

**CORPORATE SOCIAL RESPONSIBILITY AT SAFARICOM  
LIMITED**

BY

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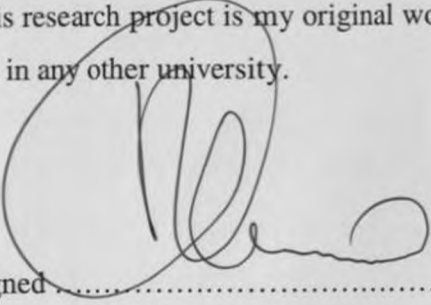
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## DECLARATION

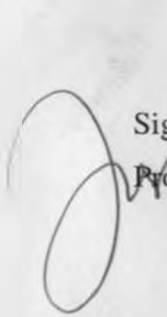
This research project is my original work and has not been submitted for a degree in any other university.

Signed  Date 25/10/07

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D61/P/8650/03

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

Signed  Maalu Date 15/11/07

Professor E. Aosa

## DEDICATION

My husband and friend, IMO.

## ACKNOWLEDGEMENT

Many people have greatly assisted me in one way or another in accomplishing this research. Some of them deserve special mention.

I sincerely thank my supervisor, Professor Aosa, for his dedication to excellence. His guidance, insights, comments and criticisms shaped my thinking and commitment, to pursue excellence in this research. Thank you very much Professor.

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## ABSTRACT

Corporate social responsibility is a concept that is receiving a lot of attention the world over today. Business leaders are aware of the publicity surrounding this issue that non of them can ignore it. Safaricom Limited is one of the fastest growing companies in the region and with its clientele base close to 20% of the Kenya population, it is truly impacting on the lives of Kenyans in one way or another. It is no wonder the researcher established that the company is very much aware of this fact and it is committed to impacting on the lives of Kenyans positively beyond its business mandate.

This study had two objectives, to establish the CSR practices at Safaricom limited and the management rationale for the choices made. To achieve this, personal interviews with senior management were carried out with the help of an interview guide., where the position holders were not present, help was sought from immediate assistants.

It was established that Safaricom Limited is involved in CSR. The main areas of focus were in staff welfare, education, community development , the environment, Health, disaster funding and arts, culture and sports. It was also established that the company is committed to CSR from top to bottom, to demonstrate this commitment; the company has established a foundation through which all CSR activities are carried out and any efforts by staff are matched by the company. The researcher found out that CSR is a key component of both the corporate and business strategies of the company. The CSR

activities are guided by the needs of the society in which it operates and the wider national objectives of the hosting country.

The management of Safaricom Limited view CSR as a key component of their business success. Safaricom is involved in CSR as they view issues affecting the society as part of the issues affecting them as a business, they believe an empowered society is good for business. One of the key hallmarks of Safaricom's CSR, the study established, is the appreciation by the company for success, and in this regard, the company seeks to establish partnerships with like minded organizations, private, public and non governmental who have competencies in the various sectors in the implementation of CSR activities.

The study concluded that, the company is involved in CSR activities that are aimed at empowering society with the hope of a better society for tomorrow, this essentially having a generic social impact, and through this, the company may grow to truly have a CSR program that can create competitive advantage for the firm as it benefits society.

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## CHAPTER 1: INTRODUCTION

### 1.1 Background

#### 1.1.1 The Concept of Corporate Social Responsibility

Corporate social responsibility (CSR) has been the subject of discussion for the last couple of decades. In the 19<sup>th</sup> century, individuals in business involved themselves with society through philanthropic activities. However, attention started shifting slowly after the first world war and discussions on the same begun in a more formal manner. For a period of time, the society was content with business `doing no harm` but the case the world over at present is pressure and more pressure for companies to do more especially in the wake of the massive resources at their disposal and threatening societal issues that need urgent attention (Steiner,1974). CSR is emerging as one of the most dynamic, challenging and complex subject business leaders face today, and it's arguably the most critical (A & C Black 2006).

The growth of the world economy has resulted in the world being a global village literally. There is a massive movement of human resources, raw materials, goods and information across the globe, this has made business and organizations to become global institutions. This also means that business organizations have huge resources and some organizations have profits much more than the GDP of some countries. With these huge resources at its disposal, business is being urged to do more (Porter & Kramer 2006).

Most organizations are awakening to the reality that society is watching and keenly monitoring their business activities or otherwise. The media, activists, customers and

even governments are holding companies accountable for their activities. Never mind that these companies are providing employment and paying huge sums of money in taxes. Corporate social responsibility has become a new battle ground for corporations the world over (Porter & Kramer 2006).

The heightened interest on how companies are operating besides profits may be due to recent developments in the information technology industry (ICT) or the rapid globalization of business and society or just a more forceful consumer group. Linked to it directly are the social impacts of company operations especially in areas of environmental management. It is becoming increasingly worrisome that the impact of pollution is going to threaten mankind not far into the future. Globalization of markets in recent times means that goods produced in one continent may find a huge market in another continent, and customers are concerned on how the process of production is managed and the general social welfare of employees, environment and the society around the firms and at large. Product boycotts and public outcry are becoming common where organizations are perceived not to be doing enough in this area. This therefore necessitates that every organization behaves above reproach in both its processes, management and relationships.

There have been many definitions for corporate social responsibility. CSR is concerned with the ways in which an organization exceeds the minimum obligations to stakeholders specified through regulation and corporate governance (Johnson and Scholes 2002). They categorize CSR issues into internal and external to the organization. Internal aspects

include; employee welfare, working conditions, job design and intellectual property. External aspects include; green issues, products, markets and marketing, suppliers, employment and community activities.

The Committee for Economic Development (CED 1971), an old organization of prominent business leaders throughout the USA issued a statement which stated that business functions by public consent, and its basic purpose is to serve constructively the needs of society- to the satisfaction of society. The report continued to say that society today has broadened its expectations of business into what may be described as three concentric circles of responsibilities; the inner circle includes the clear cut basic responsibility for the efficient execution of the economic function- products, jobs and economic growth. The intermediate circle encompasses responsibility to exercise this economic function with a sensitive awareness of changing social values and priorities , for instance, with respect to environmental conservation, hiring, and relations with employees; more rigorous expectations of customers for information, fair treatment and protection from injury. The outer circle outlines newly emerging and still amorphous responsibilities that business should assume to become more broadly involved in actively improving the social environment.

The world business council defines CSR as the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large.

Corporate social responsibility is one area that companies are using to gain competitive advantage in the market place. Mulwa (2002) observed that banks that were perceived to be socially responsible were liked and preferred by Nairobi residents. Porter and Kramer (2006) outlined the link between CSR and competitive advantage. Gichana (2004) found out that companies quoted on the Nairobi Stock Exchange were involved in CSR.

Evidently, CSR has become an important aspect of any organization yet for decades, there has not been consensus on the way forward. Organizations are groping to find their footing in the area, and some end up spending money on projects that have not been thought through. In the west, companies are releasing social responsibility audits on issues of community, environment and society at large. There are many organizations like the very respected and powerful Dow Jones sustainable index, and the prominent FTSE4Good Index now ranking companies on the performance of their corporate social responsibility and despite the varied methodologies, these rankings attract considerable publicity. As a result, CSR has emerged as an inescapable priority for business (Porter and Kramer, 2006). The world being a global village, we can take it that very soon, CSR locally will receive as much attention as it is receiving in the west. A study conducted by Harris Interactive and the Reputation Institute (1999) found out that making significant contributions for communities, the environment and society at large would pay dividends when it comes to consumer loyalty, employee satisfaction and the public opinion of the company's image and products.

Some business organizations command huge resources with profits that are even much more than GDP of some countries, with all these being a result of their interaction and exploitation of resources found in the environment, it becomes necessary that these organizations go beyond "doing no harm" to being involved in tackling some of the social issues in society. Organizations the world over, whether due to public or media or consumer pressure or out of concern for society are surely going beyond their core business and getting involved in issues that affect communities, the environment and society at large. In Kenya, many organizations are involved in activities that go beyond their core business. We have seen organizations take up societal issues and tackle them, for instance, some companies are sponsoring medical facilities in villages while others are providing water and some giving out food to the hungry. These undertakings that go beyond the core business of a firm, are they well thought out or are these organizations merely giving out?

### **1.1.2 Mobile Phone Industry**

The telecommunications industry has been growing rapidly the world over. The Kenyan market has not been left behind. The mobile telephone services in Kenya started in 1992 with the analogue system which was commercially launched in 1993. During this entry period the services were so expensive that it was only a few in the upper echelon of society who could afford them. The cost of owning a mobile handset was as high as Kshs 250,000. This resulted in a marginal subscription of less than 20,000 for a period of seven years (1993-1999). The enactment of the Kenya Communications Act 1998, led to the introduction of competition in the cellular mobile industry. The Communications

Commission of Kenya (CCK) licensed the then newly privatized Safaricom Limited and a new market entrant Kencell Communications which has since changed its brand name to Celtel Kenya following a 60% share buy out by Celtel International. There has been a phenomenal growth in the number of subscribers as well as geographical expansion of the cellular mobile service in the country since then.

Both Safaricom and Celtel have realized tremendous growth in subscriber rollout over the last six years, which has seen the combined subscriber base of the two networks reach 6.48million as at the end of 2005 .The mobile network is now over twenty times the size of the fixed network in subscriber numbers. There are only two mobile phone service providers in the country. The CCK is mandated to license another operator but so far they've been a lot of controversies on the issue. In 2005, Econet Wireless was licensed to roll out as a third operator. However, due to many difficulties, the license was revoked. Efforts to license another consortium called Vtel has not been successful. And the hunt for a third operator goes on.

The mobile phone industry has been growing at a very fast rate, According to the Communications commission of Kenya, both Safaricom and Celtel have exceeded the targeted number of subscribers by far ( from less than 20,000 subscribers in 1999 to over 6million in 2005) and covered more than the targeted areas. The revenues and profitability in the sector have also been growing at a steep rate, for instance, in 2002, Safaricom made a net profit of 753million rising to 5.8 billion in 2005. It remains to be seen where the rapid growth is taking the industry.

### **1.1.3 Safaricom Limited**

Safaricom Ltd is currently Kenya's leading mobile telephone operator. It was formed in 1997 as a fully owned subsidiary of Telkom Kenya. In May 2000, Vodafone group Plc, the worlds largest telecommunication company acquired a forty percent stake and management responsibility for the company. Telkom Kenya is a company licensed to provide and operate telecommunications facilities and services by the Communication commission of Kenya under the provisions of the Kenya communications Act 1998.

Vodafone group Plc is the largest telecommunication company in the world and the fourth largest company globally. It has more than fifty four million subscribers in twenty five countries. It is headquartered in Newbury, Berkshire. Safaricom Kenya has grown unprecedently in the last five years both in terms of subscriber base and revenue wise. From 20000 subscribers in 2000 to over 5million in 2005.The Company's profits have grown from net profits of Kshs 753m in 2002 to Kshs 5.8b in 2005.

Safaricom Limited employees more than one thousand people directly and thousands more indirectly. Safaricom has ten retail shops countrywide located in Nairobi, Mombasa, Nakuru and Kisumu. It also has a countrywide dealer network to handle distribution and selling of its services and products. It is ranked amongst the five biggest companies in Africa and arguably one of the most profitable companies in Kenya.

Besides the cellular phone services, Safaricom has extended its product line taking advantage of the rapid developments in the ICT industry. .Its other products include: Data



and messaging services- This category includes access to internet and related services and the Short Message Service (SMS) which is one of safaricom's most popular products. Top-up services- this is the provision of airtime for the prepaid clients to use, popularly known as the 'scratch cards. Security/911- Emergency services. Voice services- this service allows for tape recorded messages to enabled clients' numbers. Roaming- this services allows for enabled clients to still use the service while out of the country. Safaricom has partnered with other operators all over the world to support the service. Information service- the company has developed a link to a directory to provide information on telephone numbers and physical locations of listed numbers and addresses. It also updates those subscribers enabled with breaking news and happenings around the world.

## **1.2 Statement of the Problem**

Corporate social responsibility is emerging as one of the most dynamic, challenging and complex subject business leaders face today, and it is arguably the most critical (A& C Black ,2006). There have been arguments advanced for and against companies engaging in CSR. Studies have been done on CSR as a topical issue, the practices, relation to financial performance and policy. What has been accepted upon is that companies need to do more in society. Studies carried out locally have indeed established that CSR is viewed as important by managers of financial institutions (Kweyu 1993). They've also established that customers prefer and are more loyal to companies that engage in CSR (Mulwa 2002). Studies also found out that most companies listed on the NSE are indeed involved in some form of CSR(Gichana 2004).

According to Porter and Kramer (2006), there is a link between competitive advantage and corporate social responsibility. They argue that companies should not think of CSR in generic ways instead think of it in a way that is most appropriate for firm's strategy. They advocate for companies to look at CSR in a strategic way which may result in tremendous social progress. These arguments go to show that CSR is in fact not merely giving away, but a powerful tool for business today.

Safaricom is one of the fastest growing companies in the region, arguably the most profitable company in Kenya today and operating in an emerging industry. In the last five years, the company has recorded significant increase in terms of customers, coverage, revenues and profitability. With its subscriber base just over six million (20% of Kenyan population), Safaricom is emerging as an organization whose operations are impacting on the lives of Kenyans, society and environment in one way or another. What are the CSR practices at Safaricom Limited and what is the management rationale for the choices?

### **1.3 Objectives**

This study will have two objectives:

- a) To establish the corporate social responsibility practices at Safaricom Limited.
- b) To establish management rationale for the CSR choices at Safaricom Limited

#### **1.4 Scope of study**

In order to document the corporate social responsibility practices and the management rationale for the same at Safaricom Ltd, the researcher shall focus on the organization and specifically senior management views at the Safaricom Ltd headquarters in Nairobi.

#### **1.5 Importance of the study**

This study will add to the body of knowledge in the area of corporate social responsibility. There have been a number of studies to establish the attitude of management towards CSR, others to establish perceived attitudes towards companies that practice CSR. This study will add to the knowledge on CSR by taking an in depth look at CRS Practices in a company operating in an emerging industry and how management of the company make the choices for the activities the organization engages in.

There is general consensus in recent times that companies should be involved in the betterment of their employees and society. However, there have not been any clear cut rules of engagement and as a result, most firms do not know what to do.

This study hopes to detail the practices of one of the most profitable companies in the region and arguably amongst the fastest growing in the continent, this should give “a more Africanized” account of CSR practices.

Whereas CSR is a voluntary exercise by organizations in Kenya, there is pressure for them to do more to better the society. Policy makers shall benefit from this study as they

get a chance to understand how organizations are going about this issue. This may help them in setting up policies in relation to taxation and resource utilization for companies engaged in CSR to encourage them to do more.

## CHAPTER 2: LITERATURE REVIEW

### 2.1 Corporate Social Responsibility

Debate about CSR has moved all the way to corporate boardrooms. In the United States, in 2005, a total of 360 different CSR-related shareholder resolutions were filed on issues ranging from labor conditions to global warming. In the UK, pending legislation, all publicly listed companies shall be required to disclose ethical, social and environmental risks in its annual reports. The pressure for companies to be more accountable socially cannot be overemphasized (Porter & Kramer 2006).

Pearce and Robinson (1991) emphasizes the importance of recognizing the various claims on the company. They suggest inclusion of this in the company mission statement and a stakeholder approach that provides a balance at differing importance. They provides an excellent summary on guidelines for a socially responsible firm; the purpose of business is profit; Its managers should strive for the optimal profit that can be achieved over the long run. No true profits can be claimed until business costs are paid. This costs include all social costs as determined by detailed analysis of the social balance between the firm and society. If there are social costs in areas where no objective standards for correction exists yet, managers should generate corrective standards. These standards should be based on the managers judgment of what ought to exist and should simultaneously encourage individual involvement of firm members in developing necessary social standards. Where competitive pressure or economic necessity precludes socially responsible action, the business should recognize that its operations are depleting

social capital and therefore represents a loss. It should attempt to restore profitable operation through either better management, if the problem is internal or by advocating corrective legislation, if society is suffering as a result of the way that the rules for business competition have been made. They acknowledge areas for social responsibility are very wide and varied therefore each firm must decide how to meet its perceived social responsibility. This must reflect the competitive position, industry, country, environmental and ecological pressures. CSR should therefore reflect situational factors and differing priorities an acknowledgement of claims.

Porter and Kramer (2006) affirm that CSR is not only an important concept to business, but also a source of competitive advantage for the organization, and as such it should be approached with the same seriousness as the core business of the firm:

*“.....If, instead, corporations were to analyze their prospects for social responsibility using the same frameworks that guide their core business choices , they would discover that CSR can be much more than a cost, a constraint, or a charitable deed-it can be a source of opportunity, innovation and competitive advantage.”(pg 80)*

Carroll (1995), concedes that CSR, is key part of a total business. He says that for CSR to be accepted by a conscientious person, it should be framed in such a way that the entire range of business responsibilities are embraced. He suggests that there are four kinds of social responsibilities which constitute total CSR: Economical, Legal, Ethical and

Philanthropic. He further says that the Economical and Legal have always existed and Ethical and Philanthropy have taken a significant place in modern business.

Proponents of CSR advance four key arguments in making their case: moral obligation, sustainability, license to operate and reputation. The moral appeal - those advancing this argument, say that, companies have a duty to be good citizens and to “do the right thing” Business for Social Responsibility, an American nonprofit CSR association, asks its members to achieve commercial success in ways that honor ethical values and respect people, communities, and the natural environment. Secondly, they advance the argument of Sustainability emphasizing environmental and community stewardship. This is well illustrated by the World Business Council for sustainable development: “meeting the needs of the present without compromising the ability of future generations to meet their own needs. Thirdly, they talk of License to operate, this notion derives from the fact that every company needs tacit or explicit permission from governments, communities and numerous other stakeholders to do business. Reputation is used by many companies to justify CSR initiatives on the grounds that they will improve a company’s image, strengthen its brand, enliven morale and even raise the value of its shares. Ngobia (2004) found out that CSR was a major basis for competition in the mobile phone industry as managers thought it made customers view their companies positively.

## 2.2 The case Against CSR

Though debate on CSR has been going on for the last four decades, there have been opponents of any corporations being involved in any other issues other than profit maximization for a long time. The classical economists insist that the primary purpose of the business is to make profit for the owners and other motives besides are secondary.

Smith (1776) stresses that business exists for the sole benefit of its owners and any offers otherwise are for selfish reasons. He argues that business does what it does for own business gains and not for society.

Friedman (1963) says that business has only one corporate Responsibility; to make as much money as possible for its owners. That any involvement of business in social responsibility undermines the freedom of society. He that allowing companies to be involved in corporate social responsibility is undermining the foundations of a free society. He further asserts that if there were any social responsibilities for companies that management would really not know what those responsibilities are.

Levitt (1968) outlines the dangers of CSR. He talks of the frightening spectacle of a powerful business group that in the name of social responsibility imposes its narrow ideas about a broad spectrum of unrelated non-economic subjects on the mass of man and society. Drucker (1986), supports Friedman's position that business should stick to its business and that if business gets involved in any other work, it will be taking over



power, authority and decision making in areas that should be reserved for government and other institutions.

The opponents of CSR give the following reasons as underlying their stance against CSR; that involvement in CSR is an unnecessary cost to business which affects the bottom line (profits) which in turn reduce the dividend paid to stock holders this results in a reduced stock price which is unfair to owners. Secondly, they say CSR is not economically viable to an entity especially if competitors do not engage in social responsibility. They argue that any costs incurred in the CSR are eventually offset by the price charged for the product or service, so ultimately, the customer pays. That managers in corporations do not have the skills or knowledge or expertise to tackle social problems, so they should stay away and let governments and Non governmental charity organizations handle social issues. And finally, they argue that business has too much power and involving them in social responsibility is adding them power they do not need to have.

### **2.3 Approaches to CSR**

CSR is not one spectacular event for organizations, rather organizations more like people with an investment idea go through stages. Organizations that have successful CSR strategies sometimes go through gradual transformation towards excellence and full participation.

According to Sawyer (1979) There are three approaches to social responsibility by organizations, it is important to note that these approaches are not mutually exclusive,

firms may use one as a stepping stone to another or carefully weigh the response to one before changing. Adaptive approach where an enterprise observes a low profile strategy in participating in Social responsibility. It does not undertake an active role in social issues but responds only to legal requirements; minimum compliance required by the law is the order of the firm. This strategy is normally adopted when the enterprise has no control over the demanding factor. However, critics may argue that this approach does not conclusively relate to social responsibility since the firm is just complying with the law and is not socially responsive by its own initiative.

Secondly, there is the proactive approach where an enterprise initiates the activities. It analyses its environment to identify opportunities which it can exploit for its own benefit. Within this approach, the society sees the firm undertaking social responsibility but in the long run it is the firm that benefits and not the society. And finally, the interactive approach where the organization interacts with the environment as much as possible in undertaking social responsibility for the benefit of both the society and the firm. This approach calls for an inherent understanding of the society and the factors that influence the activities of the society. It is viewed as a bargaining response where the firm negotiates with the group demanding social responsibility.

## 2.4 Making CSR happen in an organization

Corporations that are being formed today may incorporate social responsibility in their business model from inception. However, those that have been in operation for a long time have recently been jostled to the need for CSR. In these cases, CSR is almost a new concept. Most corporations have included CSR from the late 20<sup>th</sup> century, in the United Kingdom, it is becoming mandatory for organizations to publish their CSR reports (A & C Black 2006).

Steiner (1997) says that some organizations go through various stages in their CSR involvement. These stages of social responsibility responses include the token behavior stage; at this stage, management makes a few gestures to indicate concern or a more liberal position. This includes making speeches, giving out money as bonus, or small contributions to charity organizations. Although this stage proves to be the least expensive and very adaptive to change, it is quite insufficient and inactive.

At the attitude change stage, management goes beyond the few gestures and appoints a staff executive responsible to the chairman in charge of social responsibility activities. At this stage, the management's attitude is more inclined towards pro-social activities than at the token stage. Expenditure incurred is relatively less and management provides supportive expertise. However, this stage gives rise to potential conflict within management due to differing attitudes as there is no clear cut policy on social responsibility.

Finally, at the substantive change stage, Management embarks on structural and behavioral changes to implement social responsibility. This includes setting up task forces, committees, special departments and executives to handle social responsibility issues. Commitment of management to social responsibility is brought out in this stage. This stage involves higher expenditure and may create conflict in the direction social responsibility should take

According to Gustafson (2006) to implement CSR, organizations must consider some fundamental issues that create an enabling environment that makes CSR a giving back and not giving away. One is to clearly articulate a relevant CSR philosophy based on the scope and reach of the business and incorporate it in the vision and mission. Secondly, appoint an executive leader as the CSR officer to be the cheerleader, watchdog and subject matter of initiatives. Thirdly, incorporate CSR in the long range strategic planning to guarantee continuity and commitment. Fourthly, constantly communicate the results of the ongoing efforts to all the stakeholders and publicly celebrate the successes. Finally, use the same kind of energy, initiative and commitment to develop, integrate and implement CSR programme as you do for the other core business of the firm.

## 2.5 Guidelines for Determining CSR

CSR is a concept that has varying views and there is no one formula for going about it. Most organizations use trial and error till they find what works for them. Steiner (1997) suggests some guidelines that can be used as a guide for organizations. He concedes that there is no formula for all business or any single business beyond legal and regulatory framework requirements, each firm must decide for itself what it will do or not do. Effectively, the first social responsibility of each business before taking action is to think carefully about what its social responsibilities are. He says that business must be considered predominantly an economic institution with a strong profit motive. Companies may responsibly incur substantial short run costs to correct social problems that threaten long term profitability; they may also be encouraged to seek profitable opportunities in solving social problems. Therefore, social responsibility may complement but not replace the profit motive.

Further, he suggests that firms may engage in social responsibility to correct adverse social impacts they cause. The costs of production borne by society must be internalized by the corporations. For instance, a mining company that rehabilitates the land around and provides farmers around it with better farming supplies and equipment is just correcting the adverse impacts of its activities. He also points out that social responsibility varies with company characteristics. Companies vary in size, products, strategies, manufacturing processes, marketing techniques, external group pressures, culture and managerial values. This therefore means there is no one right way. Lastly, he

says general public policy direction of the nation may provide a guide as to which effective social responsibility programs may be undertaken.

## **2.6 Practices and rationale for CSR**

Johnson and Scholes ( 2002) categorize CSR issues into internal and external. The internal aspects include employee welfare, working conditions, job design and intellectual property. External aspects are green issues , products, markets and marketing, suppliers, employment and community activities.

Chamberlain ( 1973) outlines some of the CSR activities that organizations should get involved in. They include physical environment, employee issues beyond statutory obligations, consumers, civic community, education, internal governance, national objectives and international relations.

Weisz and Zadek (2000) classify CSR activities into four broad categories, Corporate community involvement, Corporate citizenship, corporate economic development and environmental participation. According to business for social responsibility, CSR activities can be classified into various broad categories, business ethics, community investment, environment, governance and accountability, human rights, marketplace issues, mission, vision, values and workplace issues.

Governments, activists, and media have become adept at holding companies to account for the social consequences of their activities. There are organizations ranking companies

on the performance of their CSR ( including there very prominent and powerful Dow Jones Sustainability Index and FTSE4Good Index), these rankings attract a lot of publicity, as a result, CSR has emerged as an important priority for business leaders the world over ( Porter and Kramer 2006). CSR involves spending company resources, some companies are spending millions of shillings on CSR, it therefore necessitates that any successful organization involved in CSR, may want to leverage the committed resources for benefits to society and to the organization other than purely to please various stakeholders because often the vehemence of a particular stakeholder group does not necessarily signify the importance of an issue-either to the company or to the world.

Scott ( 1994) observed that businesses are increasingly experiencing pressure from society to be socially responsible, that because of the alarming societal problems, society has become more enlightened and therefore its putting pressure on companies to solve some of the societal problems. Porter ( 1980) points out that the best companies take their CSR seriously because they know that a socially responsible business is more competitive, fast moving and stronger. He affirms that strong business responsibility is crucial to winning trust thereby keeping good people and winning more business. This trust effect is also supported by Barnet and Salomon ( 2002) who found out that a strong social performance can decrease costs hence increase profitability by improving a firms relationship with key stakeholders.

Weisez and Zadek ( 2000) surveyed 100 United Kingdom companies and found out that external pressure, core values, of the company and Long term strategy were major drivers

for companies to take up CSR. In the same breath, Mulwa ( 2002) found out that banks that were perceived to be socially responsible were favored and preferred by Nairobi residents. A study carried out by Cone Inc (1997, 1999) established that two thirds of Americans are likely to switch brands to those that are associated with good societal causes. This therefore means CSR may be a tool to win over new clients and establish loyalty among the existing.

Business for social responsibility explains that there are benefits for companies engaging in CSR. notably, enhanced brand image and reputation, increased ability to attract and retain employees and enhanced employee skill development. It further claims that business not only benefits from being involved in CSR, but also , there are penalties for companies which do not engage in CSR.

It therefore emerges that successful organizations do not engage in CSR to merely give away but they give back to society with a view to get payback in the long run. These organization engage in CSR activities ranging from employee welfare to education to environmental issues to community development to market place issues and to wider national objectives. CSR goes beyond mere philanthropy, those firms that understand the critical role of CSR in business actually dedicate time to have CSR entrenched in their strategy. The pressures of short term profits do not distract such organizations ( Porter and Kramer 2006).



Studies carried out have affirmed that those organizations involved in CSR end up benefiting in the long run from customer and staff loyalty. Locally, studies have established that companies are indeed involved in CSR. This study will go beyond that and take an in depth look at CSR practices and the reasons behind the particular choices of CSR activities at Kenya's most profitable company and arguably the fastest growing in the region.

## **CHAPTER 3: RESEARCH METHODOLOGY**

### **3.1 Research Design**

This study was conducted through a case study. It involved an in depth investigation of corporate social responsibility at Safaricom Ltd and the management view of the activities. A case study is important for analyzing information in a systematic way to come to some useful conclusions ( Mugenda and Mugenda 1999). It allows for details to be obtained from multiple sources of information and evidence to be verified through in depth probing (Cooper and Emory 1996).

### **3.2 Data Collection**

The study used primary data that was collected through personal interviews using an interview guide. The researcher interviewed the respondents and recorded the responses for analysis. The respondents of this study were top level managers at Safaricom limited since CSR decisions are top management decisions.

Secondary data was also used, this mainly being from the company records, the vision and mission statement, organization handbook and financial statements for the company.

### **3.3 Data Analysis**

The study solicited data that was qualitative in nature, content analysis was used to analyze the data. Content analysis is the systematic qualitative description of the composition of the objects or materials of the study. It involves observation and detailed

description of objects, items or phenomena that comprise the sample (Mugenda and Mugenda 1999).

## CHAPTER 4: RESEARCH FINDINGS AND DISCUSSION

### 4.1 CSR Practices at Safaricom Limited

The research sought to establish the CSR practices at Safaricom Limited and the management rationale for engaging in CSR. During the study, it was established that the company has CSR policy well articulated in its corporate strategy. It was also established that in the year 2003, the company set up a foundation through which it will push and implement its CSR activities. The main objective for the foundation is to contribute to the creation of a sustainable environment by promoting dialogue with the stakeholders countrywide and assisting local communities through their business to achieve growth and prosperity. The foundation receives guidance from Vodafone plc for purposes of standards and benchmarking.

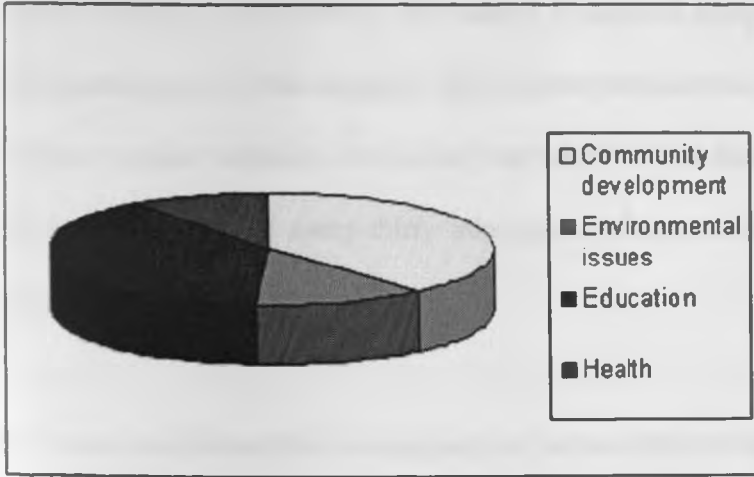
The management of the Vodafone group (with 40% ownership in Safaricom and management) launched a group foundation in June 2002 as a group umbrella for coordinating its CSR. The group foundation is charged with setting up guidelines and mechanisms to be used by associated and subsidiary companies will use to set up their own foundations to ensure a uniform yet dynamic approach to CSR. They recognize that the service they provide is a constructive agent for change and its globally significant and essential. The chairman of the Safaricom foundation acknowledges that company is continuing to impact on the lives of hundreds of thousands of Kenyans.

It was also established that the organization, in its strategy, works in partnership with various stakeholders, corporations and interest groups to further its CSR activities. The

foundation is run by a board of trustees who report to the board of the company. There is also a staff committee chaired by the CEO that decides on the CSR business strategy and review. The objective of the Safaricom CSR strategy is simply passion for the world around it. The main objectives were established to be sharing the benefits of development in mobile communication technology as widely as possible, protecting the natural environment, supporting communities in which the company's customers, employees, investors and suppliers live. The firm believes in the commitment to behave ethically and contribute to economic development while improving the quality of life of its workforce and their families as well as of the local community and society at large.

Safaricom recognizes waste, energy use and safety as challenges facing its business which are also public concerns. The company acknowledges that concerns about the environment and wildlife have been overshadowed by hardships of poverty and therefore views this as a key area in which the private sector must partner with non governmental organizations and local communities. It was established that the company's main areas of focus are education, health, environment and community.

Figure 1: CSR at Safaricom Limited



Source: Interviews

#### 4.2.1 Health

One of the key issues the company is involved in is health. The company has invested resources in various health sections in support of the government efforts to provide better healthcare for communities around the country. To achieve this goal, the company has established partnerships with various private and public institutions through which to implements its health agenda. The company focuses on preventive health and emergency responses. The company has conducted medical camps across the country in partnership with the diabetes management information centre, the ministry of health, and leading pharmaceutical companies. These camps provided treatment for more than five hundred thousand people.

Safaricom has committed to match all fund raising efforts by the Nairobi women's gender violence centre. Since 2005, the company has invested more than twenty two million shillings in the centre, this money is used to equip and provide running and maintenance costs for the hospital. The hospital provides medical care and counseling to victims of gender violence, it's the only one of its kind in Kenya. With reports indicating that a woman is raped every thirty minutes in Kenya, this centre is providing hope to many people daily.

It was also established that the company, in partnership with the ministry of health Rotary international and United Nations Children Fund donated five million shillings to boost the polio immunization campaign that was conducted after cases were reported in the refugee camps of Kakuma and Daadab.

**Figure 2: A child gets tender loving care during the Ngomongo medical camp**



Source: Daily Nation, July 22<sup>nd</sup> 2007

#### 4.2.2 Education

Safaricom has a passion for education of local communities. It has invested heavily in this area. With the government efforts to provide free primary education, the company has invested in various areas to make this national goal a reality. The company has invested more than eighty four million shillings in putting up classrooms, science and computer laboratories in more than 100 primary and secondary schools countrywide.

In response to the “growing digital divide”, and considering the key role ICT is playing in economic development and social development, Safaricom is partnering with computers for schools to equip 80 secondary schools ( 10% per province) with computers supported with an ICT curriculum. In this area, over 29million shillings has been invested.

**Figure 3: A dormitory in a school in Marsabit put up through the help of the Safaricom Foundation**



Source: Daily Nation, July 22<sup>nd</sup> 2007



The Junior Achievement programme, is a scheme where youth in secondary schools are given a chance to interact with business to support their career choices. The youngsters are given a chance to “work” with officials of the company to stress the importance of basic skills in the workplaces. They interact with business role models and learn how various systems work together in an organization. Safaricom foundation is at the forefront of championing this programme.

#### 4.2.3 Environment

**Figure 4: Tree planting at Ngare Ndare forest**



Source: Daily Nation, July 22<sup>nd</sup> 2007

According to Safaricom, concerns about the conservation of environment and wildlife have been overshadowed by the high levels of poverty in the country. The company is

promoting and encouraging environmental education, community awareness, participation and sustainable development. It has provided wildlife tracking device using its GSM technology to the save the elephant trust. The firm has invested 28 million shillings for this service.

In Laikipia, the company has supported women groups to buy water tanks to lessen the effects of drought and access to clean drinking water. The women are using the water for farming and domestic use hence providing a means for a livelihood. Safaricom limited staff in collaboration with local communities have embarked on a long term tree planting project in the Ngare Ndare forest. Over eight million shillings has been invested to establish eco-tourism related income generating facilities hence additional employment and revenue.

In the last seven years, 70million shillings has been raised through the Safaricom marathon in lewa. The money has been invested in conservation, community development, healthcare and education of the local Masai community. The efforts have seen the establishment of the Ngwesi and Namuyak wildlife conservation trusts owned and operated by the local Masai community.

#### **4.2.4 Community development**

Expanding local communities is the key objective for Safaricom in this area. There has been an emphasis in this area as one of the beliefs for the company is that a strong community is good for business. To demonstrate this, the company ha invested over fifty

three million shillings to fund community activities, for instance the supporting a street families rehabilitation centre to set up a horticultural business, funding youth groups in the slums to start up a resource/business centre.

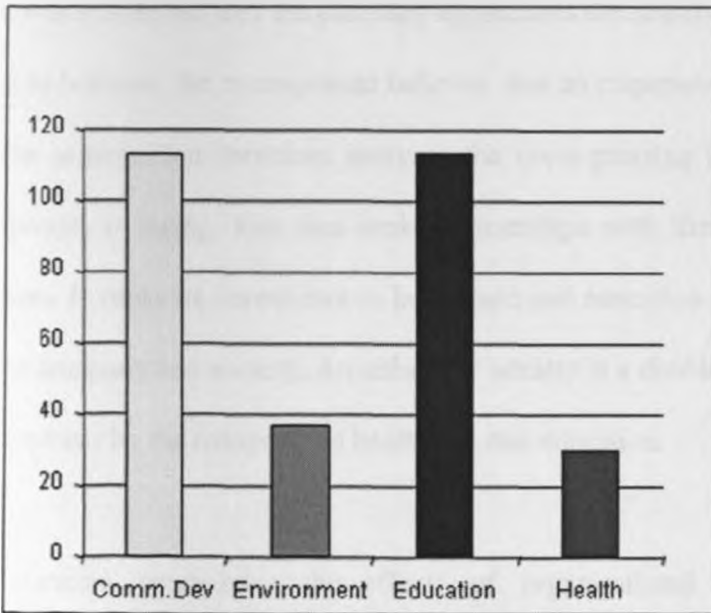
Communities living in the arid and semi arid regions are exposed to harsh weather conditions that result in hunger and loss of livelihood and livestock. To reduce this effects and enable this families have a livelihood through out the year, Safaricom has partnered with the Red Cross and is committed 60million shillings for construction of water conservation systems in these areas, this project dubbed "maji ni uhai" will go along way in changing the lives of the communities in this areas. The company has also provided funding for waste management and sanitation for Mwembe Tayari, Mombasa.

#### **4.2.5 Staff welfare**

At Safaricom, the workforce is encouraged to participate in CSR activities, the tree planting campaign in Ngare Ndare forest is championed by the mobile services provider's staff. The workforce also participates in the Christmas cheers event which provides goodies to the less fortunate in society. As a commitment by the company to encourage staff do more in society, Safaricom matches every contribution made by its staff to any charity. In the area of staff welfare, the company has elaborate schemes for their staff and their families, the company has health club facility on site for its staff, and runs a cafeteria specifically for its staff. No organization has been spared the ravages of the HIV/AIDS pandemic, and thus far, Safaricom provides medical cover, counseling and support services for its staff and families that are affected by this pandemic together with

an elaborate medical scheme. The company also invests heavily in a staff pension scheme.

Figure 5 : CSR Spending at Safaricom Limited ( Kshs M)



Source: Interviews.

#### 4.2 The rationale for CSR at Safaricom

“Passion for the world around us” is Safaricom’s slogan for its CSR strategy. A good business is made by people, those with the creative ideas and those who can diligently implement the ideas. Safaricom invests in its employees heavily so as to build a strong team that can articulate the ideals of the company. It strives to be the employer of choice. Whereas many organizations would hesitate to get involved with the social issues affecting the employees, Safaricom acknowledges that this issues affect productivity

hence dealing with them is a plus for the organization. It therefore explains the company's decision to set up health club facility for employees, medical cover for staff and their families including supporting the efforts to deal with the HIV/AIDS pandemic at the workplace.

It was established that the company appreciates the role the community and society plays in its business, the management believes that an empowered society is good for business. The organization therefore analyzes the most pressing issues the society in which it operates is facing, and then seeks partnerships with like minded institutions to tackle them. It views its investment in healthcare and education as key to long term benefits to the company and society. An unhealthy society is a double loss for all around, hence the emphasis by the company on healthcare and education.

Safaricom appreciates the effects of organizational operations on the physical environment, specifically it is concerned with the negative effects of global warming and most critical is that in the developing economies like Kenya, this issue is really not a priority considering that most of its people can hardly afford a meal. It is against this background that Safaricom is investing in green issues and mobilizing others to partner with them to achieve a better environment for the future. It views this as a way of giving back to society for providing the resources from which it generates business. Most of the managers interviewed also viewed their involvement in CSR as having various benefits to their business. They mentioned improved corporate image, customer loyalty and marching best industry practices worldwide as additional reasons why they pursue CSR.

## CHAPTER 5: SUMMARY, RECOMMENDATIONS AND CONCLUSION

### 5.1 Summary

The study had two objectives. First to establish CSR practices at Safaricom Limited and secondly to establish management rationale for the CSR choices. Primary data was collected by way of personal interviews with senior management, the number of managers who were interviewed were four, representing 60% of those targeted. Secondary data was also used mainly from company documents and published reports. The data was then analyzed using content analysis.

The findings of the study indicate that Safaricom is indeed involved in CSR. It was established that the company has CSR outlined in its strategy and has in fact set up a foundation charged with championing its CSR activities. The foundation is run by a board of trustees who report to the company board. For benchmarking and guidelines, the company borrows from its parent company, Vodafone plc, though in the areas of involvement and implementation, the local foundation has all discretionary powers.

One of the outstanding features of the company's CSR is in the choices of activities and implementation. The researcher established that the company outlines its activities along the broad national objectives of the country. It therefore focuses in areas identified by the government and various policy think-tanks as being critical to economic development. At the implementation level, the company is keen to establish partnerships with

organizations ( private, public and non governmental) that have the same interests in implementing its CSR activities. The company reckons that it achieves best results when it works with partners who have competencies in those specific areas. It is with this focus that the company has set aside a budget of more than 150million shillings for its CSR activities annually.

### **5.1.1 Corporate Social Responsibility Practices at Safaricom Limited**

The study established that the company is involved in various areas and its CSR practices are categorized into education, health, community development, green issues, sports and the arts and disaster funding. The study found out that the company has invested heavily in the area of education by building and equipping classrooms, science and computer laboratories, around the country. Besides this, company is involved in a mentoring program for secondary school students who visit and “work” with staff at the company offices in the Junior achievement program. Health is another area the company has put focus on, it believes a healthy society is a productive society and in this area, the company has partnered with various institutions in providing medical care to the needy around the country. it has indeed organized medical camps around the country. The company also supports the gender violence centre at the Nairobi women hospital.

Environmental issues are also a major focus for the company, the company has invested in reforestation of the Ngare Ndare forest and it is championing wildlife conservancy, this being a major tourist attraction for the country, it is indeed a major economic development tool. It is in this regard that the company has invested in elephant

conservation and championing other conservation efforts by mobilizing others through the Lewa Marathon. The company believes in expanding local opportunities and in this regard has focused on major community development issues and concerns like providing water in arid areas and supporting street family rehabilitation programs.

### **5.1.2 The Rationale for CSR Choices at Safaricom Limited**

The study also sought to establish the reasons behind the particular CSR choices that Safaricom makes. About this objective, the study found out that the main influence on the choices it makes is the betterment of the society in which it operates, it is with this that the company focuses mainly in areas identified by the government as being key to development. In other words, the company realizes the fact that its business can only thrive well if the society in which it operates is thriving, and therefore strives to make the society in which it operates a better place.

Another influence for the choice the company makes is pressures of societal problems that need urgent attention, it is in this regard that it has focused attention, on healthcare and rehabilitation of arid areas to try and provide a long term solution to persistent hunger and malnutrition that has become common in this regions. It also came out clearly that giving back to the society in which the company operates not only improves company image but also leads brand dominance hence customer loyalty. And finally, the researcher established that the company is involved in CSR as it is rapidly becoming a standard for successful companies the world over.



## **5.2 Limitations of the study**

The study sought to establish the CSR practices and management rationale for the choices at Safaricom Limited. Being a private company, some of the information that would have been key to the study could not be divulged for obvious business reasons. The study therefore limited itself to information and details that could be discussed without compromising any part of the company's business aspects.

## **5.3 Recommendations**

Whereas the use of the national objectives to identify key areas of involvement is commendable, the researcher recommends that the company should in addition identify areas in its value chain where the company, by engaging in them may create shared value for the company and society. In this way, the company may not only benefit the society but also create competitive advantage for itself.

Secondly, the study established that the company has set up a foundation that champions its CSR activities, the researcher recommends that the company should set up a system where the foundation does not appear to be a sub system operating independently but as a key component of the company. In this way, the critical objective of creating competitive advantage for the company through CSR is not lost between the two systems.

#### **5.4 Suggestions for further research**

This research focused mainly on documenting the CSR practices and management rationale for the choices at Safaricom Ltd, it would be interesting to compare these findings to those of competitors and the parent company Vodafone. This would provide information on how the players in the industry view and implement their CSR. The findings from Vodafone would provide good comparison between CSR in the developing /African context and CSR in a developed world/western context.

During the study, the researcher established that the company is undertaking a strategic review and developing a CSR policy document as well, it would also add to the body of knowledge to find out how these affect CSR at Safaricom Limited.

Finally, the company is due to go public and be listed on the Nairobi Stock Exchange, this comes with challenges and pressures of short term profits influencing the stock price, it will make for an interesting study to establish how this trends affect CSR decisions and spending at Safaricom.

#### **5.5 Conclusion**

Corporate social responsibility is becoming an important aspect of business that any business leader cannot afford to ignore. With the CSR budgets being a new focus for the rating agencies, organizations will have to find new ways of investing in this area with a view to creating competitive advantage for the company in the long run other than merely giving back to society in fear of being reprimanded. The only sustainable way is for the company to identify areas of concern and need within its value chain

that creates shared value for the company and society. The vehemence of a particular stakeholder does not necessarily signify the importance of the issue to the organization ( Porter and Kramer,2006).

With enormous issues and concerns in society today needing urgent attention especially in the developing world, companies can only choose and focus on areas that they can create a sustainable system of tackling them as opposed to spreading themselves too thin. Scholars and researchers in this field have identified many categories of areas where private organizations can engage ranging from human rights, governance and accountability, staff welfare, community development, market place issues, green issues among others, yet an organization may not have resources and competencies to tackle concerns in all these categories. Safaricom borrows heavily from its parent company, Vodafone on guidelines but gives its CSR activities a local setting, It is no wonder that Safaricom limited has focused on issues of health, education, community development and the environment which concern its immediate society while Vodafone UK focuses on issues of recycling, global warming, mobile use privacy and human rights.

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**INTERVIEW GUIDE**

1. Please indicate your :

- a) Name (optional)-----
- b) Position-----
- c) Department-----

2. How long have you worked with Safaricom.....

3. Do you know the Safaricom:

- d) Vision ( Yes No )
- e) Mission ( Yes No )
- f) Objectives ( Yes No )

4. Does Safaricom have a policy on corporate social responsibility(CSR)? ( Yes No )

If yes, who is responsible for the development of the CSR policy? .....

5. What is your role in the CSR process at Safaricom (e.g choice of activity, determining monetary commitment, implementation etc)

6. What is the total annual budget for CSR at Safaricom? Kshs.....How do you determine the annual CSR budget?.....

7. Please list the CSR activities undertaken by Safaricom under the subtitles below:

a) Staff Welfare.....

Annual budget Kshs.....

b) Community development.....

Annual budget Kshs.....

c) Green(environmental) issues...

Annual budget Kshs.....

d) Market place issues.....

Annual budget Kshs.....

e) Human Rights.....

Annual budget.....

f) Governance and Accountability.....

Annual budget.....

g) Any other (please specify).....

Annual budget Kshs

8. Who decides which projects to undertake in your CSR at Safaricom?

9. What criteria do you use to select/make choices on which CSR projects to undertake?

10. Do you have a success monitoring criterion for the CSR projects?

11. Please indicate your company's main objectives for involvement in CSR?

12. What policy (regulatory /operational), in your opinion, are necessary to facilitate the success of CSR at Safaricom?

Thank you.