

**THE ROLE OF CORPORATE SOCIAL RESPONSIBILITY IN SUSTAINABLE
COMMUNITY DEVELOPMENT**

BY

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DECLARATION

This is my original work and has not been presented to any other university for a degree award or anywhere else for academic purposes.

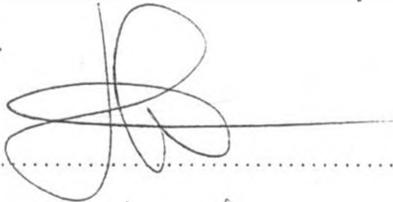
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DEDICATION

This work is dedicated to my late father Mr. Augustine Nzuki Kalanu.

Thank you for the numerous discussions we shared and for opening my eyes to the fact that there are no limitations in life, only opportunities.

ACKNOWLEDGEMENT

I want to thank my supervisor for his timely, insightful and scholarly guidance and cooperation. This encouraged and kept me going. Thank you for being very patient with me and for always going over my drafts again and again.

I also want to thank my respondents for their time and corporation and for giving appropriate answers. I will not forget the invaluable assistance that I got from the library assistants who provided textbooks, journals and other sources of information for the compilation of this work.

I want to thank my children Thembi and Mumo and my dear husband Donald for their understanding when some precious family times had to be sacrificed to allow me attend various classes and to take time to attend to this research. I will always cherish your blessings and the fact that you have allowed me space to pursue my dreams.

While it is not possible to give acknowledgements to all those who assisted me, I wish to express special thanks to my family whose prayers and moral support enabled me to successfully pursue my postgraduate studies. However, all errors, omissions, views and interpretations remain mine and should not be attributed to any one of the above mentioned persons.

ABSTRACT

This study set out to investigate how Corporate Social Responsibility can be used to foster sustainable community development. It sought to find out if there is a connection between good CSR and sustainable development in Kenya's rural areas. It also went on to look at the principles that connect shareholding and stake holding perspectives relevant to community development.

Corporate Social Responsibility emerged as a value system which an organization adopts in order to be responsible to broader society. Organizations that make the right choice and build focused, proactive and integrated social initiatives in concert with their core values succeed.

Organizations should start thinking of CSR as integration, as building shared value rather than as damage control.

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CHAPTER ONE: INTRODUCTION

This chapter will look at the general introduction of the concept of Corporate Social Responsibility (CSR); give a background of the study and the statement of the problem. It will also look at the objectives and research questions involved in the process. In addition, it will also look at the theoretical foundations under which the research is conducted. Last but not least, it will also give a justification, scope of the study and possible opportunities for future research.

General Introduction

CSR is commonly described by its promoters as aligning a company's activities with the social, economic and environmental expectations of its "stakeholders." CSR is all about a company knowing, managing and improving its impact on the economy, the environment and society. According to Holme and Watts (2001),

Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as that of the local community and society at large.

The same report by Holme and Watts (2001) also gave some evidence of the different perceptions of what CSR means from the perspectives of a number of different societies across the world. Many other different definitions exist. For instance, a definition from Ghana states that CSR is about capacity building for sustainable livelihoods which respects cultural differences and finds the business opportunities in building the skills of employees, the community and the government (Hopkins, 1999). Another definition from the Philippines views CSR as "being about business giving back to society (Ibid 2001).

Traditionally in the United States, CSR has been defined much more in terms of a philanthropic model. Companies make profits, unhindered except by fulfilling their duty to pay taxes. Then they donate a certain share of the profits to charitable causes. It is seen as tainting the act for the company to receive any benefit from the giving (Ibid 2001).

On the other hand, the European model is much more focused on operating the core business in a socially responsible way, complemented by investment in communities for solid business case reasons (Harris, 1998). Personally, I believe this model is more sustainable because:

1. Social responsibility becomes an integral part of the wealth creation process - which if managed properly should enhance the competitiveness of business and maximize the value of wealth creation to society.
2. When times get hard, there is the incentive to practice CSR more and better - if it is a philanthropic exercise which is peripheral to the main business, it will always be the first thing to go when push comes to shove.

But as with any process based on the collective activities of communities of human beings (as companies are) there is no "one size fits all". In different countries, there will be different priorities, and values that will shape how business act. And even the observations above are changing over time. The US has growing numbers of people looking towards core business issues. For instance, the CSR definition used by Business for Social Responsibility is: "Operating a business in a manner that meets or exceeds the ethical, legal, commercial and public expectations that society has of business" ("Position Statement on Corporate Social Responsibility" at the 'Global Alliance for Public

Relations and Community Management’). David *et al* (2005) define CSR as a citizenship function with moral, ethical, and social obligations between a corporation and its publics.

For the purposes of this study however, the researcher has adopted the Bowd et al (2003) definition of CSR, which was derived from the views of scholars such as Carroll (1999), Wood (1991), Freeman (1984), and Friedman (1970). Bowd, et al (2003) also incorporated recent industry reports such as the Commission of the European Communities (2001, 2002) and the Financial Times Top 100 Index to define CSR as holding corporations accountable by explicit or inferred social contract with internal and external stakeholders, obeying the laws and regulations of government and operating in an ethical manner which exceeds statutory requirements.

The researcher has adopted this definition because it represents the global perspectives best. Everything in a society has a responsibility. CSR is concerned with treating the stakeholders of a company or institution ethically or in a responsible manner. Ethical or responsible treatment means treating key stakeholders in a manner deemed acceptable in civilized societies. Social includes economic and environmental responsibility. Stakeholders exist both within a firm and outside (Hopkins 1998).

More corporations are becoming aware of the importance of CSR and actively engage in CSR practices such as corporate philanthropy and ethical advertising practices (Wang, 2007). Due to the nature of CSR communication, CSR practices have become an important part of public relations activities since “public or social responsibility has

become a major reason for an organization to have a public relations function” (Grunig and Hunt, 1984: 48 as cited in Hopkins, 1998).

Increasing corporate reputation and giving the public positive impressions as good citizens are the main reasons of companies’ CSR activities. Although many corporations invest considerable amounts in CSR communication to enhance their reputation, the effects of CSR communications are mixed. Some studies suggest a positive relationship between CSR communications and consumers’ positive attitudes toward a corporation and its products or services (Brown and Dacin, 1997; Creyer and Ross, 1997; Pam *et al.*, 2000), other studies suggest the impact of CSR communications can vary depending on conditions (Dean, 2002; Sen and Bhattacharya, 2001; Wang, 2007).

There are also opinions that CSR is motivated by the publicity it will generate as opposed to the goodwill of the stakeholders. Those who support this view argue that most companies and/or organizations do not employ CSR out of well thought strategies but rather as one-off responses to disasters that will make them appear in the “Business Pictorial” pages of the local dailies (Mel, 2003).¹

Successful CSR does not operate in a vacuum but actively engages the community by building a relationship with the members of the public that will eventually lead to, in many cases, customer loyalty and community goodwill (Ibid 2003).

¹ Most of the organizations and companies just want publicity and so if some other company has been given favorable coverage by the media then they would want to follow suit.

Projecting good CSR practices presumably influences a corporation's image since corporate image is the result of interactions between organizational members and publics as well as a corporation's attempt to engage in impression management (Balmer, 2001; Hooghiemstra, 2000). Conversely, negative publicity about a corporation's CSR practices can damage the corporation's image (Ahluwalia *et al.*, 2000).

CSR is becoming an increasingly significant criterion by which a company's reputation is evaluated. Another indication of the growing influence of CSR on a company's reputation is the recent proliferation of advertising campaigns from major corporations that address social and environmental issues (Radley, 2004).

Full page ads in newspapers and magazines as well as TV commercials have in the recent past hailed the environmental achievements and aspirations of many companies such as Safaricom, Magadi Soda and Kenya Commercial Bank KCB and others. Whether these ads are merely token environmental public relations efforts or whether they reflect a genuine advance in environmental practice, on a very basic level these ads reflect an increasing awareness by corporations of the public's interest in corporate environmental and social responsibility.

It is evident from the foregoing that regardless of the preferred definition, CSR is certainly a relevant determining factor of how a company positions itself in the markets and among its neighbors.

Background of the Study

More and more emerging market² companies are seeing the value of committing to responsible business practices. A strong strategy and reputation as a responsible business can help these companies build trust with local stakeholders³ thereby goodwill to operate.

A positive assessment of a corporation's CSR practices rests heavily on a corporation's ability to create linkages between a corporation's CSR practices and its corporate image. The key outcome is familiarity in the collective consciousness of the publics - top of mind brand awareness.

CSR is often used to promote voluntary corporate initiatives as an alternative to existing mandatory regulations. The image of multinational companies working hard to make the better place is often just that. What is needed, are new laws to make businesses responsible for protecting human rights and environment wherever they work.

When a company is 'visual' in the eyes of the community, it means that people are now aware of it and can thus identify with it. Consequently, projecting good CSR practices can influence corporate image since it is the result of a corporation's attempts to engage in impression management. Thus, publics would form positive attitude and would be likely to buy from companies that employ sustainable practices. As a result, CSR can help companies improve sales and increase revenues ultimately sustaining profits.

² Generally refers to Africa and other developing countries that were not initially traditional markets for products made in Europe, Asia and North America.

³ Refers to the immediate beneficiaries of the activities or services rendered.

An integrated CSR strategy combined with effective communications can play a big role in creating reputation and business value for a company. Companies that communicate well can also encourage greater uptake of CSR among peers and competitors. The social responsibility practice area thus helps businesses to not only understand and operationalize CSR in their core activities, but also to articulate their vision to stakeholders (Okigbo, 1995).

CSR promotes a vision of business accountability to a wide range of stakeholders, besides shareholders and investors. Key areas of concern are environmental protection and the wellbeing of employees, the community and civil society in general, both now and in the future (Mel, 2003).

The concept of CSR is underpinned by the idea that corporations can no longer act as isolated economic entities operating in detachment from the broader society. Traditional views about competitiveness, survival and profitability are being swept away.

Statement of the Problem

In recent years organizations in Kenya have greatly increased the amount of resources allocated to activities classified as CSR. This is evidenced on Television and radio programming where there are many advertisements that run. Majority of the ads are sponsored by organizations trying to reach out to the community within which they operate. For instance, World Vision Kenya is partnering with other corporate organizations to provide water and sanitation projects in Taveta. Recently, the Mercy Train campaign which brought together several organizations, to help Kenyans living under famine distress to get food is another good example. Since CSR describes an

approach through which an organization recognizes that its activities have a wider impact in the society in which it operates, it therefore follows that organizations should seek to actively manage the economic, social, environmental and human rights impact of its activities across the world. Basing these on the principles which reflect international values, the companies can thus reap benefits both for their own operations and reputation as well as for the communities in which they operate.⁴

Successful CSR, however, does not operate in a vacuum but seeks active engagement of the community, building a relationship with the community members that will eventually lead to customer loyalty in case it is a profit making organization (Radley, 2004).

Apart from business entities, Non-Governmental Organizations (NGOs) also play a big role in sustaining community development. According to the World Bank definition, an NGO is a private organization that pursues activities to relieve suffering, promote the interests of the poor, protect the environment, provide basic social services or undertake communication development (World Benefit website). The involvement of an NGO can contribute to the sustainability and effectiveness of projects through innovative approaches and promotion of community participation. As a result, the NGOs can facilitate greater awareness of projects to be implemented. To a greater extent, the NGOs have greater acceptance in the community as they are at the grassroots level. Since the implementation of a sustainable development strategy requires an active participation of

⁴ The researcher talked to the Communication Manager, Mr. Patterson Siema at World Vision Kenya office in Nairobi, Karen. The interview was carried out on 25th March 2009.

all stakeholders, the NGOs would be able to cultivate a sense of ownership in the community thus encouraging acceptance and full participation by the stakeholders (Ibid).

The conceptualization of CSR in Kenya has been purely in terms of philanthropy or charity. Welfare programs or initiatives were introduced not as a duty or a responsibility but as a form of charity that was supposed to indicate the virtues of the company or the organization. However, this is changing with organizations realizing that CSR should be more stakeholders oriented so as to reap maximum benefits.

With this in mind, this project seeks to examine the role of CSR in Kenya and how it can be used to sustain business growth and community development at the same time. This project will also distinguish socially responsible behavior from Corporate Image Management or any other activity that is predominantly aimed at business benefits.

Hypothesis

Organizations making one-off contributions to a cause serve to alleviate suffering for a specific period of time. In terms of changing the destiny of the community, once the 'aid' is used up, the communities go back to their initial desperation. Emergencies such as floods or fire call for this kind of CSR. Conversely, if communities have to be transformed positively, new strategies have to be employed by these organizations. The hypothesis of this study is that CSR activities in Kenya do not stimulate sustainable community development.

Objectives of the Study

The main problem being investigated in this project is how CSR can be used to foster sustainable community development. The specific objectives of the study are:

1. To establish whether there is a connection between good CSR and sustainable development in Kenya's rural areas;
2. To investigate the nature of that connection if there is any; and
3. To identify the principles that would connect shareholding and stakeholding perspectives to that of corporate accountability in ways relevant to the community.

Research Questions

This research seeks to answer the following questions:

1. Is there a connection between good CSR and sustainable development in Kenya's rural areas?
2. If yes, what is the nature of the connection? If no, why doesn't a connection exist?
3. What are the principles that connect shareholding and stake holding perspectives relevant to community development?

Theoretical framework

This project will employ three theories: Community Development Theory, the Corporate Accountability Theory and Systems theory.

Community Development Theory

People have been making careers by stimulating improvement or development of communities for generations. There is no clear point at which a type of approach directed toward this end became identified as "community development." The antecedents are many, tracking back into history, but it was in the post World War II period that the term gained popularity. Activity under this banner, much of it in the then colonial world, was enough that by the 1950s, sections of the United Nations felt compelled to attempt to define it (United Nations, 1955). From then on, agencies, associations and scholars have been proposing and promoting definitions for community development with abandon. (Sanders, 1958; Ad Hoc Group, 1963; Lotz, 1970; Warren, 1978; Christenson and Robinson, 1980).

In considerable part, the proliferation of definitions, and consequent variety and ambiguity of meanings (Dunham, 1972), can be attributed to the fact that practice preceded theory. Principles, elements of theory, seemed to have their origins in the experience of community development practitioners (Christenson and Robinson, 1980). Armed with the desire and intent to improve community life a few rules of the thumb as guides, agents of governments, institutions and voluntary associations fanned out to do community development. They pounded the pavements and footpaths to bring

community development to the people. It all began, and continued for some time, without anything approaching a comprehensive theory (Ibid, 1980).

According to James Cook (1979), some observers are apt to label any and all attempts to intervene in community affairs as community development. However, most commentators are more discriminating. For those directly associated with the field, there is a generally recognized set of characteristics that differentiates community development from other forms of community-related activities. These distinguishing characteristics include:

- Focus on a unit called "community."
- Conscious attempts to induce non-reversible structural change. The idea of the change being non-reversible is not always made explicit. However, it is generally understood that once structural change takes place in a community system, that system cannot return to the original configuration. Further, it is recognized that some form of structural change may be made to ward off other changes deemed undesirable or to stabilize an existing preferred situation.
- Use of paid professionals/workers.
- Initiation by groups, agencies or institutions external to the community unit.
- Emphasize public participation/ownership.
- Participate for the purpose of self-help.

- Increase dependence on participatory democracy as the mode for community (public) decision-making.
- Use a holistic approach.

The demands of CSR practice are such that thinking about theory in terms of its contents within the separate disciplines is not a practical approach. The object of community development practice is improvement in operations of these communities. Fundamentally, it is an activity which is normative in nature. In essence, it deals with what it ought to be. The function of this theory is to provide norms or prescriptions for the practitioner's actions and a model of practical help to communities. Action takes place relative to existing conditions that vary according to community, time and setting. Community development theory ordinarily treats communities as systems. The systems are conceived as entities that can be reasonably differentiated from what is around them. Community systems do work and perform transformations with inputs which in this case are the transactions that are put in place. The product of the work is discharged into the environment and of course feedback is expected. The community system is conceived in relation to the environment (Easton, 1965).

Theory involves propositions or hypotheses that are problematic and not verified. Because of the wide-ranging circumstances and workings of communities, content from almost all of the disciplinary theories at times may be relevant in community development. Therefore, community development theory has used and will continue to borrow from the theories of the standard disciplines. In a very real sense, most theoretical

developments of the disciplines form a reservoir for community development theory. As a result, community development theory tends to stress classification of theory, not by discipline, but by function. Theories are organized in terms of the questions they attempt to answer. There are five basic questions and five basic types of theories involved with guiding community development practice.

This theory will aid in answering the question 'Is there a connection between good CSR and sustainable development in Kenya's rural areas.'

Table 1.0 Types of theories

Type of question	Type of theory
What is?	Descriptive
Why is it?	Explanative
What would happen if...?	Predictive
What would stimulate learning?	Heuristic
What should be done?	Prescriptive

Source: Author

Corporate Accountability Theory

The Corporate Accountability Theory rests upon two assumptions:

Corporations are creatures of the state and the corporations because of their size and economic power are on the same level with the Government. They like Government must be constitutionally limited. If corporations are Government creations then the

Government has the right to tell them what to do. Corporations gain their authority from the Government which in turn gains its authority from the people. Indirectly, the corporations are responsible to the public. As Nader (1994) would put it, Corporations are effectively like states, private governments with vast economic, political and social impact. A democratic society, even if it encourages such groupings for private economic purposes, should not suffer such public power without public accountability.

Corporate accountability is the legal or ethical responsibility to provide an account or reckoning of the actions for which one is responsible. Accountability has more to do with justifying why you do certain things the way you do. The contribution of corporate accountability theory to corporate sustainability is that it helps define the nature of the relationship between corporate managers and the rest of the society. It also sets out the arguments as to why companies should report on their environmental, social and economic performance not just financial performance.

This theory will help in answering the third question which states what the principle that connect the above are.

Systems Theory

Systems theory is the trans-disciplinary study of the abstract organization of phenomena, independent of their substance, type or spatial or temporal scale of existence. It investigates both the principles common to all complex entities. It was proposed in the 1940's by the biologist Ludwig von Bertalanffy and furthered by Ross Ashby (Joslyn and Francis, 1997). According to Edward Jenson (2003), Human civilization in itself is a

system. The internal activity of the community is relative to the external support environment. To be resilient therefore, human beings must be able to detect and correctly interpret signals about conditions and respond appropriately.

When an organization establishes itself at a place, be it profit making or an NGO, it becomes part of the community in which it operates. It therefore follows that when something affects the community members then in a way, it is also affected. This is because it cannot operate on its own. Participation in the community and its activities result in a kind of bonding between the organizations and the members of the communities where they work for mutual benefit.

Systems theory has been debated and criticized. One argument is that it escapes from reality and is not productive. It emphasizes certain aspects and ignores others (Joslyn and Francis, 1997). This theory will thus help in answering the question 'What is the nature of the connection.'

It is from this theoretical framework that organizations have increasingly sought to get involved with the well being of the communities they operate in.

Justification of the study

Business corporations all over the world including Kenya exist to primarily fulfill their economic obligations-chiefly to make profits. Secondly, they also have a legal obligation which ensures they operate as per the laws of the land. After these have been fulfilled,

then now follows the philanthropic aspect which requires them to contribute resources in order to improve the quality of life for the members in their environment. Improved life will result in improved income leading to sustainable income and thereby sustainable business profits. This in essence is what CSR entails. The findings of this study are important because they show the connection between CSR and sustained community development. The stakeholders will be able to understand their role in ensuring sustained community development. With sound CSR organizations are able to identify with the organizations where they operate. In return, this makes their output more valuable. To researchers, this is a possible source of information increasing the knowledge base on the subject.

Scope

The study was on the role of CSR in sustainable community development. Organizations have started committing manpower, expertise in addition to financial resources in order to provide a host of services, programmes and schemes that are flexible enough to accommodate the needs of the target community. This study thus was set so as to find out the connection between Corporate Social Responsibility and sustainable development.

Limitation of the study

The major limitation in this study was the lack of readily available materials. This therefore means that the research focused only on the few literature available and the information provided by the respondents than desired, thus leaving out a huge chunk of

areas that would have yielded more insight into the problem under study. Other constraints include time, and inadequate funding. Nonetheless, the methodologies employed were so designed to ensure that the research yields the best possible results with these constraints.

Opportunities for further research

Being a large topic, CSR covers quite a number of areas. There is limited literature on the same despite it being an emerging trend. There is need therefore for extensive research especially in the form of empirical studies to address the questions that are related to the issue especially in terms of sustainability.

CHAPTER TWO: LITERATURE REVIEW

The notion that corporations ought to be socially responsible began during the 1960s, a time when businesses were expanding internationally and growing rapidly in size and power (Lantos, 2001). Since then, exposés of the unethical and irresponsible conduct of companies have heightened public awareness of the perils involved in the pursuit of economic profitability and social power.

In the recent years, organizations in Kenya have gradually increased the amount of resources allocated to activities classified as Corporate Social Responsibility. CSR simply describes an approach by which an organization recognizes that its activities have wider impact on the society in which it operates. Consequently, CSR means that the organization seeks to actively manage the economic, social, environmental, and human rights impact of its activities across the world, basing these on the principles in which it operates.

According to Mrs. Muchigi⁵, organizations in Kenya have their own ideas about CSR and how much of a commitment they make to it. Activities range from “going green” to supporting local charities or even making random donations to emerging crisis. Most of these organizations lack a CSR strategy hence succumb to any activity that can be captured on camera and be published in the Business Pictorial pages, showing them making a contribution to a “worthy cause.” Mrs Muchigi explains that CSR goes beyond

⁵ Mrs Muchigi is the Corporate Affairs Manager, Daystar University, Kenya. She was interviewed at Daystar Athi River Campus on 27th July, 2009.

philanthropy and charity and emphasizes that corporations should take full account of the impact of their decisions and activities on all stakeholders and on the environment.

The World Business Council for Sustainable Development (2002) describes CSR as the continuous commitment by organizations 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.

The idea of social responsibilities presupposes that the corporation not only has economic and legal obligations but also certain responsibilities to society which extend beyond these. In the 1990s, however, corporations began to develop more proactive strategies (McGuire, 1963).

The term '**Corporate Citizenship**' is used synonymously with CSR. Whereas CSR refers to a set of principles, corporate citizenship on the other hand refers to a set of behaviours that demonstrates those responsibilities (Cutlip, 2000). Citizenship involves the day-to-day practices of the corporation as they impact and are impacted by stakeholders. In fact the approach that is becoming more widely accepted is community-based development projects such as the Shell's Foundation involvement in the Flower Valley, South Africa.

Nonetheless, an alternative approach often used is the establishment of education facilities for adults, as well as HIV education programmes. The majority of these CSR

projects are established in Africa. A more common approach in CSR is through the giving of aid to local organizations and impoverished communities in developing countries. However, most organizations nowadays prefer the community-based development generally as it leads to more sustainable development (Ibid 2004).

Corporate Social Responsibility (CSR):

CSR is commonly described by its promoters as aligning a company's activities with the social, economic and environmental expectations of its "stakeholders" (Nigel, 1994). CSR demands that businesses and/or organizations manage the economic, social and environmental impacts of their operations to maximise the benefits and minimise the downsides. Key CSR issues include governance, environmental management, stakeholder engagement, labour standards, employee and community relations, social equity, responsible sourcing and human rights (Ibid, 1994). CSR is not only about fulfilling a duty to society; it should also bring competitive advantage. Through an effective CSR programme, companies can:

- improve access to capital
- sharpen decision-making and reduce risk
- enhance brand image
- uncover previously hidden commercial opportunities, including new markets
- reduce operational costs and
- attract, retain and motivate employees.

At the base level, corporations need to acknowledge their positions as an integral member of the community. The critical word here then is engagement. By seeing the cooperation as a member of the community rather than operating outside of it, perceptions begin to shift. A corporation can find out what the community expects from it and hence identify and then address its community responsibilities.

When you examine the whole scenario above, the key thing here is reputation. A good corporate reputation means that you can attract and retain the best people there are (Ibid, 1994).

Radley and Yedar (2004) gives ten top reasons for engaging in CSR. They posit that there is increased profit once an organization engages in CSR arguing that, there is a direct correlation between socially responsible business practices and positive financial performance. Further, companies that are committed to CSR often have access to capital that would not otherwise be available, due to the increase in Socially Responsible Investment (SRI) (CSR network, 2004).

By considering its impacts, a company's actions can result in environmental, social and economic benefits. Construction firms, for example, reuse products on-site. This reduces landfill, reduces community and noise disturbance of additional trucks bringing material to the site, reduces the environmental impact of damage caused by heavy truck wheels and reduces cost for the client of buying new material (Ibid, 2004).

A good reputation is often very hard to build - and yet can be destroyed in a short time. So much of a company's reputation results from trust by stakeholders. A strong reputation in environmental and social responsibility can help a company build this trust. However, it needs to result from real practices and policies and integrity towards the company's responsibilities. Stakeholders are not blind and can see through 'fluff'. Non Government Organisations (NGOs) and local communities are far more willing to not take action as a result of an environmentally-damaging incident if it is evident that the company has genuinely worked hard to prevent it happening in the first place, and has in place solid management practices for rectifying the situation - quickly - and for learning and improving to prevent an repeat occurrence (Ibid, 2004).

Again, research has shown that consumers not only want good and safe products, but they also want to know that what they buy was produced in a socially and environmentally responsible way (Nigel, 2004).

Company efforts to improve working conditions, lessen environmental impacts or increase employee involvement in decision-making often lead to increased productivity and reduced error rate. For example, companies that improve working conditions and labour practices among their suppliers often experience a decrease in merchandise that is defective or can't be sold" (Business for Social Responsibility, 2002).

A company's dedication to CSR can help it to attract and retain employees. People want to work for a company that operates in accordance with their own values and beliefs.

Employees are not just worried about promotion and salary any more (The Chersonson Group, 2004).

The more a company shows it is committed to CSR by complying with and going beyond legislation, the more lenient governments and regulators may be with the company. They may be given preferential treatment when applying for permits or permission to do something, and if an accident occurs, they will be regarded more favourably if they have been transparent and socially responsible in the period running up the accident/incident (Ibid, 2004).

Over time, CSR has metamorphosed from merely being a philanthropic initiative to an innovative implementation stage where it becomes stakeholder centered. At the conceptual level, there is a fundamental transformation from the charity-oriented approach to the stakeholder-oriented approach where the target group is seen as stakeholder in the community whose well-being is integral to the long term success of the company. However, the real revolution occurs at the implementation stages where companies have started committing manpower, expertise in addition to financial resources in order to provide a host of services, programs and schemes that are flexible enough to accommodate the needs of the target community. The CSR initiatives have also seen greater people participation at all stages and tighter accountability standards. The issue of norms for corporate social responsibility seems to have been adequately dealt with by industry practices like benchmarking, CSR ratings and certification by different agencies (Nigel, 2004).

Along with innovation, corporations have worked hard at integrating CSR into their core practices. There is now greater evaluation and stricter accountability and transparency norms for social initiatives along the lines of norm set for mainstream projects and ventures (Porter, 2001). The perceptible change has been the introduction of a host of innovative programs and schemes in several areas like education, healthcare, rural development, environment protection, protection of artistic and cultural heritage and disaster management that are customized to meet the specific needs of the target group and corporations devote not only financial resources but expertise, manpower, products and services for the successful implementation of these schemes (Ibid, 2001).

In every aspect of CSR measures the last decade has seen corporations innovating to increase efficiency, effectiveness and accountability. The focus has been on initiatives that are people-centric with active community participation at all levels. Further, the corporations themselves have moved away from the charitable initiatives like giving financial grants or sponsorships to providing products and services in a manner that would make a *real* difference in the target communities (Diane, 1998).

Therefore, CSR is basically a new business strategy to reduce investment risks and maximize profits by taking all the key stakeholders into confidence. Social and environmental stability and sustainability is necessary for the survival of a free-market economy in the long run. Importance is being attached to accountability, transparency and social and environmental investment as the key aspects of corporate governance in

the era of globalization. A visible commitment to CSR can help emerging market firms attract multinational partners, access international sources of capital, and reach socially-conscious consumers with their products and services. The objective is to ensure that the stakeholders impacted by investments are empowered to participate in and benefit from the local community development efforts by the organizations (Ibid, 1998).

Perspectives of CSR

For a corporation to be socially responsible then it must be reduced to two fundamental perspectives. These are communitarianism and individualism. According to communitarianism, society is more than the sum of individuals in it. The community is organic. The society exists prior to any particular individual's existence. According to Younkins (2001), the corporation, a possession of the community rather than the individuals, holds a social contract with society from which it derives its power and therefore serves a constellation of interest. The communitarian ethic is based on the view that, in a socially interdependent society, no manager can act ethically without considering the claim of others. In other words, while managers have direct obligations to stockholders and employees, they must also recognize other claimants such as customers, suppliers and the community itself from which the corporation derives its existence (Younkins, 2001).

Individualism on the other hand postulates that each person has moral significance and certain inviolable natural rights. Each person thus exists, perceives, experiences, thinks and acts in and through his own body and thus form points in time and space. Here, a

community is simply the association of persons for cooperative action. Created by the interactions of individuals, society is what individuals make it (Ibid).

Sustainable Development

Sustainable development has been defined in many but for the purposes of this project, we will adopt the definition from 'Our Common Future' also known as the Brundtland Report (Brundtland, 1987). It states that "sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs. It contains within it two key concepts:

- the concept of **needs**, in particular the essential needs of the world's poor, to which overriding priority should be given; and
- the idea of **limitations** imposed by the state of technology and social organization on the environment's ability to meet present and future needs."

Sustainable development require that we see the world as a system—a system that connects space; and a system that connects time. And when you think of the world as a system over time, you start to realize that the decisions our grandparents made about how to farm the land continue to affect agricultural practice today; and the economic policies we endorse today will have an impact on urban poverty when our children are adults.

We also understand that quality of life is a system, too. It's good to be physically healthy, but what if you are poor and don't have access to education? It's good to have a secure income, but what if the air in your part of the world is unclean? And it's good to have freedom of religious expression, but what if you can't feed your family?

The concept of sustainable development is rooted in this sort of systematic thinking. It helps us understand ourselves and our world. The problems we face are complex and serious—and we can't address them in the same way we created them. But we *can* address them.

Sustainable development is a pattern of resources use that aims to meet human needs while preserving the environment so that these needs can be met not only in the present, but also for the future generations. The term was used by the Brundtland Commission⁶ which coined what has become the most often quoted definition of sustainable development as development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

Indigenous people have argued, through various international forums such as the United Nations Permanent Forum on Indigenous Issues and the Convention on Biological Diversity, that there are four pillars of sustainable development. These are Environmental sustainability, economic sustainability, sociopolitical sustainability and the fourth being cultural sustainability (UNESCO, 2001).

Economic Sustainability

Agenda 21 of the Universal Declaration clearly identified information, integration and participation as key building blocks to help countries achieve development that recognizes these interdependent pillars. Here everyone is a user and provider of

⁶The Report of the Brundtland Commission, *Our Common Future*, was published by Oxford University Press in 1987. It was Commissioned by the UN General Assembly to address the degradation being experienced and the consequences therein.

information. It stresses the need to change from old sector-centered ways of doing business to new approaches that involve cross-sectoral coordination and the integration of environmental and social concerns into all development processes. Furthermore, Agenda 21 emphasizes that broad public participation in decision making is a fundamental prerequisite for achieving sustainable development. The United Nations Division for Sustainable Development lists the following areas as coming within the scope of sustainable development. Sustainable development is an eclectic concept, as a wide array of views fall under its umbrella. The concept has included notions of weak sustainability, strong sustainability and deep ecology. Different conceptions also reveal a strong tension between ecocentrism and anthropocentrism with many definitions and images of sustainable development coexisting. Broadly defined, the sustainable development mantra enjoins current generations to take a systems approach to growth and development and to manage natural, produced, and social capital for the welfare of their own and future generations.

Environmental sustainability

Environmental sustainability is the process of making sure current processes of interaction with the environment is pursued with the idea of keeping the environment as pristine as naturally possible based on ideal seeking behaviour. An "unsustainable situation" occurs when natural capital (the sum total of nature's resources) is used up faster than it can be replenished. Sustainability requires that human activity only uses nature's resources at a rate at which they can be replenished naturally. Inherently the concept of sustainable development is intertwined with the concept of carrying capacity.

Theoretically, the long-term result of environmental degradation is the inability to sustain human life. Such degradation on a global scale could imply extinction for humanity.

Socio-political and cultural perspectives

Since corporates intervene in so many areas of social life, they must be responsible towards society and the environment. The new generation of corporations and the new-economy entrepreneurs who create a tremendous amount of wealth in a relatively short span of time recognize the fact that social and environmental stability and sustainability are two important prerequisites for the sustainability of the market in the long run. They also recognize the fact that increasing poverty can lead to social and political instability. Such socio-political instability can, in turn, be detrimental to business, which operates from a variety of socio-political and cultural backgrounds. Here, corporate social responsibility is both a value and a strategy to ensuring the sustainability of business. It is a value because it stresses the fact that business and markets are essentially aimed at the well-being of society. It is a strategy because it helps to reduce social tensions and facilitate markets (Herman, 1996).

For the new generation of corporate leaders, optimisation of profits is the key, rather than the maximisation of profit. Hence there is a shift from accountability to shareholders to accountability to stakeholders (including employees, consumers and affected communities). There is a growing realisation that long-term business success can only be achieved by companies that recognise that the economy is an "open subsystem of the earth's ecosystem, which is finite, non-growing and materially closed" (Ibid, 1996).

Corporations are private initiatives, true, but increasingly they are becoming public institutions whose survival depends on the consumers who buy their products and shareholders who invest in their stocks. The bottom-line now is that accountability, transparency and social and environmental investment as the key aspects of corporate social responsibility.

Correlation between CSR and Sustainability

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 (e.g. by the European Union). Some investors and investment fund managers have begun to take account of a corporation's CSR policy in making investment decisions. Some consumers have become increasingly sensitive to the CSR performance of the companies from which they buy their goods and services. These trends have contributed to the pressure on companies to operate in an economically, socially and environmentally sustainable way (Samuel, Anir in CSR: Background and Perspective, 2010).

It is important to distinguish CSR from charitable donations and "good works" (i.e. philanthropy, e.g. The Mercy Train Initiative in Kenya). Corporations have often, in the past, spent money on community projects, the endowment of scholarships, and the

establishment of Foundations. They have also often encouraged their employees to volunteer to take part in community work thereby create goodwill in the community which will directly enhance the reputation of the company and strengthen its brand. CSR goes beyond charity and requires that a responsible company will take into full account the impact on all stakeholders and on the environment when making decisions. This requires them to balance the needs of all stakeholders with their need to make a profit and reward their shareholders adequately.

Corporate social responsibility is qualitatively different from the traditional concept of corporate philanthropy. It acknowledges the debt that the corporation owes to the community within which it operates, as a stakeholder in corporate activity. It also defines the business corporation's partnership with social action groups in providing financial and other resources to support development plans, specially among disadvantaged communities (Ibid, 2010).

The emerging perspective on corporate social responsibility focuses on responsibility towards stakeholders (shareholders, employees, management, consumers and community) rather than on maximisation of profit for shareholders. There is also more stress on long-term sustainability of business and environment and the distribution of well-being.

CSR principles and approaches fostering sustainable development

There are predominantly three main approaches to CSR. These are the business and society approach, economic approach and stakeholder approach:

A. *Business and Society Approach*

The view that *corporations have an obligation to society* developed at a time when corporations were enjoying unprecedented levels of power – especially over citizens – while exercising little social responsibility (Carroll, 1999). Carroll's model of CSR, which came into prominence during the 1970s, framed business responsibilities into four components: economic, legal, ethical, and discretionary. When the author reformulated the model in 1991, he depicted it in the form of a pyramid, with economic performance being the most basic function (depicted at the bottom of the pyramid) and moving up to legal, ethical and philanthropic (which replaced discretionary) components.

Carroll's CSR pyramid (1991) stated that a socially responsible corporation should strive to make a profit, obey the law, be ethical, and be a good corporate citizen simultaneously. He specifically distinguished between philanthropic and ethical responsibilities noting that many corporations assume that they are being socially responsible by being good corporate citizens in the community.

Interestingly, several scholars and economists have in fact rejected philanthropy as a legitimate corporate action (Lantos, 2001; Friedman, 1970 in Carroll's 1991). Carroll himself stated that philanthropy, while highly desirable, is actually less important than the

first three components of CSR. It should be noted that even though the four components have been discussed as separate constructs, they are not mutually exclusive.

Building on Carroll's work, Lantos (2001) classified CSR into three forms: ethical, altruistic, and strategic. Ethical CSR is the minimal, mandatory fulfillment of a corporation's economic, legal, and ethical responsibilities to its publics. Lantos (2001) further argued that strategic CSR, where corporations participate only in those philanthropic actions that will financially benefit them by attracting positive publicity and goodwill, should be practiced over altruistic CSR, which constitutes making philanthropic contributions at the possible expense of stockholders. He stated that altruistic CSR is not legitimate. Despite their different orientations, these scholars have put forth a common notion that corporations do not operate in isolation from the society where they exist. This symbiotic relationship is best summarized as "Business and society are interwoven rather than distinct entities" (Carroll 1991).

B. Economic Approach

Contrary to the proponents of the business and society approach, classical economists separated social functions from economic functions, asserting that businesses have the basic responsibility of maximizing profits for their owners or shareholders. Adam Smith (1863, as cited in Lantos, 2001), perhaps the first to espouse the market value maximization perspective, argued that by pursuing profits, corporations produce the greatest social good because the invisible hand of the capitalist market ultimately helped solve society's problems.

Lantos (2001) used the term 'Economic CSR' to refer to profit-oriented CSR activities, which absolves corporations from social contribution because they pay taxes and wages to employees rather than enslaving them (Marvoux, 2000). Some economists have gone as far as to argue that the only social responsibility corporations have is to obey the law (Carr, 1996).

Like Carr, Nobel laureate economist Milton Friedman(1970) offered the dominant and well known view representing the economic approach separating social functions from business functions, asserting that the "business of business is business" (Klonoski, 2001). However, Friedman (1970) did recognize a spectrum of moral and ethical responsibilities, positing that the social responsibility of corporations is to "make as much money as possible while conforming to the basic rules of the society, both those embodied in law and those embodied in ethical custom."

C. Stakeholder Approach

The economic approach overlooked the fact that in the effort to maximize profits, corporations do affect multiple stakeholders (Freeman, 2001). The stakeholder approach to CSR viewed the corporation as "a set of interrelated, explicit or implicit connections between individuals and or groups of individuals" (Rowley, 1997) that include anybody who "can affect or is affected by the achievement of the organization's objectives" (Freeman, 1984).

This approach distinguishes between primary (e.g. employees, customers and suppliers) and secondary (e.g. the media and NGOs) stakeholders according to their relative impact on the corporation (Clarkson, 1995). It advocates that corporations are responsible for addressing the interests of the various stakeholders – not just those of the owners and/or shareholders – because they make other, non-monetary investments, albeit at varying levels depending on the corporation's objectives (Freeman, 1984; Key and Popkin, 1998; Boehm, 2002).

CSR and profitability

The application of the principles of Sustainable Development through the introduction of a CSR policy is often accompanied by what is called triple bottom line reporting which declares not only financial results but also the social and environmental impact of the business. Some countries (e.g. France) have made such reporting mandatory. However the measurement of social and environmental performance is difficult and new measurement techniques need to be developed.

Many large companies now produce annual reports that cover Sustainable Development and CSR issues, and these reports are often externally audited. But there is no common template for the reporting and the style and the evaluation methodology varies between companies (even within the same industry). Critics often comment that some of these reports are little more than spin and as an example note that brewing companies such as East African Breweries Ltd (EABL) also produce social reports and are involved in charity activities.

The Global Reporting Initiative (GRI, 2007) is an attempt to standardize sustainability reporting and the AA1000 standard is an attempt to improve their legitimacy. The history of CSR reporting goes back to environmental and sustainability reporting.

The benefits of CSR

The benefits Of CSR to businesses vary depending on the nature of the enterprise, and are typically very difficult to quantify. The business may not be looking at short-term financial returns when developing its CSR strategy, however.

The definition of CSR used within business can vary from the strict 'stakeholder impacts' definition used in this article and will often include charitable efforts and volunteering. CSR may be based within the human resources, business development or PR departments of a company, or may be given a separate unit reporting to the CEO or in some cases directly to the board. The business case for CSR within a company will likely rest on one or more of these arguments:

Human Resources

CSR can be an important aid to recruitment and retention, particularly within the competitive graduate market. Potential recruits are increasingly likely to ask about a firm's CSR policy during an interview and having a comprehensive policy can give an advantage. CSR can also help to build a 'feel good' atmosphere among existing staff, particularly when they can become involved through payroll giving, fundraising activities or community volunteering.

Risk Management

Managing risk is a central part of many corporate strategies. Reputations that take decades to build can be ruined in hours through incidents such as corruption scandals or environmental accidents. These events can also draw unwanted attention from regulators, courts, governments and media. Building a genuine culture of 'doing the right thing' within a corporation can offset these risks.

Brand Differentiation

In crowded marketplaces companies strive for 'X Factors' which can separate them from the competition in the minds of consumers. Business service organizations can benefit too from building a reputation for integrity and best practice.

License to operate

Corporations are keen to avoid interference in their business through taxation or regulations. By taking substantive voluntary steps they can persuade governments and the wider public that they are taking current issues like health and safety, diversity or the environment seriously and so avoid intervention. This also applies to firms seeking to justify 'eye-catching' profits and high levels of boardroom pay. Those operating away from their home country can make sure they stay welcome by being good corporate citizens with respect to labour standards and impacts on the environment.

Diverting Attention

Major corporations which have existing reputation problems due to their core business activities may engage in high-profile CSR programmes to draw attention away from their perceived negative impacts. This explains why British American Tobacco (BAT) takes part in health initiatives.

CSR around the World

Although it originated in Western liberal democracies, the CSR movement has evolved into a global movement that includes multiple sectors such as businesses, governments, NGOs, and the general public. Increasing attention is given to CSR in the corporate and public spheres, alongside the proliferation of academic and management literature on the subject (Bowd *et al.*, 2003). A study by Echo Research (2003) found that media coverage on CSR issues in the UK, US, France, and Germany increased by a dramatic 407 % from 2001 to 2002.

Today, CSR is receiving increasing attention around the world and has become a legitimate issue on the international diplomatic agenda. Several inter-governmental agreements, such as the International Labor Organization (ILO) convention, have been in place for years. At the meeting of the World Economic Summit in Davos in 2000, UN Secretary-General Kofi Annan launched Global Compact in an attempt to get corporations around the world to voluntarily incorporate CSR into their operations. Ten principles covering four key areas – human rights, labor standards, environmental

protection, and anticorruption – have been established and corporations are asked to voluntarily adopt these principles and self-regulate.

Further, at the ISO's international conference on social responsibility (2004), which was attended by stakeholders from 66 countries, there was a consensus among the participants in favor of ISO's work on CSR, affirming that social responsibility is globally relevant and there exists a clear demand for it around the world. The US is one of the first countries where many corporations had acknowledged CSR as a legitimate business concern as far back as 1971 (Eilbirt and Parket, 1973). Competition is the primary driver for corporations to be more socially responsible (Keeler, 2002). A survey by the Centre for Corporate Citizenship at Boston College (2004) found that more than 80% of American CEOs polled believed that good CSR practices are beneficial to the bottom-line. The survey also found that a majority of the CEOs wanted CSR to be voluntary and not regulated or governed by law. Significantly, this contrasted with the European approach to CSR, where the preference was towards legislation and government intervention (Baker, 2004).

Pressure on Corporations to be socially responsible

Globalization has played a significant role in being the catalyst for corporate social responsibility. It is not surprising that multinational corporations (MNCs) are the main proponents of CSR since much is at stake for them (Commission of the European Communities, 2001). Most leading MNCs are headquartered in Western liberal democracies where organizations are pressured by government regulation, the mass

media, and citizen groups (NGOs) to be socially responsible. MNCs have a presence around the world, with supply chains and manufacturing factories situated in numerous countries. In addition, business operations have become more transparent with the advancement of modern information and communication technologies. This heightened visibility ensures that unethical or irresponsible corporate actions are increasingly susceptible to public scrutiny and criticism. For example, Nike struggled to regain its reputation years after a sweatshop labor scandal despite its efforts to implement better working conditions ("Nike answers critics", 2002). A 2001 Social and Environmental study ranked Nike at the top of the list of corporations that had failed to fulfill their corporate responsibilities ("Nike answers critics", 2002).

Measures of CSR

Many early studies (Tsang, 1998; Andrew et al., 1989; Foo and Tan, 1988) used the disclosure method, which analyzed corporations' self-reported CSR performances via corporate annual reports or websites, when studying CSR in Singapore.

As CSR can be difficult to quantify, reports provide a means of determining the quality of corporations' commitment to CSR (Macleod, 2001). A study of Singapore's banking, food, and beverage industries during the period 1986-93 (Tsang, 1998) showed that 16 of 33 corporations had no references to social responsibility or community involvement.

In the remaining 17, CSR reporting was focused largely on employee matters. Although Tsang's paper (1998) aimed to stimulate similar studies with the hope of making

longitudinal comparisons, the researcher could not find a more recent study to determine whether the situation has changed in the last seven years.

The disclosure method, despite its popularity, has several drawbacks as a measure of CSR practices. For example, *corporate social reporting* may lag behind actual involvement and might not be an accurate reflection of corporate behavior (Hung and Ramasamy, 2004; Keeler, 2002). This method also may ignore the behavior of smaller corporations which tend to have lower disclosure rates (Andrews et al., 1989). There is also concern that the information provided by corporations in their annual reports and websites may not be objective as it could be driven by publicity motives (Tsang, 1998).

Recent studies appear to move away from the disclosure method, preferring the stakeholder perspective. A study of nine Asia-Pacific countries including Singapore (Edelman, 2004) interviewed different stakeholders such as consumers and corporate executives and found that stakeholders in the Asia-Pacific are increasingly (a rise from 29% in 2003 to 36% in 2004) concerned with the needs of the community beyond their own needs. About 65% of the stakeholders interviewed for the study felt that corporations need to be socially responsible, compared with 35% in 2003 – almost doubling in just one year. Interviewees ranked Community welfare as having the lowest priority and saw offering top quality products and services as the most important factor. While the study by Edelman (2004) provided good insights on stakeholders' perspectives, the findings were not specific to Singapore and did not account for significant differences in economic development and culture across the countries studied.

Hung and Ramasamy (2004) also conducted a comparative study of CSR awareness but limited their analysis to only one category of stakeholder – employees. However, this is consistent with Clarkson’s (1995) finding that “stakeholder satisfaction” should be used as a measure when evaluating CSR.

Besides the growing attention from scholars and the media, Singapore has hosted an increasing number of CSR conferences. In 2004, three significant conferences on CSR were held in the city-state involving organizations such as the British High Commission, Centre for CSR and UN Global Compact. The conferences were attended by executives of multinational and domestic corporations, small-and-medium-enterprises (SMEs), and private and public sector organizations. This is indicative of the increasing interest in CSR across a wide spectrum of corporations in Singapore.

At the conference organized by the British High Commission (2004), Nottingham University surveyed the delegates. More than half of the respondents said that there was a person in their organization dedicated to CSR and more than 80% said that they were required to consider CSR implications when doing their job. We feel these results appear to be highly optimistic and note that the sample was skewed as those choosing to attend the conference can be assumed to have heightened interest and a favorable disposition toward CSR from the very outset. The Nottingham University survey also found that in Singapore, customers, shareholders, and employees were recognized as the most important stakeholders while suppliers, competitors, and NGOs were the least important.

This finding corresponds with the stakeholder approach where corporations are more concerned with primary stakeholders.

An inconsistency here would be the perceived lack of primacy of suppliers and business partners among the respondents although these stakeholders have direct transactions with the corporation. The researchers noted that the respondents may not pay enough attention to the ability of these groups to do harm to the corporation's reputation – a trap Nike fell into when it believed it could keep the sweatshop practices of suppliers and partners out of its doorstep.

The notion that corporations ought to be socially responsible began during the 1960s, a time when businesses were expanding internationally and growing rapidly in size and power (Lantos, 2001). Since then, exposés of the unethical and irresponsible conduct of companies have heightened public awareness of the perils involved in the pursuit of economic profitability and social power. More recently, we have witnessed some of the most highly visible corporations such as Nike and Shell suffering loss of public confidence following wide publicity of their dishonourable conduct such as operating sweatshops in developing countries contributing to environmental damage. The collapse of once highflying companies such as Enron and Worldcom, affecting tens of thousands of employees and investors, have raised many questions regarding corporate practices and credibility and shaken public confidence in corporations.

These debacles are reminders that focusing only on economic interests is becoming increasingly detrimental not just to the reputation, but also the very survival of corporations.

Corporate sustainability is a new and evolving corporate management paradigm. Although the concept acknowledges the need for profitability, it differs from the traditional growth and profit maximization model in that it places a much greater emphasis on environmental, social and economic performance, and the public reporting on this performance (Thomson, 579). Sustainable development sets out to the performance areas that companies should focus on, and also contributes the vision and societal goals that the corporation should work towards such as environmental protection, social justice and equity and economic development.

Nature of Social Responsibility

Table 2.0 Nature of Social Responsibility

WHAT IS THE NATURE OF SOCIAL RESPONSIBILITY	
Case	Action to be taken
Environment	Pollution Control Restoration or protection of environment Conservation of natural resource
Energy	Conservation of Energy in production and marketing operations Efforts to increase the energy efficiency of products Other energy saving programs
Fair Business Practices	Employment and advancement of women and minorities. Employment and advancement of disadvantaged individuals Support for minority owned business
Human Resources	Promotion of employee health and safety Employee training and development Remedial education programs for disadvantaged employee Career Counseling
Community Involvement	Donations of cash, products, services or employee time Sponsorship of Public health projects Support of education and the arts Support of community recreation programs Cooperation in community projects Support of education and the arts Support of community recreation programs Cooperation in community projects
Products	Enhancement of product safety Sponsorship of product safety education programs Reduction of polluting potential of products Improvement in nutritional value of product Improvement in packaging and labeling

Source: Hodgetts & Kuratko (1991)

Stages or levels of CSR

An examination of the stages or levels of CSR behavior that organizations exhibit reveals that distinct differences exist in the way organizations respond. Sethi (1979), a researcher in social responsibility, has established a framework that classifies the social actions of organization into three distinct categories:

1. Social Obligation
2. Social Responsibility
3. Social responsiveness

The framework below illustrates the range of corporate intensity about social issues. Some organizations simply react to social issues through obedience to the laws – social obligation; others respond more actively, accepting responsibility for various programs – social responsibility; still others are highly proactive and are even willing to be evaluated by the public for various activities – social responsiveness.

Table 2.1 Corporate Social behavior

TABLE CLASSIFYING CORPORATE SOCIAL BEHAVIOR			
Dimension of Behavior	Stage One: Social Obligation	Stage Two: Social Responsibility	Stage Three: Social Responsiveness
Response to Social pressure	Maintain low public profile but if attacked, uses PR methods to upgrade its public image; denies any deficiencies; blames public dissatisfaction on ignorance or failure to understand corporate function; disclose information only where legally required	Accepts responsibility for solving current problems; will admit deficiencies in former practices and attempt to persuade public that its current practices meet social norms; attitude towards critics conciliatory, freer information disclosure than stage one	Willingly discusses activities with outside groups; makes information freely available to the public; accepts formal and informal inputs from outside groups in decision making; is willing to be publicly evaluated for its various activities
Philanthropy	Contributes only when direct benefit to it clearly shown; otherwise, views contributions as responsibility of individual employee	Contributes to non-controversial and established causes; matches employee contributions	Activities of stage two, plus support and contributions to new, controversial groups whose needs it sees as unfulfilled and increasingly important

Source Sethi (1979)

Drivers of Corporate Social Responsibility

Understanding what drives CSR in different contexts is critically important to the future evolution of the agenda. Significant challenges remain in getting the right balance of incentives for business practice that make the best possible contribution to sustainable development.

Many advocates of CSR stress the need to make a business case for responsible behavior, since businesses are likely to respond most quickly to incentives that sustain or enhance business success. Lack of clarity over the extent of the case for business success through CSR or indeed its relevance to the agenda - is a significant threat to progress. The table below highlights some of the other drivers:

Table 2.2 The Significance of Drivers of CSR

Driver	Significance
Personal ethics of individual	In a number of instances it is the personal ethics of a CEO or another individual that drive the CSR agenda within a company. This alone cannot secure a sustainable organisational commitment to CSR since it depends on individual engagement.
Laws and regulations	Effectively enforced, law can be a significant driver of responsible behaviour. But although legal frameworks for environmental responsibility have been developed in much of the world, legal frameworks that require management of the social impact of business activities are comparatively undeveloped. In many developing countries, perceptions are strong that any kind of new regulation, standards or enforcement simply discourages foreign direct investment.
Public relations and reputation assurance	Public relations considerations and reputation management are among the strongest drivers for businesses engaging in CSR. On the one hand CSR is viewed by companies as a strategic tool for promotion of reputation and brand value. On the other hand, its potential to generate spin at the expense of real change is criticised.
Social license to operate	The notion that businesses need to secure a 'social license to operate' from their stakeholders is widely touted as a significant driver for CSR. Increased time and expenditure in opening a new mine, demonstrable commitment to social advancement, and communication and co-operation with local stakeholders are among the requirements for businesses operating in the developing world.
Sustaining key aspects of the business	Enclave industries such as mining, tourism, plantations, and agriculture often view certain social investments as critical to the success of their businesses. Building clinics to treat workers, spraying to prevent malaria outbreaks, providing education and treating water are some of the social development projects that businesses undertake. Companies that undertake these activities may create 'islands of development'. But history has demonstrated that in many cases these islands are fundamentally unsustainable because they rest on the continued profitability and investment of the businesses that fund them.
Co-operation in development	There are increasing examples of co-operation, partnerships and legislation that promote opportunities for social development such as public-private partnerships, decentralisation and related policies such as Economic and Social Councils in Chile. It is becoming evident that so-called 'tri-sector partnerships' between businesses, NGOs and public institutions can promote more effective risk management and cost-sharing whilst contributing to CSR.
Improving the business as a whole	Recognition that adoption of CSR practices has the potential to add value to businesses operating is critical. The business imperative to manage social issues in society such as HIV and AIDS needs to be recognised.

Source: Ward et al. (2002)

CHAPTER THREE: RESEARCH DESIGN AND METHODOLOGY

This section presents the procedures which were undertaken in accomplishing the study.

It highlights the research design, area of study, population, sampling procedure, data collection methods and instruments, data presentation and analysis.

The data collection ran over a period of three months which were divided into two parts.

Part I was spent reviewing and evaluating specific literature and an identified case study.

Part II on the other hand was used to cover interview schedules with Public Relations and Communications practitioners in the various firms identified as well gauging awareness among the local people when it comes to CSR as a practice.

Research paradigm

Gephart (1999) indicates that there has been a considerable interest in the role of philosophical assumptions and paradigms in doing research. The paradigm applied in this study is interpretivism which is fundamentally concerned with meaning. Here, the world is complex and dynamic and is constructed, interpreted and experienced by people in their interactions with each other and with wider social systems. It seeks to understand social members' definition of a situation. Interpretivists assume that knowledge and meaning are acts of interpretation hence there is no objective knowledge which is independent of thinking, reasoning humans. Assessment here is done in terms of trustworthiness criteria including credibility, transferability, dependability and conformability. It also rests on authenticity criteria which includes fairness and ontological m catalytic and tactical authenticity (Goldenbiddle and Locke, 1993).

Research design

This is the plan and structure of conducting the research project. According to Beri (2000), it must answer the research questions. This project employed survey type of research. This is because the method gives the researcher flexibility in gathering information and present opportunity for collection of in-depth information. This method elicits the participants' definitions and perspectives, allowing new information to emerge that might not be captured by quantitative methods. (Wimmer and Dominick, 1997).

Survey research methodology relies on standardization which forces the researcher to develop questions general enough to be minimally appropriate for all respondents, possibly missing what is most appropriate to many respondents. The researcher must also ensure that a large number of the selected sample will reply.

Population of study

This is a set of persons or objects that possess at least one common characteristic. It is the group that the researcher wishes to generalize from (Mugenda and Mugenda, 2002). The researcher will focus on professionals who manage CSR programmes in Kenya. According to unpublished information from the Public Relations Society of Kenya, PRSK, there are about 300 practicing Public Relations professionals who are registered as members. It is from this figure that a sample frame was obtained. The researcher used two sets of questionnaires for two different sets of respondents. One was for the PR practitioners themselves while the second set was to gauge the awareness among community members over Corporate Social Responsibility activities and what impact it has or may have on them.

Sampling

Sampling is the act, process, or technique of selecting a suitable sample, or a representative part of a population for the purpose of determining parameters or characteristics of the whole population (Babbie, 2004). Sampling aids in drawing conclusions about portions of populations from which we can observe. The simple random sampling was used. This is because it is highly representative and so is the most ideal. However, it might not be possible without a complete list of population members. It can also be potentially uneconomical while disruptive to isolate members from a group. In order to come up with the number of respondents, the researcher drew one respondent out of every ten to be a target. Thus out of the 300 practitioners, 30 of them were interviewed.

Illustration

$N = 300$

if for every 10 = 1

The 300 would be = $300 \times 1/30$

= 30 people were interviewed.

For the second set of questionnaires, a set of 40 respondents were randomly drawn from two different settings (Kitui and Bamburi-Mombasa). This is because, the researcher was able to gain access to natives of the two.

Data Collection techniques and tools

The choice of any one method of data collection depends on the type of data to be collected, time available, money and personnel available to assist the researcher in data gathering. Data was collected using a combination of data gathering methods. These included interviews and literature survey, the latter including reading books, journals, and publications with relevant literature as well as surfing the web.

Questionnaires were used as a tool for data collection. The questionnaires were administered by means of personal interviews with the respondents. This method implies that the researcher interviews all the individuals drawn in the sample. The interviewer asks the questions from the questionnaire and fills in the answers given by the respondents.

The chances of obtaining fully filled questionnaires are increased with personal interviews, simply because the respondent will not be able to turn in partially filled questionnaires, as is usually the case with self-administered and mailed questionnaires. Secondly, sections or questions that are not understood well by the respondent can be clarified by the interviewer. Thirdly, a well trained interviewer is able to obtain responses (in round-about ways) to questions that the respondent has refused to answer. Finally, the respondents can be accessed in their natural environments, which make them feel more confident in releasing information.

Nonetheless, it is not without its disadvantages. Obviously, this method is expensive, as it entails a lot of movement and the hiring of research assistants to help in distributing the

questionnaires. Again, there is the likelihood that the interviewee may react negatively (or dislike) the interviewer, in which case s/he will become uncooperative and unproductive. Finally, it is not easy (using this method) to assure respondents of confidentiality and anonymity, as some might imagine that they have already “been seen” by the interviewer and are therefore “known”.

A wide range of literature related to the topic was consulted from resources such as books journals and other publications with the relevant literature as well as surfing the Internet. This data collection technique gives an insight into what other researchers and authors have written about CSR and sustained community development. This can also give the researcher confirmation in case of any similarities and explain disparities from the already read literature.

Reliability and Validity

Reliability refers to the consistency of the measurement, or the degree to which an instrument measures the same way each time it is used under the same condition with the same subjects. It is the repeatability of the measurement. It is estimated and can be considered reliable if the scores on the same test given twice is similar (Cook and Campbell, 1979).

To satisfy this criterion, the researcher carried out several pre-tests of the data collection instrument, on similar samples, to detect any variances in the information that the instrument yields. Final assurance of reliability was obtained from a post test, to observe

whether the results of the pretests, actual research data collection, and post test are indeed similar.

Validity on the other hand is the strength of the conclusions, inferences or propositions. It is the best available approximation to the truth or falsity of a given inference, proposition or conclusion. It is thus looking at whether one is right and in return giving the accuracy of the measurement. The possibility of reactivity of the measurement itself (i.e. the chance that the testing process may change the responses of individuals, through alerting them of socially favorable responses) has been minimized. This is achieved through the use of interviewers (to eliminate the chance of discussions with friends) and the wording of question items in a neutral, non-suggestive way (Ibid, 1979).

One chief concern in social science research revolves around the usefulness of a research undertaking, if its findings are taken outside the conditions in which it was carried out. This is the generalizability criterion, which asks to what extent a research project's findings can be generalized to larger populations, or applied in different political, social and economic settings.

By its design, this inquiry has attempted to satisfy the generalizability criterion by interviewing professionals in the field and analyzing documents on the subject. Secondly, steps have been taken to ensure representativeness of the drawn sample, and a conscious effort has been made to study the population in its natural settings, without any attempt at manipulating or controlling the variables under study.

Data analysis and presentation

This involved the preparation of data collected into useful, clear and understandable information. Analysis involved coding, editing and tabulating the data. Documentary analysis defined as the study of recorded human communications such as books, websites, paintings and laws (Babie, 2004) was used to analyze the questions in the interview schedule. The second set of data from the community members employed a conversation analysis. The findings drawn were then presented in a report form with tabulations and figures clearly shown and described. Again, it has also involved the interviewing of community members to whom the CSR practices are intended.

CHAPTER FOUR: RESEARCH FINDINGS

This chapter mainly entails presenting data collected from the field with tabulations and graphical representations.

Responses from the lay people

Demographics

Analysis by Gender:

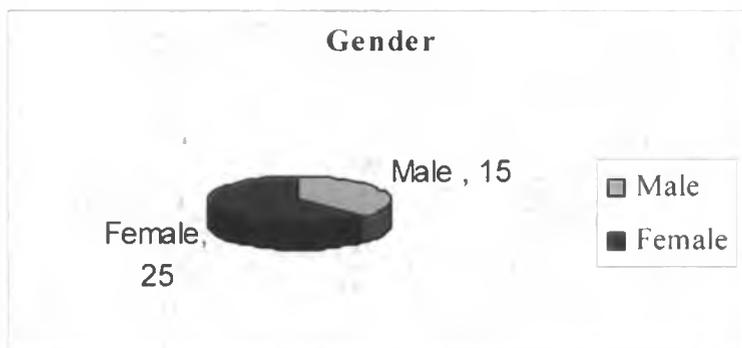
The number of male respondents was 15(38%) while that of the females was 25(62%).

Table 4.0 Gender

Gender	Frequency
Males	15 (38%)
Female	25 (62%)
Total	40 (100%)

Source: Researcher (2010)

Fig.4.1 Gender



Source: Researcher (2010)

It is apparent there are more females than males in the villages that were visited. This is why there were more females than males in the sampling frame.

Analysis by Age:

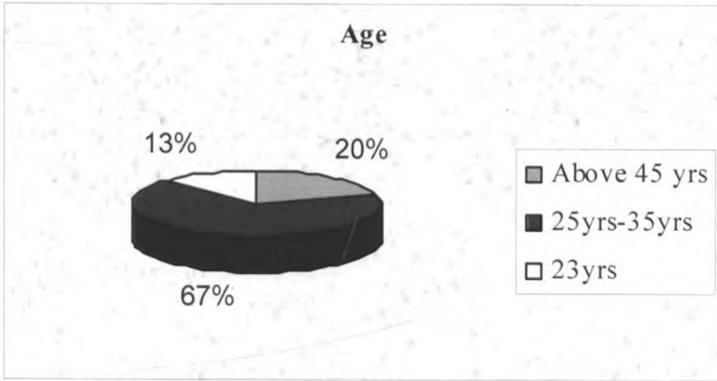
27 of the respondents were aged 25yrs-35years, while 5 respondents were aged 23. 8 respondents were over 45 years old.

Table 4.1 Age

Age	Frequency
Above 45 yrs	8
25yrs-35yrs	27
23 yrs	5
Total	40

Source: Researcher (2010)

Fig 4.2 Age



Source: Researcher (2010)

Most of the people living in the area are aged between 25 years and 35 years (67 %) with just a few old folks who are aged above 45 years (8 %). Only a paltry 7 % are below the age of 23. This is a fairly young population.

Occupation:

62% of the respondents were self employed with the remaining 38% being teachers, nurses and housewives.

Table 4.2 Occupation

Occupation	Frequency
Self employed	25 (62%)
Others-teachers, nurses etc	13 (32%)
Total	40 (100%)

Source: Researcher (2010)

Fig 4.3 Occupation



Source: Researcher (2010)

Awareness

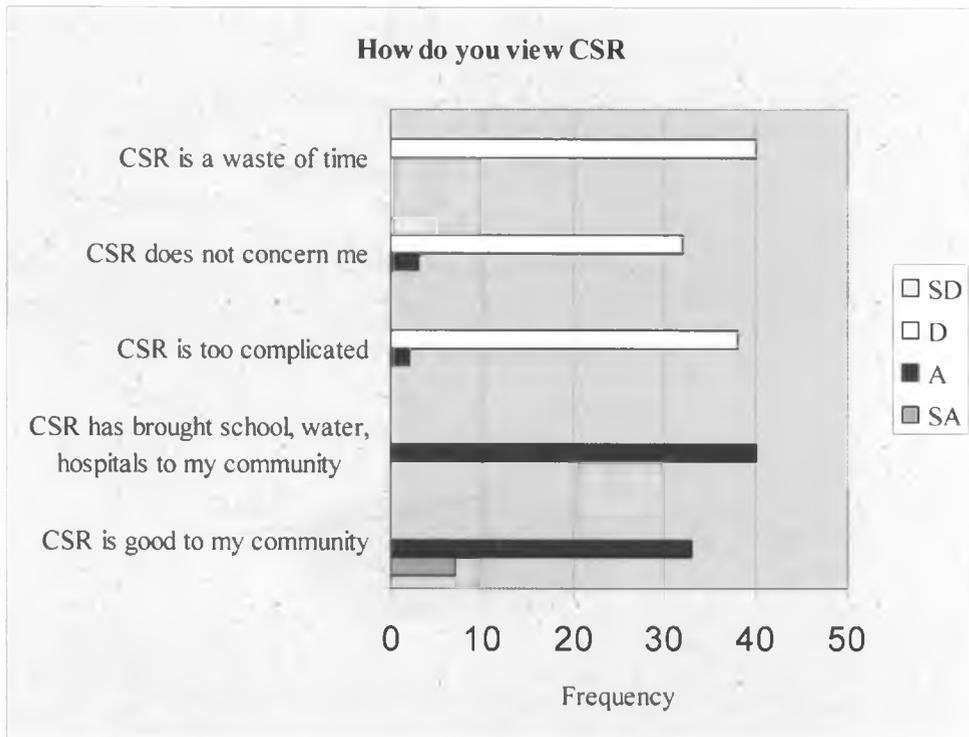
On awareness of CSR by locals, the researcher found that most of the people are generally aware of the concept and associate positive phenomena to it. Table 4.3 below summarizes the findings:

Table 4.3 Awareness

	Strongly Agree	Agree	Disagree	Strongly Disagree	Total
i) CSR is good to my community	7	33	0	0	40
ii) CSR has brought schools, water, hospitals to my community	0	40	0	0	40
iii) CSR is too complicated	0	2	38	0	40
iv) CSR does not concern me	0	3	32	5	40
v) CSR is a waste of time	0	0	40	0	40

Source: Researcher (2010)

Fig 4.4 Awareness



Source: Researcher (2010)

Over 60% of the respondents described CSR as giving back to the community where an organization is situated. 40 % on the other hand said they did not really know so much about it but that it is good to their communities going on and even listing what it has really done to them.

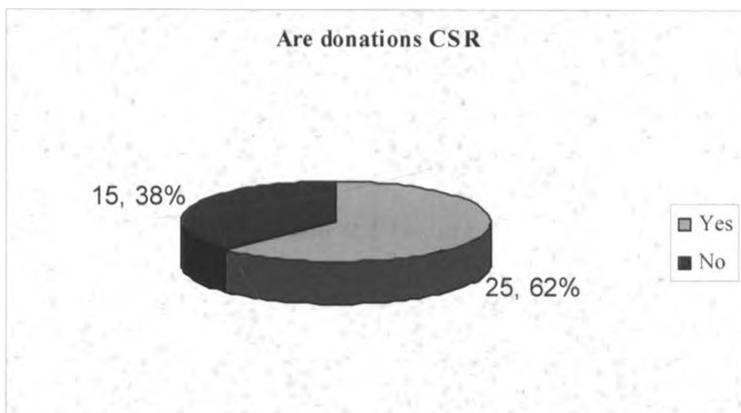
80 % of the respondents agreed that CSR helps to improve economic conditions of the beneficiaries while 20 % were not sure of what to say. Critically, 62 % of the respondents views CSR as donations while 28 % think otherwise. Table 4.4 and Fig. 1.5 summarize the perceptions.

Table 4.4 Perception

Are Donations CSR	Frequency
Yes	25(62%)
No	15 (38%)
Total	40 (100%)

Source: Researcher (2010)

Fig 4.5 Perception



Source: Researcher (2010)

40% of the respondents said CSR is a onetime activity while the remaining 60 % said it is an ongoing activity.

When asked whom the CSR projects in the community belong to, 70 % of the respondents said the community while 30 % said it really is the business of the organization supporting the CSR activity. 100 % of the respondents said communities in Kenya need CSR.

Responses of the PR practitioners

Demographics

Gender:

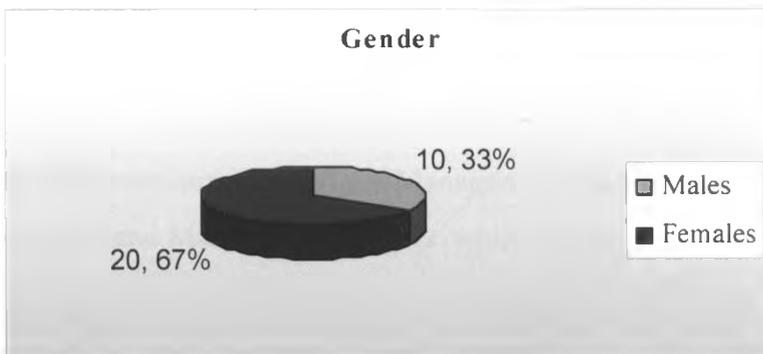
67% of the respondents were females while 33% were male. Table 4.5 and Fig 1.6 below summarize this distribution.

Table 4.5 Gender

Gender	Frequency
Females	20 (67%)
Males	10 (33%)
Total	30 (100%)

Source: Researcher (2010)

Fig 4.6 Gender



Source: Researcher (2010)

Age:

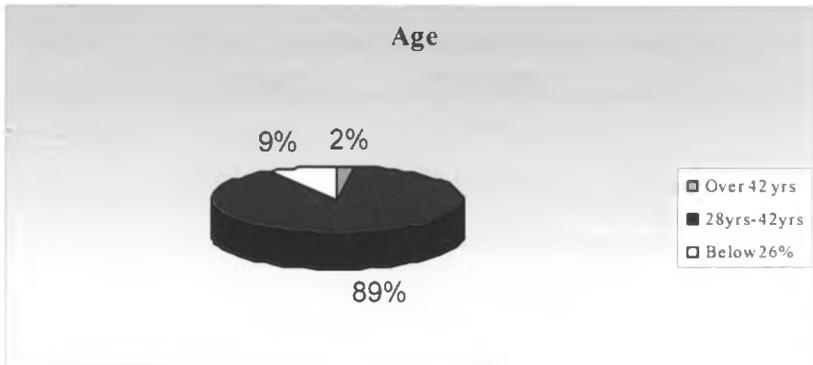
Over 80 % of the respondents were aged 28years-42years. 12 % were below 26 years with 2 % being over 42 years. Table 4.6 and Fig 1.7 below summarize the distribution.

Table 4.6 Age

Age	Frequency
Over 42 yrs	2%
28yrs-42yrs	80%
Below 26yrs	8 %
Total	40 (100%)

Source: Researcher (2010)

Fig 4.7 Age



Source: Researcher (2010)

Position:

10 of the respondents were Corporate Affairs Managers, 6 were Communication Officers, 5 were Communication and Marketing Managers, while 6 were Public Relations Officers.

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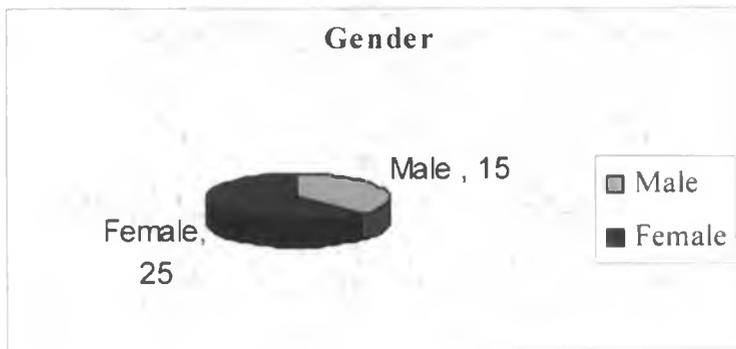
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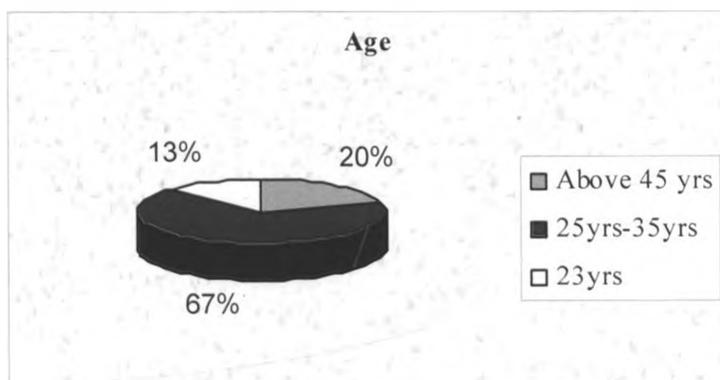
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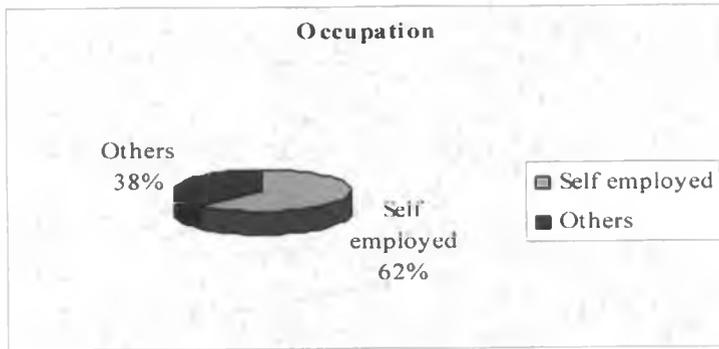
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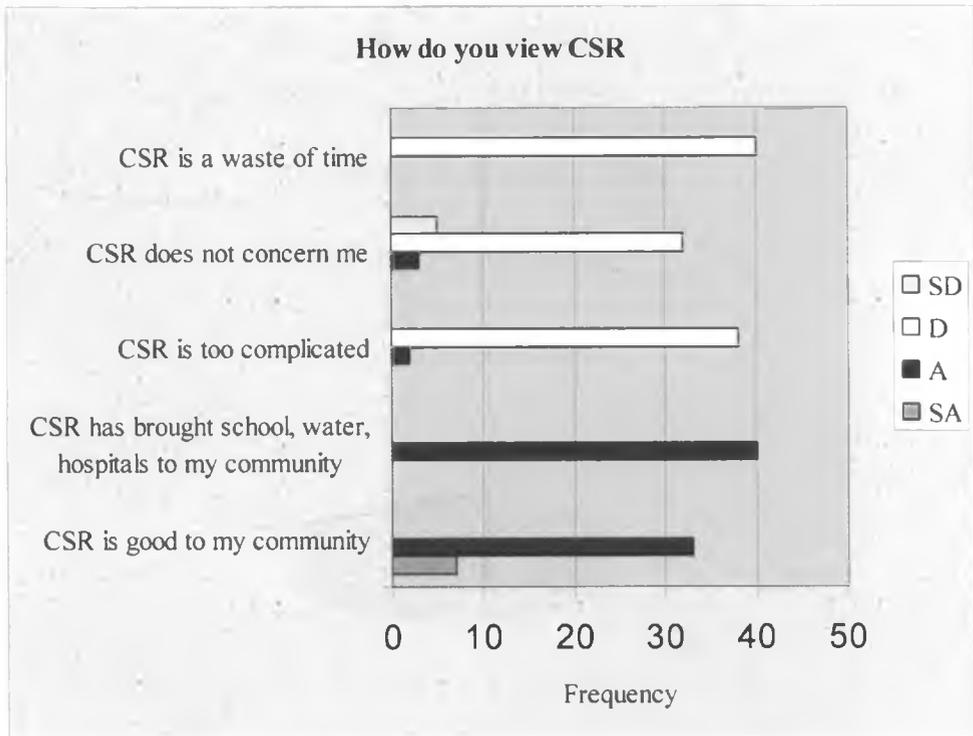
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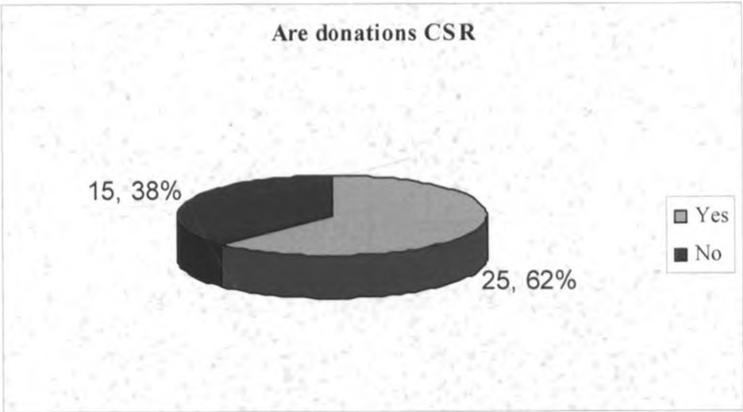
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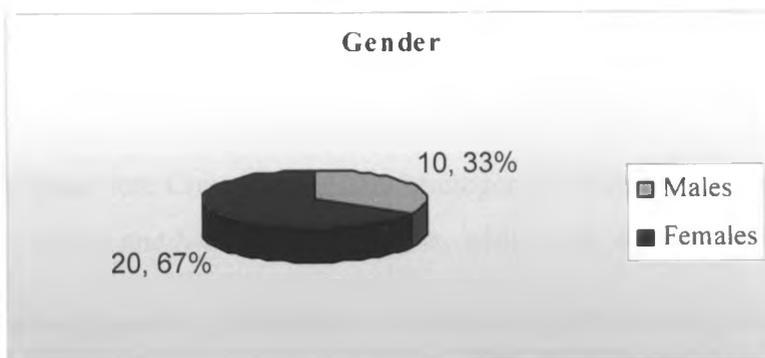
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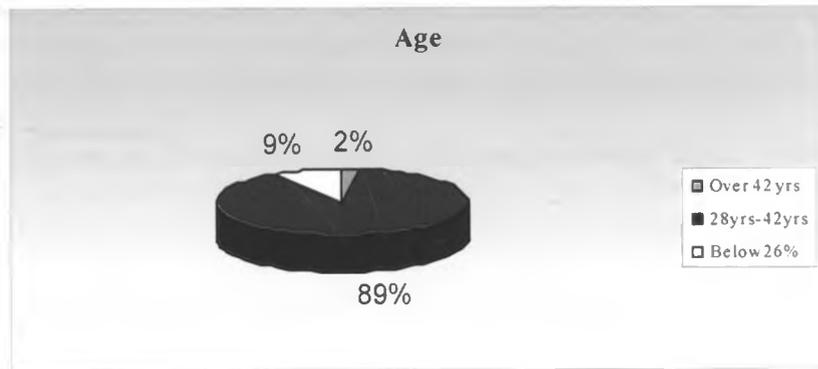
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Position:

10 of the respondents were Corporate Affairs Managers, 6 were Communication Officers, 5 were Communication and Marketing Managers, while 6 were Public Relations Officers.

Participation in CSR:

100% of the respondents said that their organizations were participating in some form of CSR ranging from donating desks to sinking boreholes and sponsoring events on charity. It emerged that the organization which aspire to be, or are, leaders in corporate social responsibility are challenged by rising public expectations, increasing innovation, continuous quality improvement and heightened social and environmental problems. They are forced to chart their CSR course within a very complex and dynamic environment.

It emerged that the organizations are motivated towards CSR as a way of giving back to the community within which they live. Again, the practitioners pointed out that it is important to improve on the social welfare of the people around them. Most of the times, the kind of lifestyle seen around make them want to do something. In addition, other organizations are involved in these activities and so they also want to try out.

Along with innovation, some corporations have worked hard at integrating corporate social responsibility into their core practices. There is now greater evaluation and stricter accountability and transparency norms for social initiatives along their projects and ventures. So far, there is an introduction of a host of innovative programmes and schemes in several areas such as education, health care, rural development, water and sanitation programmes as well as disaster management that are customized to meet the specific needs of the target groups.

The corporations have devoted not only financial resources but also expertise, manpower, products and services for the successful implementation of these schemes. For these few companies, the focus it has emerged has been on initiatives that are people centric with active community participation at all levels. A good example here would be Kenya Commercial Bank foundation.⁷

Most of the respondents perceive CSR as fairly acceptable in the organizations. They agree that engaging in CSR has become a source of tremendous social progress to many organizations. However, they note that it is important to plan well in terms of resources, impacts and the benefits the activity you engage in is likely to be.

Challenges to CSR:

It emerged that there is no identification, prioritization and thus addressing the social issues that matter most or that will have the biggest impacts not felt completely. As a result, most CSR activities are uncoordinated philanthropic activities that are disconnected from the company's strategy thus not strengthening the company's long term competitiveness.

More often than not, CSR activities are isolated from the operating units and externally the efforts are diffused among other unrelated efforts each responding to a different pressure point. This results into fragmentation and, loss of opportunity. In other words, the company's power and potential to create benefit is dissipated with both parties losing i.e. business goals and support for community.

⁷ An interview was carried out with Ms Muraguri Mwhaki, Foundation Manager KCB on 17th March 2010.

The conceptualization of Corporate Social responsibility has purely been in terms of philanthropy or charity. The CSR activities were being introduced not as a duty but as a form of charity that was supposed to indicate the virtues of the organization. The practitioners would like this to change to a totally different perspective where CSR is seen as an integral part of the organization.

Benefits of CSR:

75 % of the respondents said that their organizations have benefited from the CSR initiatives they have engaged in since the communities now look at them differently and now appreciate what they do.

It emerged that it is important to undertake a feasibility study before engaging in a CSR project. This is because it helps the organization understand the needs of those they want to reach out to. It also helps in getting the information on time for all the stakeholders involved resulting into a coherent activity with mutually beneficial results.

Need for CSR:

100 % of the respondents said that CSR is necessary as it acts as a link between the organizations and its publics which include not only the community around but also its employees. However, 80 % of the respondents said that companies can still engage in harmful activities even if they are active in CSR even though they agree that this should not be the case.

CSR and Community Development:

It is imperative to understand that commitments will only be meaningful to the extent they address the systematic issues that underpin poverty and distribution of resources in the well being of a community. There is thus need for the local people to feel that they own the CSR projects that have been initiated. The understanding should be that the project is not just a goodwill gimmick from the organization in return for their support.

Ensuring sustainability in CSR projects:

Sustainable can be ensured through proper planning and implementing process that is inclusive and participatory to ensure local ownership. It is also important to integrate the process involved in the implementation and the needs priorities to ensure inclusion, simplify and harmonize reporting processes at the grassroots level thus adding value to what they get by making them more useful as policy making documents. It is important to promote empowerment at the local level while developing the programmes.

There is need for transparency and collective effectiveness in the implementation process. When it comes to managing results, the focus is skewed towards results especially in terms of managing and implementation of the project. Principles connecting shareholding and stakeholding perspectives relevant to community development:

Ownership

This has to do with effective leadership in implementing defined strategies and ensuring inclusiveness in defining priorities.

Alignment

Once a need has been identified, organizations should base their support on the strategies and procedures involved on the identified issues and thus shift from the project base involvement towards a general direct support. That is, “we are giving this to help you address and maintain this”.

Harmonization

There is need for transparency and collective effectiveness in the implementation.

Managing results

The focus here is on results especially in terms of managing and implementing the projects.

Mutual accountability

This involves the use Community Own resource Persons as monitoring personnel.

CHAPTER FIVE: DISCUSSIONS, INTERPRETATIONS AND RECOMMENDATIONS

The idea of corporate social responsibility (CSR) is neither new nor radical. The core belief is that the corporation incurs responsibilities to society beyond profit maximization. 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 requirements of the law. As early as 1916, J. Maurice Clark, writing in the *Journal of Political Economy*, noted that "if men are responsible for the known results of their actions, business responsibilities must include the known results of business dealings, whether these have been recognized by law or not".

Corporate Social responsibility is basically a fairly 'new' business strategy to reduce investment risks and maximize profits by taking all the key stakeholders into confidence. Social and environmental stability and sustainability is necessary for the survival of the economy.

The question of the role of business in society has increasingly come under the limelight in recent times. Corporate Social Responsibility (CSR) is a concept with growing currency around the globe. Since CSR does not have a universal definition, many see it as the private sector's way of integrating the economic, social, and environmental

imperatives of their activities. As such, CSR contributes to the business pursuit of sustainable development.

On one hand, the philanthropy based model of CSR where welfare programmes and initiatives are introduced not as a form of responsibility but as a form of charity supposed to indicate the virtues of the organization. The organization does not commit its resources fully behind such a project and more often than not, it confines itself to one time or periodical financial grants. Since it is an act of charity, the organization does not feel the need for the community participation in the designing and management of such initiatives and people participation if any, is restricted to limited implementation aspects. This reduces the efficiency and effectiveness of corporate social responsibility measures at the ground level. Moreover, the lack of involvement from the primary resource provider i.e. the corporation may lead to low levels of accountability and transparency at the implementation level.

On the other hand, corporate social responsibility can become a source of tremendous social progress when the organization applies its considerable resources, expertise and insights to activities that benefit society. With activists' organizations of all kinds growing more aggressive and effective in bringing public pressure to bear on corporations, it is clear that stakeholders are seeking to hold organizations accountable for social issues. It is important to note that even though companies have awakened to the risks, they are far much less clear on what to do about them. The kind of activities that they engage in is merely cosmetic and not operational.

Public Relations and media campaigns, the centerpieces of which are often glossy, CSR reports showcase organization's social and environmental good deeds. More often than not, these publications explicitly document the uncoordinated initiatives on the organizations sensitivity to the needs of the communities therein without showing clearly the impact it has on the community as a whole. CSR should ideally be geared towards meeting the needs of the present without compromising the ability of future generations to meet their own needs. It is thus important to stress the importance of participation in the first instance.

The trick behind this is to create sustainable process and of course broaden participation. This is achieved through strengthening the position of the local people in the implementation process of the project. Once a need has been identified, organizations need to base their support on the strategies and procedures involved this shifting from the project based involvement towards a general direct support. This implies that the organization provides resources to help the local people address and maintain the projects initiated.

The challenge of defining Corporate Social Responsibility

In the recent past, CSR has emerged as a major issue. Although it takes different forms for different industries and organizations, the basic challenge exists for all. What constitutes CSR is difficult to define and there is no single authoritative definition of the term. However, most definitions emphasize the interrelationship between economic, environmental and social aspects and impacts of an organization's activities.

CSR is taken to mean a balanced approach for organizations to address economic, social and environmental issues in a way that aims to benefit people, communities and society. It should be noted that this definition does not go as far as the advocates of the “corporate accountability” agenda would like, as there is no direct reference to organizations taking responsibility for their impacts. A quote from a more recent practitioner McIntosh et al. (2003) on CSR illustrates this view succinctly *“CSR involves corporations becoming more informed and enlightened members of society and understanding that they are both public and private entities. They are created by society and derive their legitimacy from the societies in which they operate. They need to be able to articulate their role, scope and purpose as well as understand their full social and environmental impacts and responsibilities.”*

CSR consists of obligations a business has to society. These obligations extend to many different areas. Table below presents some of them. The diversity of social responsibility opens door for the questions concerning the extent corporation should be involved.

The corporations need to move away from the charitable initiatives like giving financial grants or sponsorships to providing products and services in a manner that would make a real difference in target communities.

During the recent Corporate Social Responsibility Eastern Africa 2009 Conference held in Nairobi, Dr Mulengani Katwalo who was one of the speakers pointed out that

customers and employees demand for CSR and the society expects it. He added that creation of better business value starts from within in the organization, then cascades outwards. Embedding social responsibility in value creation enhances reputation and positive image (Brand equity), helps attract brightest and best (Skills and competencies) results in positive impact in such aspects as motivation, commitment, loyalty and training as well as up skilling⁸.

CSR has been around in various guises for a quarter century or perhaps longer, depending on one's view of history. It has evolved to the status of a profession and is being debated on the world stage, advanced by globalization and technology. There are CSR consultancies and think tanks in most developed and developing countries around the world. Social (e.g. 9-11, HIV Aids), environmental (e.g. climate change) and economic (e.g. Global downturn) shocks are elevating issues of corporate responsibility to the international arena.

It has emerged that CSR today focuses on the tension between an organization's and the society rather than the interdependence. The realization that communities are the backbone of all economic activity has also changed the outlook to different issues in the communities. The organizations and communities are intricately linked and the wellbeing of one can and does have a profound impact on the wellbeing of the other. As it is in Bamburi, CSR involves making business decisions that bring benefit to the community as well as the bottom line of the organization.

⁸ Katwalo Mulengani A. '*Corporate Social Responsibility and Strategy-Embedding social responsibility in value creation*' a paper presented at the CSR Eastern Africa 2009 Conference in Nairobi.

Bamburi has five strategic goals/pillars that it focuses on while in business. These include Education, Health, Environment, Communities, Workplace and business. Each of the pillars is supported by initiatives that have short and long term measurable targets. Through the provision of direct and indirect assistance, Bamburi creates an educated workforce in the communities where they operate is the surest way to ensure a bright future for East Africa.

In addition, Bamburi also believes that good health is the greatest asset and it needs protection. Bamburi's commitment here therefore takes the form of continued involvement in HIV/Aids and Malaria control programs in Kenya and Uganda.

Due to the nature of Bamburi's business, they have a unique environmental responsibility that include minimizing the natural resources used and impact generated by their operations. They thus have started off green schools. These increase the forest cover for the country and at the same time provide trees which are then utilized as renewable fuel for their cement kilns. Bamburi also mobilizes its industry leadership and expertise to contribute to improving community infrastructure, such as roads, water supply, and supporting local economic development.

Personal wellbeing is a strategic business issue and Bamburi understands this too well. The company has invested heavily in health, safety and professional development initiatives. These include professional development, workplace safety as well as occupational health. Meeting the highest standard in an organization's output is the

ultimate goal of every organization. The quality of the products and processes are fundamental here. Bamburi thus continues to implement improvements that have a direct and positive impact in the future of all stakeholders.

One of the most important challenges for CSR advocates is to convince skeptics both in and out of business that the CSR rationale is consistent with traditional business values. This more often than not, equates to demonstrating that the interest of shareholders need not be in conflict with the interests of other stakeholders.

For over a century, KCB has been cementing its position as a responsible corporate citizen. This it has done with the establishment of KCB Foundation as a vehicle to ensure it develops a coherent approach to social responsibility. According to the Group chairman, Peter Muthoka, the forum offers a rare opportunity for partners to share resources, competencies and ideas in community social investment. The Foundation focuses on Environment, Education and Enterprise development and continues to support projects in all the areas here it operates regionally. The Bank has adopted the KCB Green Agenda to demonstrate concern for the environment, society and economy. Here it has detailed the Bank's efforts to cut carbon emissions arising out from operations.

Education has remained one of the largest single social investments by KCB. Here the Foundation in partnership with key stakeholders has supported educational organizations such as Nyamonye Primary School in Bondo, Computer for Schools Kenya among others. Together with this, the Foundation has in the last one year centered its activities on

entrepreneurship development with particular focus given to developing financial literacy amongst University students and students of other institutions of higher learning.

In the recent past, KCB Foundation has also partnered with health institutions to provide medical services to our needy communities. This has been done through organization of medical camps, operations, jigger eradication (Ahadi Trust) as well as donation of drugs. KCB has also been involved in coming to aid of victims of tragedies and disasters such as post election violence. Last but not least, KCB has also been involved in sport sponsorship to raise funds to support worthy needy causes and facilitating the construction of community projects in partnership with charitable organizations. Examples include Mercy Train initiatives, Nakumatt/Molo Fire Victims Fund, Mt Elgon Peace race among others.

RECOMMENDATIONS

In the early 70s, CSR was looked at as a developing concept. Proponents argue that there is a strong business case for CSR in that corporations benefit in multiple ways by operating with a perspective broader and longer than their own immediate, short term profits. Critics on the other hand argue that CSR distracts from the fundamental economic role of businesses while others argue that it is nothing more than superficial window dressing. Others still argue that it is an attempt to pre-empt the role of Governments as a watchdog over powerful multinational corporations. Nonetheless, CSR is essential to long term corporate sustainability. It must therefore be part of any

corporate organization plan not just a mere 'feel good', on the journey towards enlightened self interest.

Environmental concerns such as water availability, global warming /climate change, more poverty, the challenge of shrinking economy as well as more episodes and scourges in terms of floods, civil strife, conflicts and HIV/Aids are a driving force towards CSR. Organizations need to participate in constructing models that addresses sustainability commitments without requiring too much investment by the business machinery.

Organizations should thus be less focused on philanthropy but rather desire for more collaborative working. Where an organization's expertise overlaps with the local interest then focus less on the moral high ground. It is also important for corporate organizations to build on their experience in geographies and sectors so as to add value to core business initiatives. Strategic CSR which moves beyond good corporate citizenship and mitigating harmful value chain impacts to mount a small number of initiatives whose social and business benefits are large and distinctive is what is needed. It is important to start by designing a good CSR policy. This should be responsive and supportive to the Company's business goals and promotes the welfare of the community.

The essential test that should guide CSR is not whether a cause is worthy but whether it presents an opportunity to create shared value that is meaningful benefit for society that is also valuable to the organization. The more closely tied a social issue is to a company's business, the greater the opportunity to leverage the organization's resources and in

return benefit society. It is important that you get the right people to implement CSR projects or partner with a humanitarian organization to ease ownership.

Even though there are challenges in reporting as far as CSR is concerned especially when it comes to convincing stakeholders where “their” money went, considerations of the same should be implemented not only to encourage accountability but also ownership of the CSR activities by the shareholders as well. Gone are the days of written reports, CSR avails us the opportunity to show and tell the difference that our activities can make in a community. The best way to empower people is by assisting the community to create wealth. This is done by bringing together the factors of production, land, labour and capital that will put them together.

SUGGESTIONS FOR FUTURE RESEARCH

There is a need for extensive empirical research to address the questions related to the issue of CSR and sustainable development. In Kenya, CSR is fast catching up with worldwide trends but research is yet to be done in regards to what works best for the rural communities that are largely in need of development.

Emergency responses which to some extent form a part of CSR have also grown by leaps and bounds in the country. However no organization can ascertain for sure if the one off donations are enough to sustain a family in need. In the past few years, organizations have come together to pool resources to address such needs. This they have done by answering calls of appeals by the media and other organizations to give resources. How

much of the money that is used to benefit the people in need as opposed to the “facilitators needs” is a question that remains unanswered. Research would help us understand if organizations are barely sharing a platform when it comes to being listed as participants whilst they have not made any difference to the communities that are in real need.

Accountability and reporting are still major challenges. There is a need for interested persons to come forward and explore the various options that would not only measure the impact of CSR activities but also present better ways of reporting that would meet the needs of all the players.

There is need to move beyond such transitory illusion about corporate social responsibility as just some provision of a facelift to a company’s image. CSR does not only stimulate innovative business and technological initiatives which would open up new avenues for company operations and prospects of new markets but also give a cleaner societal reputation and socially responsible identity to companies-An identity that involves the company and its employees in the long term process of positive social transition.

It is time the nature of CSR and its diverse practices and possibilities was urgently discoursed in the country. This is only possible if we embrace the fact that the economy is constructed on the foundation of natural resources. We must also embrace the fact that

Corporations are meant to derive profits out of the services they provide to consumers and they must see themselves as private institutions for public good.

As Kennedy Onyonyi⁹ puts it, CSR now represents the potential for a new dimension in rating the quality of business management in a fast changing society where the public expectations and demands must be anticipated, considered and addressed. In other words, as a corporate organization, you must look at both the financial injury and capitalization on emerging opportunities.

⁹ Kennedy Onyonyi is the Senior Deputy Commissioner-Marketing and Communication Kenya Revenue Authority. He was speaking at the Corporate Social Responsibility Eastern Africa 2009 Conference.

CHAPTER SIX: CONCLUSION

CSR contributes to communities by providing ethical arguments as to why corporate managers should work towards sustainable development. If society in general believes that sustainable development is a worthwhile goal, corporations have an ethical obligation to help society move in that direction. Several lessons were learnt from the research as well as success stories shared. Many of the factors identified are about integrating CSR into the core company/organization's core practices.

For many companies with fledgling CSR initiatives, the challenge is about developing the business case to obtain senior management support and resources for CSR-related programs. The senior management needs to be fully committed to CSR and instinctively contribute towards it. This requires strong leadership, which is provided by the Top Team, who are advocates of CSR internally and externally. The company sets targets annually in many areas of CSR and these are built into the Key Results Areas, for which departments and employees endeavor to achieve. Measuring performance against targets allows the company to effectively manage performance improvements.

Through its gain sharing program, employees are rewarded for exceeding productivity goals. These bonuses and honorariums are also conditional on meeting certain performance criteria, namely energy efficiency, environmental and safety performance. Engaging stakeholders early and in an open and transparent manner has helped ensure that the company's activities are in line with expectations. The company also keeps its key stakeholders informed of its activities and performance on a regular basis. This

engenders credibility and trust with stakeholders which help drive the process. It is also important for the organization to award the internal employees for the good work done. Last but not least, there is need to continually deliver training to employees in the areas of safety, environment and cultural awareness, which lead to performance improvements and help instill CSR within the organization.

Corporate Social responsibility emerges as a value system which an organization adopts in order to be responsible to broader society. These may include corporate governance, employment equity, environment management, product stewardship, procurement, human rights and corporate social investment i.e. an organization's contributions. It is important for organizations to put emphasis on substance rather than image alone. What needs to be measured is social impact, the value added. The millions of shillings being spent on CSR and corporate philanthropy can be engaged in far more benefit to both the organization and the society. Organizations that make the right choice and build focused, proactive and integrated social initiatives in concert with their core strategies will succeed.

CSR should not only be about what organizations have done that is wrong, important as it is, nor should it only be about making philanthropic contribution to local charities, lending a hand in time of disaster or providing relief to society need. Organizations should start thinking of CSR as integration, as building shared value rather than as damage control.

Ensure broad participation through the involvement of the locals by making available the suitable financial resources through mechanisms to help the people better participate. This can be done through the provision of relevant information probably in local languages and possibly training prior to the consultations so as to ensure better understanding of the project policies. Remember people cannot be able to make useful contributions unless they are prepared. Tracking the levels of participation among the people is also important.

Conclusively, Corporate Social responsibility is qualitatively different from the traditional concept of corporate philanthropy. It acknowledges the debt that the corporation owes to the community within which it operates, as a stakeholder in corporate activity. It also defines the organization's corporation's partnership with social action groups in providing financial and other resources to specially development plans, specially among disadvantaged communities.

'Philanthropy may be commendable, but it must not overlook the circumstances of economic injustice that make philanthropy necessary.'

Martin Luther King

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APPENDIX 1

Questionnaire I

This questionnaire is meant to gauge the awareness of CSR among common people.

Hello,

You have been invited to participate in this research on the role of corporate social responsibility in sustainable development. The aim of the study is to find out if there is a connection between good CSR and sustainable development in Kenya's rural areas. Your responses will be treated with utmost care and confidentiality. Thank you for your time.

Thank you for your time.

Demographics

Sex

Age

Occupation:

Awareness

Q1. How do you view CSR? (Tick appropriately)

	Strongly Agree	Agree	Disagree	Strongly Disagree
i) CSR is good to my community				
ii) CSR has brought schools, water, hospitals to my community				
iii) CSR is too complicated				
iv) CSR does not concern me				
v) CSR is a waste of time				

Others (specify)

Q2. What is CSR?

Q3. Are socio-economic conditions improved through CSR?

Q4. Are donations CSR?

Q5. Is CSR a one time activity or an ongoing activity?

Q6. Who do CSR projects in your community belong to?

Q7. Do communities in Kenya need CSR?

Questionnaire II

This questionnaire is for people who are already in the field i.e. Public Relations practitioners.

Hello,

You have been invited to participate in this research on the 'Role of Corporate Social responsibility in sustainable development.'

The aim of the study is to find out if there is a connection between good CSR and sustainable development in Kenya's rural areas.

Your responses will be treated with utmost care and confidentiality.

Thank you for your time.

Demographics

Sex

Age

Position

Q1. Does your company/organization participate in any form of CSR?

i) Yes () ii) No ()

If Yes, what are the motivations behind it?

If No, why?

Q2. What decision making processes drive the CSR practices in your organization?

Q3. What resources are allocated for CSR in your organization?

Q4. How do you perceive CSR?

Q5. What are some of the challenges you have experienced in implementing CSR?

Q6. What would you like to see done by PR practitioners to better sustain community development?

Q7. a) Does your organization have a CSR policy?

b) How does your organization communicate CSR related messages to your stakeholders?

Q8. If you are asked to define CSR in your own words, what would it be?

Q9. How does your organization evaluate the CSR practices/projects therein?

Q10. Has your organization benefited from the CSR initiatives in your organization?

i) Yes () ii) No ()

If Yes, what benefits are they?

Q11. What are some of the cautions one must take when undertaking a CSR project/initiative?

Q12. Do we need CSR?

Q13. Can an organization be committed to CSR whilst simultaneously engaging in harmful practices?

Q14. What is the connection between CSR and Community development

Q15. Can CSR aid in development in the rural setting? How?

Q16. What are some of the principles that connect shareholding and stakeholding perspectives relevant to community development?

APPENDIX 2

Carroll's CSR Pyramid

THE PYRAMID OF CORPORATE SOCIAL RESPONSIBILITY

