environmental components fairly affected on the air and to a less extent on water, land and noise. To curb the impact on the physical environment the organizations largely put measures in place for the impact of the organizations activities on air and to a less extent the impact of the organizations activities on water, noise and land. Most of the organizations had corporate strategies and objectives with regard the impact of their activities on the environmental components, which were mainly funded by providing for them in the budget and as contingencies.

A few firms had carried out retrenchment or downsizing. To a less extent this was communicated to the employees through retraining of the employees, guiding and counseling and offering redundancy package, this was reflected in the organization's corporate strategy to a less extent. The benefits mainly offered to the employees were circumstantial leave, medical cover, insurance cover and competitive remuneration.

The main measures adopted by the organization in dealing with HIV/ Aids pandemic were assuring victims of job security and anti-discriminatory policy. Other measures adapted to a less extent were, free guidance, counseling and testing and provision of free ARVs. These measures were reflected to a large extent in the organizations corporate strategy. To a fairly large extent the organizations released the executives from the firms to participate in specific community projects, sponsored awareness campaigns and participated / sponsored walks. While to a less extent, the organizations sponsored charities and offered scholarships to needy students in the society. These were reflected to a fairly large extent in the organizations corporate strategy.

All the organizations advertised their products and to a large extent the organization had put measures in place to ensure that advertisement of its products/ services were truthful and fair and reflected in most of the organization's corporate strategy. In majority of the organizations, there were in-built channels of dealing with consumer complaints and policy against corrupt practices which were clearly spelt out as one the corporate objectives of the organizations.

5.3 Recommendations

It is clear from the findings that there exists a link between corporate social responsibility and corporate strategy in the sample of companies studied. Analyses of the findings have clearly indicated how seriously the concept of Social Responsibility is considered by the studied companies and as such provides a basis for objective judgment of the nature of their “Social Contract”. This study confirms what Cohen (2002) observes, that businesses need to introduce explicit processes to make sure that social issues and emerging social forces are discussed at the highest levels as part of overall strategic planning.

5.4 Suggestions for Further Research

(i) The study above looked at existence of the link in companies listed on the Nairobi stock exchange. A good number of these firms are multinationals or privately owned firms. It is recommended that other category of firms e.g. government owned firms or firms in different industries are studied to ascertain if this outcome varies or not.

(ii) There is need to have a study looking into ‘’relationship between corporate social responsibility and some of the corporate strategies’’. For instance, having seen through this study that there is evident link between CSR and Corporate strategy, we can now further the study to see the relationship between CSR and Company profitability and/or brand entrenchment.

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8. Does the organization have Vision and Mission statements? (Tick)

Yes [ ] No [ ]

9. Does the organization have explicitly stated corporate objectives? (Tick)

Yes [ ] No [ ]

10. Does your organization conduct long-term business planning? (Tick)

Yes [ ] No [ ]

11. If Yes in (10) above, indicate how important long-term planning is to your organization.

[1]	[2]	[3]	[4]	[5]
Not important at all	Limited importance	Important	Very important	Essential

12. Does the planning process result into explicit/formal organizational corporate strategic plans? (Tick)

Yes [ ] No [ ]

13. What time period do the strategic plans cover? (Tick)

1Yr -2 Yrs [ ] 3Yrs – 5Yrs [ ] Over 5 Yrs [ ]

14. To what extent are the plans implemented once they are developed? Indicate below as appropriate.

[1]	[2]	[3]	[4]	[5]
To no extent at all	To a less extent	To a fairly large extent	To a large extent	To a very large extent

Section III: Corporate Social Responsibility Issues

15. Does the organization have a Corporate Social Responsibility department? (Tick)

Yes [ ] No [ ]

16. Who heads this department? (if any) (State title)________________________

____

17. Does the organizational corporate strategic plan include a Corporate Social Responsibility Plan? (Tick)

Yes [ ] No [ ]

18. If Yes in (17) above, is the plan: (Tick)

Formal/Explicit [ ]

Informal/Implicit [ ]

19. To what extent is the CSR plan implemented? Indicate below as appropriate.

[1] To no extent at all

[2] To a less extent

[3] To a fairly large extent

[4] To a large extent

[5] To a very large extent

20. Following are some of the initial preparations and analyses the organization could do before undertaking the plan in (17) above (if any). Indicate the extent to which each is done using the scale below.

1-Not done at all; **2**-Done to a less extent; **3**-Done to a fairly large extent; **4**-Done to a large extent; **5**-Done to a very large extent

i. Business environmental analysis	[1]	[2]	[3]	[4]	[5]
ii. Organizational internal analysis	[1]	[2]	[3]	[4]	[5]
iii. Societal needs assessment	[1]	[2]	[3]	[4]	[5]

iv. Budgetary allocations	[1]	[2]	[3]	[4]	[5]
v. Environmental impact analysis	[1]	[2]	[3]	[4]	[5]
vi. Social cost-benefit analysis	[1]	[2]	[3]	[4]	[5]

Others (specify)____

____

____

21. Below are some of the physical environmental components. To what extent do your organization's operations/activities impact on them? Indicate using the scale below against each.

1-Not at all; **2**- Less extent; **3**- Fairly large extent; **4**- Large extent;

5-Very large extent

How does the organization's activities/operation impact on the following?

i. Air	[1]	[2]	[3]	[4]	[5]
ii. Water	[1]	[2]	[3]	[4]	[5]
iii. Land	[1]	[2]	[3]	[4]	[5]
iv. Noise	[1]	[2]	[3]	[4]	[5]

Others (specify)____

____

22. With regard to the impact created above in any of the environmental components, to what extent has your organization put measures in place to address the impact indicated in (21) above?

Air	[1]	[2]	[3]	[4]	[5]
Water	[1]	[2]	[3]	[4]	[5]
Land	[1]	[2]	[3]	[4]	[5]
Noise	[1]	[2]	[3]	[4]	[5]

Others (specify)____

____

23. Does your organization have corporate strategies and objectives with regard to the issues in (22) above? (Tick)

Yes [ ]   No [ ]

24. Indicate how your organization funds the above measures.

i. Providing for them in the budget [ ]

ii. Pays for them as contingencies [ ]

iii. Pays for from profits (if any) [ ]

Any other way (specify)____

____

____

25. How many employees does your organization have? (approximately) (Tick)

Less than 500 [ ]

501-1000 [ ]

1001 and over [ ]

26. Has your organization recently carried out retrenchment and downsizing? (Tick)

Yes [ ] No [ ]

27. To what extent did your organization use the ways below to deliver the program message to the employees concerned. Indicate by scoring against each way.

1-Not at all; **2**- Less extent; **3**- Fairly large extent; **4**- Large extent;

5-Very large extent

i. Retraining of the employees	[1]	[2]	[3]	[4]	[5]
ii. Guiding and counselling	[1]	[2]	[3]	[4]	[5]
iii. Offering redundancy package	[1]	[2]	[3]	[4]	[5]

Other (specify)____

____

____

28. To what extent are the above programs reflected in the organization's corporate strategy? [1] [2] [3] [4] [5]

29. Below are some of the benefits an organization can offer to its employees. Indicate the extent to which your organization offers them to its employees

i.	Medical cover	[1]	[2]	[3]	[4]	[5]
ii.	Insurance cover	[1]	[2]	[3]	[4]	[5]
iii.	Housing	[1]	[2]	[3]	[4]	[5]
iv.	Competitive remuneration	[1]	[2]	[3]	[4]	[5]
v.	Car loans	[1]	[2]	[3]	[4]	[5]
vi.	Mortgage loans	[1]	[2]	[3]	[4]	[5]

vii. Circumstantial leave

(E.g. Maternity, sick, study) [1] [2] [3] [4] [5]

Other fringe benefits (specify) ________________________________

____

____

____

30. To what extent are the above benefits (if any) reflected in the organization's corporate strategy? [1] [2] [3] [4] [5]

31. Following are some of the ways an organization can deal with HIV/AIDS pandemic. Indicate the extent to which your organization has adopted each of them within itself using the scale below.

1-Not at all; **2-** Less extent; **3-** Fairly large extent; **4-** Large extent**;**

5-Very large extent

i. Provision of free ARVs [1] [2] [3] [4] [5]

ii. Offering free guidance, counselling, and testing [1] [2] [3] [4] [5]

iii. Assuring victims (if any) of job security [1] [2] [3] [4] [5]

iv. Having anti-discriminatory policy [1] [2] [3] [4] [5]

Others (specify)____

____

____

32. To what extent are the above ways reflected in the organization's corporate strategy? [1] [2] [3] [4] [5]

33. Following are some of the community services the an organization can get involved in. To what extent has your organization been involved in each of them?

i. Offering scholarships to needy students in society	[1]	[2]	[3]	[4]	[5]
ii. Supporting any charities e.g children's homes	[1]	[2]	[3]	[4]	[5]
iii. Release executives from the firm to participate in specific community projects	[1]	[2]	[3]	[4]	[5]
iv. Sponsor awareness campaigns e.g for HIV/AIDS	[1]	[2]	[3]	[4]	[5]
v. Participate and/or sponsor walks e.g freedom from hunger walks	[1]	[2]	[3]	[4]	[5]

Others (specify)____

____

____

____

34. To what extent are the above services reflected in the organization's corporate strategy? [1] [2] [3] [4] [5]

35. Does your organization advertise its products/services? (Tick)

Yes [ ] No [ ]

36. If Yes in (35) above, to what extent has your organization put measures in place to ensure that advertisement of your products/services is truthful and fair?

[1] [2] [3] [4] [5]

38. Have the measures above been reflected in the organization's corporate strategy?

(Tick) Yes [ ] No [ ]

39. Does your organization have any in-built channels of dealing with consumer complaints? (Tick) Yes [ ] No [ ]

40. Are the above channels (if any) outlined in the organization's corporate strategy?

(Tick) Yes [ ] No [ ]

41. Do you have any policy against corrupt practices in the organization? (Tick)

Yes [ ] No [ ]

42. Is the policy above (if any) clearly spelt out as one of your corporate objectives?

(Tick) Yes [ ] No [ ]

Section IV: Link between CSR and Corporate Strategy

43. Following are statements describing the link between Corporate Social Responsibility and your organization's corporate strategy. Indicate the degree to which you agree or disagree with each of the statements by scoring against each statement as per guidelines in the scale below.

1- Strongly Disagree; **2-** Disagree **3-** Neither agree nor disagree

4- Agree **5-** Strongly Agree

a. Long-term strategies of the organization are developed in relation to Corporate Social Responsibility [1] [2] [3] [4] [5]

b. Social issues and emerging social forces are discussed at the highest level of management as part of overall strategic planning. [1] [2] [3] [4] [5]

c. The organization does appropriate stakeholder mapping to recognize and acknowledge the legitimate responsibilities to all stakeholders [1] [2] [3] [4] [5]

d. Organizational corporate objectives are always consistent and focused with respect to social responsibility [1] [2] [3] [4] [5]

e. There is effective coordination of responsibilities with other elements of the mission of the organization. [1] [2] [3] [4] [5]

f. The top management of the organization does a continuous examination of organizational values to ensure they are in line with those of society [1] [2] [3] [4] [5]

g. The top management re-evaluates its long-term planning and decision-making processes to fully understand their potential social consequences. [1] [2] [3] [4] [5]

h. Organizational business strategies incorporate within them some business activities that contribute towards solving social problems. [1] [2] [3] [4] [5]

i. The organization assesses its strengths and weaknesses in readiness for determination of its action on social responsibility. [1] [2] [3] [4] [5]

j. The organization formulates, evaluates, and changes its social responsibility policies to achieve a dynamic equilibrium [1] [2] [3] [4] [5]

k. The organization has appointed staff executives responsible to the head of corporate social responsibility activities. [1] [2] [3] [4] [5]

l. The organization provides fully and adequately for social responsibilities in its budgets. [1] [2] [3] [4] [5]

m. The organization has set up task forces, committees, special departments, and executives to specifically handle social issues. [1] [2] [3] [4] [5]

n. The top management focuses on the detection and scanning of, and response to the social demands to achieve social legitimacy. [1] [2] [3] [4] [5]

o. The organization's vision of the corporate social responsibility is taken from an ethical perspective and integrated in the organization's overall vision. [1] [2] [3] [4] [5]

p. All the social programmes, services, and involvements of the organization are reflected in the organization's corporate strategy. [1] [2] [3] [4] [5]

Thank You Very Much For Your Cooperation

Appendix II: Companies Listed on the Nairobi Stock Exchange as at March 2006.

1. Uniliver Tea Kenya Ltd.
2. Kakuzi
3. Rea Vipingo Plantations Ltd.
4. Sasini Tea and Coffee Ltd.
5. Car & General (K) Ltd.
6. CMC Holdings Ltd.
7. Hutchings Biemer Ltd.
8. Kenya Airways Ltd.
9. Marshalls (E.A) Ltd.
10. Nation Media Group
11. TPS Eastern Africa Ltd.
12. Uchumi Supermarket Ltd.
13. Barclays Bank Ltd.
14. CFC Bank Ltd.
15. Diamond Trust Bank Kenya Ltd.
16. Housing Finance Company Ltd.
17. ICDC Investments Co. Ltd.
18. Jubilee Holdings Ltd.
19. Kenya Commercial Bank Ltd.
20. National Bank of Kenya Ltd.
21. NIC Bank Ltd.
22. Pan Africa Insurance Holdings Ltd.
23. Standard Chartered Bank Ltd.
24. Athi River Mining
25. BOC Kenya
26. Bamburi Cement Ltd.
27. British American Tobacco Kenya Ltd.
28. Carbacid Investments Ltd.

29. Crown Berger Ltd.
30. Olympia Capital Holdings Ltd.
31. E.A Cables Ltd.
32. E.A Portland Cement Ltd.
33. East African Breweries Ltd.
34. Sameer Africa Ltd.
35. Kenya Oil Co. Ltd.
36. Mumias Sugar Co. Ltd.
37. Kenya Power and Lighting Co. Ltd.
38. Total Kenya Ltd.
39. Unga Group Ltd.
40. A. Baumann & Co. Ltd.
41. City Trust Ltd.
42. Eaagads Ltd.
43. Express Ltd.
44. Williamson Tea Kenya Ltd.
45. Kapchorua Tea Co. Ltd.
46. Kenya Orchads Ltd.
47. Limuru Tea Co. Ltd
48. Standard Group Ltd.