

**CORPORATE SUSTAINABILITY STRATEGIES BY COMMERCIAL BANKS
IN KENYA**

BY:

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DECLARATION

I declare that this research proposal is my original work and has not been presented in another University.

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This research proposal has been submitted for examination with my approval as the university supervisors.

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LIST OF ABBREVIATIONS AND ACRONYMS

CSS: Corporate Sustainability Strategy

CSP: Corporate Sustainability Performance

KCB: Kenya Commercial Bank Group

SPSS: Statistical Package for Social Sciences

CBK: Central Bank of Kenya

ERS: Essential Resource Management

ABSTRACT

Within the first decade of the 21st century, society begun to demand that firms carry out policies that move toward sustainable development. The sustainability philosophy assumes that firm directors and management should abandon a narrow version of classical economic theory and develop corporate strategies that include goals that go beyond just maximizing shareholders' interests. Attention is directed to the demands of a wider group of stakeholders, since the firm's success depends on stakeholder's satisfaction. With this in mind, this study sought to achieve three main objectives: to identify corporate sustainability strategies adopted by commercial banks in Kenya , to identify the different stakeholders groups that the banks incorporate in the CSS and to establish the benefits of CSS to the commercial banks in Kenya. Using a sector wide approach of the 43 banks in Kenya, the research retrospectively covered sustainable developments within the last five years. The respondents were the key officers involved in strategy implementation: chief operations officers and the head of sustainability in each of the banks. The research study was carried out with the use of the questionnaires. The questionnaires used also comprised sections of questions relating to the three objectives of the research study. The questionnaires from the respondents totaled 35 (out of 86) which represented 41.6 % response rate. It was noted that banks tended to place value on immediate goals which translated to profit centers for the firms through taking advantage of business opportunities that arose with the achievement of CSS, hence there was a great emphasis across the banks on market driven CSS of: tailor-made capital investments, efficient operations standards and process and technology transfer. In addition, the government and the local community were identified as the key drivers of the sustainability strategies in the banking industry. This pointed to a growing need for the banks to reduce on their exposure to punitive regulatory decisions through a proactive role in CSS. Key recommendations from the study stress on the need for commercial banks in Kenya to make CSS a more definitive experience for customers by giving more emphasis on the commercial banks clientele. This will go a long way in delivering the banks missions and visions and at the same time satisfying commercial banks stakeholders needs. Employees also play a major role in the day to day operations of the commercial banks and therefore sustainability strategies adapted by commercial banks should always encompass the employees as key stakeholders. There is need to place a premium on the way they are trained as well as allocating enough monies to aid in employee training and taking care of their training needs in relation to driving the CSS agenda. The study can be extended to a wider scope which will cover the role of finance function in driving company strategy, impact of operational and market driven strategies from a demand point of view and implications of CSS to end users and or consumers within the commercial banking industry in Kenya.

TABLE OF CONTENTS

Declaration	ii
Acknowledgement	iii
List of abbreviations and acronyms	iv
Abstract	v
CHAPTER ONE: INTRODUCTION	1
1.1 Background of the study	1
1.1.1 Corporate sustainability strategies	2
1.1.2 The global perspective on CSS in Banks	3
1.1.3 Banking sector in Kenya	3
1.1.4 Commercial Banks in Kenya	4
1.2 Research problem	5
1.3 Research objectives	6
1.4 Value of the study	6
CHAPTER TWO: LITERATURE REVIEW	8
2.1 Introduction	8
2.2 Theoretical foundation	8
2.3 Corporate sustainability strategies	9
2.4 Stakeholder groups	10
2.5 Benefits of corporate sustainability strategies	11
CHAPTER THREE: RESEARCH METHODOLOGY	12
3.1 Introduction	12
3.2 Research design	12

3.3 Target population	12
3.4 Data collection	12
3.5 Data Analysis	13
CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSIONS	14
4.1 Introduction.....	14
4.2 Conclusion	19
CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS	21
5.1 Introduction.....	21
5.2 Summary of findings.....	21
5.3 Conclusion	22
5.4 Recommendations for policy and practice.....	22
5.5 Limitations of the study	22
5.6 Recommendations for further research.....	23
References.....	24
Appendices	25
Appendix I: Introduction letter	28
Appendix II: Questionnaire.....	29
Appendix III: List of commercial banks in kenya	33

CHAPTER ONE: INTRODUCTION

1.1 Background of the study

For the contemporary manager, there are various decisions to be made that are complex in nature, deeply affect the firms' performance and their core directions, and are strategically important. Strategic decisions are fundamental and developmental thoughts that are meant for implementation and therefore inform on the strategy process (Brodie & Brush, 2009). Siddique and Quaddus (2009) posit that corporate sustainability strategy (CSS) is the deliberate inclusion of economic, social and environmental factors into business operations, ensuring survival of the business while maximizing profits and preserving the interests of different stakeholders. The business goal of global integration and the complexities of the dispersed supply chains make firms more susceptible to the scarcity of natural resources and the climate change agenda-related regulatory and lifestyle changes (Wirtenberg, Lipsky & Russell, 2009). In addition, Brodie and Brush (2009) also posit that there is a growing interest in the implementation of CSS in modern business approaches for many entities.

According to Gilding, Hogarth and Reed (2009) CSS is meaningful as a provision for flexibility to accommodate stricter environmental and social regulations in the future; it created platforms for innovation of new products; reputation and brand building; and protected a company's right to operate and renew the license to grow. This demonstrates various ways in which CSS creates value for the firm and hence affected its financial performance. In the past there has been a rapid uptake and inclusion of sustainability strategies in business operations across the globe. Grunewald (2009) noted that past analysis by a McKinsey project spanning a two year period, reflected that nine out of ten corporate leaders were doing more than they did five years ago to integrate environmental, social and political issues into their firms' core strategies and functions.

Emphasis on CSS execution in banks in Kenya is also reflected in global surveys of banks -which included Kenya Commercial Bank, Standard Chartered Bank and Citi Bank- where banking CEOs identified education and poverty as the two most important global development issues for the future success of their business. In addition leading banks – both foreign and domestic - are discovering new linkages between business success and social development. Through initiatives in credit provision and microfinance,

for example, the industry is realizing new opportunities for growth through facilitating economic development (Gordon & Lacy, 2011).

1.1.1 Corporate Sustainability Strategies

Within the first decade of the 21st century, society began to demand that firms carry out policies that move toward sustainable development. Sustainable philosophy assumes that firm directors and management should abandon a narrow version of classical economic theory and develop corporate strategies that include goals that go beyond just maximizing shareholders' interests. Attention is directed to the demands of a wider group of stakeholders, since the firm's success depends on stakeholder's satisfaction (Lopez, 2007). Sustainable development represents an ethical concept related to fight against poverty and protect the environment simultaneously and on a macro-level (Baumgartner & Ebner, 2010).

When incorporated by the firm, sustainable development, it is called corporate sustainability strategy (CS) and it addresses three aspects: economic, environmental and social. Corporate sustainability performance (CSP) measures the extent to which a firm embraces economic, environmental, and social and governance factors into its operations, and ultimately the impact they exert on the firm and society (Artiach, 2010). Engagement in activities promoting sustainable development is increasingly analysed as a source of competitive advantage. For example, some authors argue that "firms should pursue green management practices only when it is in their self-interest to do so" (Siegel, 2009, p.14) or that decisions regarding engagement in such activities "should be considered as a form of strategic investment" (McWilliams, 2006, p. 4).

Therefore for managers to consider engaging in CSS they need to have some kind of expectations that it will bring improved performance. Cochran and Wood (1984,) noted long ago that if it were possible to show that a positive relationship existed between engagement in socially and environmentally responsible activities and social performance, management might be encouraged to pursue such activities with increased vigor or to investigate the underlying causes of the relationship. An important stream of

research tries to establish a business case for sustainable activities by empirically testing the relationship between corporate sustainability and firm performance.

1.1.2 The global perspective on CSS in Banks

According to Lopez (2007), the general trend of sustainable development globally, financial institutions, particularly commercial banks, have been involved due to the very significant roles in the economic life and by extension sustainable development of their clientele. Therefore, sustainable banking is increasingly regarded as a goal for banks to pursue. From the global perspective, most banks in developed countries have been in the preventive phase with various ERS policies and tools which all provide examples for those banks in developing countries.

Examples include the World Bank and International Finance Corporation Environmental Assessment policies, European Bank for Reconstruction and Development environmental procedure, Asian Development Bank environmental operation manual, Barclays ESIA Policy and Lloyds TSB ERA management framework (Baumgartner& Ebner, 2010). Green financing is still a new business area for most commercial banks although some leading banks have been in the offensive phase with their environmental financing products, such as Rabobank of the Netherlands, Barclays, Bank of America, Deutsche Bank, and Citigroup, among others (Artiach, 2010).

1.1.3 Banking sector in Kenya

According to the Central Bank of Kenya, there are 43 licensed commercial banks in Kenya (see list in appendix III). Three of the banks are public financial institutions with majority shareholding being the Government and state corporations. The rest are private financial institutions. Of the private banks, 27 are local commercial banks while 13 are foreign commercial banks (CBK, 2012).

Overall, the financial performance of the banking sector the recent past has significantly improved since 2000. Data from the Central Bank of Kenya shows a significant growth in the industry in all areas including financial performance (CBK, 2012). The Banking sector is strongly driven by innovations such as mobile banking, internet banking and

agency banking which offer exciting new channels for serving customers and extending outreach to the Kenyan population. Sector banking entities continue to grow as the benefits of branch expansions undertaken in the last three years (2010 and early 2011) begin to bear fruit. The confidence to invest in expanding branch and ATM networks has been rewarded with strong earnings driven by commission based revenues as the number of customers continues to grow across the sector (Kiruri,2013). In addition, exposure to global business trends has influenced the conduct of banking transactions and bank operations across the country, for example there has been an increase in participation in CSS in the industry (KPMG, 2005).

1.1.4 Commercial Banks in Kenya

The commercial banks play very important role for the economic development of the country. The significance of the bank operations is detailed as: increase in savings, increase in investment, growth in employment rates, necessitating funds transfer, providing loans to government. In addition, commercial banks are platforms for deepening capital formation as well as a means of offering balanced development across a country through the provision affordable loans (Kiruri,2013).

According to Gordon & Lacy (2011), virtually every type of organization faces an economic environment of continuous and accelerating change. An increasing common response by most of the organizations to the new economic environment is to engage in some strategy that addresses the situation. Over the years, with hard economic times, disasters, the growth of societal awareness on the need for inclusiveness in responding to catastrophes and general uplifting of livelihoods, commercial banks in Kenya have become active in driving the sustainability initiative. For example Equity bank in conjunction with Kenyatta University, begun a community outreach programme. Through this programme university students live and work among and with local communities addressing local social and economic challenges through development projects (www.equitybank.co.ke). Standard Chartered bank also has the CSS defined in its website (www.privatebank.standardchartered.com) as the inclination to improve the well-being of mankind. It is the investment in a better future, be it through the giving of

money or assets big or small, the sharing of intellectual capital and expertise, or the provision of education to drive positive change for society and the environment.

1.2 Research Problem

For many leading companies, environmental, social and governance issues are no longer viewed principally through the lens of marketing or risk management alone, but are increasingly seen as an integral part of core business activities, and a vital element in addressing several of the key strategic challenges faced by the industry. In the wake of the global financial crisis of year 2008 , questions of trust, risk and social utility were foremost in the minds of those charting a course for the future of the banking industry – and there was a growing realization that sustainability will sit at the heart of efforts to rebuild the social contract (Gordon & Lacy, 2011).

The main motive for the implementation of sustainable business practices is based on the business managers' or the corporations' philosophy and closely linked to the possibility of saving costs (Landrum and Edwards, 2009; Bohdanowicz et al., 2004; Hitchcock and Willard, 2009). But positive public relations and higher employee commitment and satisfaction have also been mentioned as important benefits (Hitchcock & Willard, 2009; Swarbrooke, 1999; Baum, 2006). However, the majority of previous studies as well as the measures taken by businesses focus primarily on the environmental dimensions of sustainability and therefore fail to acknowledge the holistic principle of sustainable strategy implementation (Swarbrooke, 1999; Sharpley, 2000). The socio-cultural, environmental and economic realms are interdependent and the aim of a sustainably managed business should be the optimization of all three (Hitchcock and Willard, 2009; Elkington, 2004).

Despite the fact that sustainability implies satisfaction of economic (profit), social (people) and environmental (planet) dimensions outlined above, little research has been done in the service sector to prove whether or not sustainable service businesses can benefit from the sustainability (Gupta, 2012). For instance, the roles of sustainability strategies in Kenya's banking sector have not been elucidated, with previous research

only showing a linking sustainability strategies to bank profitability (Kerubo, 2011) emphasizing more on the cost saving end rather than the other social economic aspects of sustainability. Therefore information on the governance and social aspects of CSS is not detailed. As there is a research gap whether sustainable strategy is beneficial for businesses or not, Gupta (2012) calls for the empirical research in the specific industries of the service sector. A detailed picture of the corporate sustainability strategies within commercial banking sector in Kenya will be sought in this study by posing the question; what are the corporate sustainability strategies in the commercial banking sector in Kenya?

1.3 Research Objectives

The objectives of this study are:

- i. To identify corporate sustainability strategies adopted by commercial banks in Kenya
- ii. To identify the different stakeholders groups that the banks incorporate in the corporate sustainability strategies..
- iii. To establish the benefits of CSS to the commercial banks in Kenya.

1.4 Value of the study

This study aims at evaluating the corporate sustainability business practices within the banking sector in Kenya. The study is invaluable to the various stakeholders in financial service delivery and beyond. Specifically it is useful to the following groups:

The management, the results of the study will be useful to the bank managers of in gaining a new insight into the role CSS has played in furthering the bank's vision. This will inform on their service delivery and the resultant effect on organization performance and on what has to be done to improve the organizations' bottom-line.

In addition for the stakeholders, industry players and policy makers, the findings will provide information as to the extent of delivery of tangibles or intangibles as sought by the bank's CSS and hence provide recommendations on the possible measures to be pursued in implementing CSS and the policy implications of those measures.

Finally, the findings will provide the academia with an understanding into this less researched area of CSS in business and will be a reference point for further research.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter details literature on Corporate Sustainability Strategies. The growth of sustainability strategies, types of CSS, the theoretical framework and stakeholder groups are also discussed. In addition, the roles of CSS to business entities are highlighted.

2.2 Theoretical foundation

This study is informed by the Stakeholder Theory as suggested by Miles and Friedman (2006), who illustrated it through two principles, the corporate legitimacy and stakeholder fiduciary principles. The principle of corporate legitimacy which argued for the management of the firm by considering the benefit of the stakeholders, the rights of various groups are considered as well as their participation in decisions that substantially affect their welfare. On the other hand, the stakeholder fiduciary principal proposed that of manager were to act in the interests of the stakeholders as well as the corporate while safeguarding the long-term stakes of each party. Jensen (2002) considers the linkage of objective function and stakeholder theory as enlightened value maximization: implying that whenever managers make trade-offs, they consider how the value gets created. Various stakeholders as drivers of CSS in the commercial banks exert their influence on diverse factors of corporate strategy.

Singh (2010) suggests that organizations are viewed as living entities that exist within and are part of a greater environment. The open systems view of management embraces the effect of external factors and views internal operations (strategic direction) in relation to the external environment. Therefore the open systems theory considers all the constituents of the firm. This theory-informed by the Senge mental models of the 1990's-influences managers into thinking and looking at the overall picture which involves both internal and external factors to reach given strategic decisions.

The open-systems theory describes the structure and interaction of organizational connections in relation to the environment (Mizrahi, 2008). Through the theory, the firm is viewed as playing both proactive and active roles within a larger sphere -of industry, environment or nation. Whenever other influences threaten the survival of an entity, the

firm intensifies its control over external resources to minimize the threat or dependence; such vulnerability can have negative effects on the firm's performance. The actions of commercial banks in Kenya influence the behavior of the clients who bank with them, the general responses of the society and also the government.

2.3 Corporate Sustainability Strategies

Stead and Stead (1995) described CSS as existing in two main forms: Market driven CSS and Process Driven CSS. Both forms perpetuate the ideal of perpetuating responsible and healthy economic systems within other existing systems (open systems theory) so as to maximize shareholder value. The logic, approach and results of CSS may differ depending on key success factors of a given industry within which the plans are implemented (Stead & Stead, 1995).

2.3.1 Market Driven Strategies

The marketing concept is the basis for the formulation and implementation of competitive strategies (Kellogg & Lacobucci, 2001). Therefore, stakeholders inform competitive strategy. Market driven strategies require identifying novel or original opportunities, which have a growing customer demand and relatively limited competition (Navarro, 2005). The aim of market driven strategy or orientation is to influence the structure and responses of the market entities or individuals; these market entities or stakeholders included customers, competitors, channels and regulators (Neuenburg, 2010). The stakeholders are any group, individuals or entities who can influence or are affected by the attainment of the organization's objectives (Freeman, 2010). From this perspective, the notion of market driving means exerting influence over stakeholder groups (Neuenburg, 2010). In reaching strategic alignment the management evaluates the interests of its stakeholders (stakeholder theory) and fine tunes its activities to achieve competitive advantage.

Market-driven CSS involves various approaches like: redesigning product packaging, redesigning products and services to be more environmentally sensitive, developing new environmentally sensitive products, entry into new environmentally sensitive markets and selling or donating scrap or once considered scrap (Stead & Stead, 1995). Market-driven

strategies are formulated and implemented to exploit existing opportunities, therefore strategies are designed-resources developed and invested-with the customer and customer needs in mind (Thompson & Thompson, 2010). There is need to logically define an industry or industries within which an organization operates to identify key success factors in the development of sustainable products and services for different sets of stakeholders.

2.3.2 Process Driven Strategies

Stead *et al* (1995) also argue that sustainability strategies are process driven: these involves designing activities in ways that achieve competitive advantages for the firm by cutting down on costs through the improvement of their environmental impact or energy efficiencies of the production chain. These enhancements, also described as energy-technology innovations, are considered instrumental in reducing the cost of delivering a given energy utility or ensuring that the energy service is of a high quality considering the cost incurred (Sagar, Holden and Gallagher, 2006).

A Porter and Van der Linde study in 1995 reflected the synergistic nature of sustainability and competitive advantage. Process driven strategies, from this study are determinants of enhanced resource optimization, which is reached at through technological changes. The Porter and Van der Linde hypothesis is also linked with the roles of government environmental enforcement agencies and community engagement, ‘...strict environmental regulations actually enhance competitiveness by stimulating innovation’ (Bromley, 2009 p.14).

2.4 Stakeholder groups

This study applies the Standard Chartered (2009) definition and framework for stakeholder’s analysis. In this case, a stakeholder is as anyone who comes in contact with the bank, to define the following stakeholder groups: Professional groups like the Institute of Certified Public Accountants and Kenya Bankers Association. Bank employees who are the internal publics of the organization (Mizrahi, 2008). Existing and potential shareholders, who have a stake in the ownership and eventual management of the banks. Customers on the other seek hand financial services from the bank and exist as

individual or corporate clients (Bromley, 2009). Business partners and suppliers are another group of stakeholders who are involved in the banking value chain. Not for Profits, which focus on both local and international issues also form a key stakeholder group that banks have to put emphasis on considering that some of these NGOs are also part of the client profile and also that they handle large amounts of money in the form of foreign exchange. Governments are the other key stakeholder group. Governments, as central authorities give licenses for operations and follow up on various banking compliance mechanisms (Sagar, Holden and Gallagher, 2006).

2.5 Benefits of Corporate Sustainability Strategies

According to Strandberg Consulting (2009), sustainability can bring direct benefits to a business and secure its long-term competitiveness: increasingly, customers want a reliable supplier with a good reputation for quality products and services. Suppliers want to sell to a customer that will return for repeat purchases and will make payments in a timely manner. The company's community wants to be confident that the business operates in a socially and environmentally responsible way. And lastly, the company's employees want to work for a company of which they are proud, and that they know values their contribution. To remain competitive, companies need to be able to adapt to these new demands from the market and the society in which they operate.

A number of global surveys reflect some of the above mentioned benefits. For example, a McKinsey & Company global survey of 7,751 consumers in 8 major economies showed that 87% are concerned about the environmental and social impacts of the products they buy (Stanford Social Innovation Review, 2008). Approximately, 33% of consumers say they are willing to pay a premium for green products and another 54% care about the environment and want to help tackle climate change (Strandberg Consulting, 2009). A firm that has embedded sustainability in its operational strategies has a Social license to operate and hence can facilitate uninterrupted operations and entry in new markets using local sustainability efforts and community dialogue to engage citizens and reduce local resistance (Stanford Social Innovation Review, 2008).

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents a systematic description of how the researcher will attain data collection and analysis. It details how the data was collected from the respondents. The methodology of this study covers: study design, target population, and data analysis.

3.2 Research Design

The researcher used descriptive research design to outline the characteristics of research subjects. This was a cross-sectional study. The cross-sectional study was based on observations representing a single point in time. The research was used to answer questions on: identifying the corporate sustainability strategies adopted by commercial banks in Kenya, identifying the different stakeholders groups that the banks incorporate in the corporate sustainability strategies and establishing the benefits of CSS to the commercial banks in Kenya. Retrospectively, since this study sought to identify the role of CSS on Commercial Banks in Kenya, the scope covered sustainable developments within the last five years across the banking sector.

3.3 Target Population

The population consisted of banks licensed to operate in Kenya under the banking Act as at April 30, 2012 (CBK, 2012). Accordingly, there are 43 licensed commercial banks (as reflected in the Appendix III). The study covered two main positions per bank: the chief operations manager and the head of corporate strategy.

3.4 Data Collection

This involved administration of questionnaires on the two main officers in each of the banks. Secondary data was also sourced from previous studies on banks strategy. On the key bank stakeholders, the researcher compared the responses with respect to the annual bank performance and regulatory reports from the Central Bank of Kenya. In addition, to establish the benefits of CSS to the commercial banks in Kenya, the researcher also accessed individual bank website publications and quarterly magazines. Since bank strategy is led by the senior management and supervised by their reporting lines. The

researcher targeted the senior management of the banks who are responsible for leading and overseeing strategy implementation. This involved two key roles in every bank: the head of bank strategy and the operations manager. In this study a questionnaire was appropriate due to the stringent conditions in banks and the banker's busy schedule. The questionnaire was carefully prepared to ensure that the respondents are able to understand i.e. comprised of both structured and open-ended questions and which gave a scientific reassurance and confidence. The researcher distributed a total of eighty-six questionnaires.

3.5 Data Analysis

The steps followed in data handling were data collection; data capture, data sorting, editing, processing and results interpretation. Data captured and sorted involved rearranging the collected data from the questionnaires for ease of handling and storage. Editing entailed reading through the questionnaires to spot ambiguities or errors which may have occurred during data collection process, coding was done by assigning numbers to individual or unit questionnaires, the quantitative data was analyzed using frequency patterns, analysis software (SPSS) and the findings presented using descriptive statistical methods namely tabulation, graphical presentation, percentages and ratios. This inferred validity and reliability to the study.

CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter addresses data analysis, findings of the research, the interpretation and discussions of the analyzed results. The basis of the research study was to assess the CSS implemented by commercial banks in Kenya. The research study targeted two main bank roles: the chief operations manager and the head of corporate sustainability - in the organization with the aim of getting their responses in relation to the questions of the research study. The research study was carried out with the use of a questionnaire. The questionnaire used touched on the three objectives of the research study. The questionnaires from the respondents totaled 35 (out of 86) which represents 41.6 % response rate.

4.2 Data Analysis,

Data collected was analyzed using the statistical package for social sciences and presented in a tabular form.

4.2.1: Respondents profile

Role	Number of respondents	Percentage
Head of corporate strategy	26	74.28%
Chief operations Manager	9	25.71%
Total	35	100%

There were a total of twenty six head of corporate strategy respondents from a total of 43 questionnaires given out. This represented a 74.28% response with regards to successful responses from the head of corporate strategy.

A total of nine chief operations managers responded out of the forty three questionnaires administered. This represented a 25.71% return rate from the chief operations managers. This was largely attributed to the busy schedules and the amount of work handled by operation managers who are considered to be the nerve of all banking operations.

Table 4.2.2: Characteristic of commercial bank

Banks market Share Analysis –KES. M					
	Weighted market size	Number of institutions	Total net assets	Customer deposits	Capital and reserve
Large	54.6%	6	1,098,750	795,517	161,126
Medium	36.0%	15	735,819	551,639	102,841
Small	9.4%	5	186,249	141,012	27,265
Total	100.0%	26	2,020,818	1,488,168	291,232

The researcher obtained feedback from a total of twenty six listed commercial banks. Out of the twenty six banks, six of them, fall under the large banks category which hold a 54.6% weighted market size, fifteen under the medium category, with a 36.0% market size, while only 5 fall under the small category and commanding a 9.4% market size.

4.3 Research findings

A detailed description of the research findings was done in a percentile form.

4.3.1 Corporate sustainability strategies by commercial banks in Kenya

Drivers of CSS	Number of respondents	Percentage
Brand, trust and motivation	2	5.71%
Shareholder/Investor pressure	10	28.6%
Government/Regulatory environment	9	25.7%
Effects of developmental gaps in business	1	2.9%
Consumer demand	2	5.71%
Potential for revenue growth	4	11.4%
Cost reduction	5	14.28%
Personal motivation	2	5.71%
Total	35	100%

CSS is mainly driven by shareholder/investor pressure as indicated by 28.6% of the respondents. However, the government/ regulatory environment is also a driver of CSS as reflected by 25.7% of the respondents. Market driven factors are not highly linked to CSS formulation as indicated by factors like: brand with 5.71% and consumer demands with 5.71% of the respondents.

4.3.2 Reasons for formulation and implementation of CSS by commercial banks in Kenya

Reasons	Number of respondents	Percentages
Cost saving through resource efficiency	2	5.71%
Limit punitive fines	7	20%
Competitive advantage	9	25.7%
Obtain tax incentive	1	2.9%
Match competitors	2	5.71%
Meet investor demands	10	28.5%
Create new markets	4	11.4%
Total	35	100%

From 28.5% of the respondents, it was determined that investors/shareholders demanded that banks get involved in CSS. This reflects that investors are mainly responsible for CSS activities adopted by banks. The banks had also focused on limiting liabilities through ensuring that they complied with regulatory regimes hence embarking on CSS as reflected by 20% of the respondents who associated CSS with limiting punitive fines. It is also notable that CSS was linked to enhancing competitive advantage by 25.7% of the respondents.

4.3.3 Bank processes and clientele needs with respect to CSS

	Yes	No	Maybe
CSS part of bank operations	26	0	0
CSS not part of bank operations, is an afterthought	3	0	0
CSS tied to meeting client needs	6	0	0
Total	35	0	0

The highest number of respondents, 26 (74.2%) were of the opinion that CSS is part of the bank operations. However, only 6 (17.14%) of the respondents linked CSS to meeting client needs.

4.3.4 Stakeholder groups incorporated in CSS formulation and implementation

Stakeholder	Number of respondents	Percentage
Employees	2	5.71%
Government	9	25.7%
Environmental / local community	8	22.8%
Consumers/ customers	5	14.3%
Bank regulations	6	17.1%
Media	5	14.3%
Total	35	100%

As shown in the table above, it was determined that government (25.7% of the respondents) and local community (22.8% of the respondents) were the main stakeholders in the implementation of CSS.

4.3.5: Sustainability expectations

The following table reflects a summary of stakeholder sustainability expectations as found out during the study.

Stakeholder	Societal expectations
Employee	Ethnic diversity in employment, reduced resource wastage
Government	Compliance with banking regulations
NGOs	Collaboration in fund raising and CSR activities
Consumers	Right to information, availability of GREEN products
Bank regulators	Compliance with banking regulations
Investment community	Governance issues

4.3.6 Potential benefits of CSS to banks

Benefits	Achieved	Formative levels	Not prioritized	Totals
New market segments	14	14	7	35
Market share growth	20	11	4	35
Addressing material shortage	19	10	6	35
Reduce punitive actions	30	4	1	35
Value addition through new banking solutions	32	1	2	35
Tailor-made capital investments	35	0	0	35
Efficient operations standards	35	0	0	35
Process and technology transfer	33	2	0	35

All the respondents identified tailor-made capital investments and efficient operations as the key benefits of CSS. On the other hand, 91.4% (32) of the respondents identified value addition through the adoption of new banking solutions as an outcome of CSS implementation. The business opportunities that arose with the achievement of CSS were high for the commercial banks, hence all the respondents noted that there was an achievement of market driven CSS of: Tailor-made capital investments, efficient operations standards and Process and technology transfer. From the respondents of Kenya Commercial Bank, Equity Bank, Barclays Bank of Kenya and Standard Chartered Bank

for example there was a notable effort in moving towards lesser use of paper in banking through use of electronic imaging and emails. These efforts are considerably profitable to the bank, with effects felt on the onset of the CSS programmes.

4.4 Discussion

From 28.5% of the respondents, it was determined that investors/shareholders demanded that banks get involved in CSS. This reflects that investors are mainly responsible for CSS activities adopted by banks. The banks had also focused on limiting liabilities through ensuring that they complied with regulatory regimes hence embarking on CSS as reflected by 20% of the respondents who associated CSS with limiting punitive fines. It is also notable that CSS was linked to enhancing competitive advantage by 25.7% of the respondents.

It is therefore important to note that banks are slowly shying away from incorporating CSS's that are shareholders focused to a more regulatory and environmental friendly strategies which in turn will portray banks positively to the end users and other stakeholders within the commercial banking industry in Kenya. This is evident from the study with 22.8% and 25.7% of the respondents pointing at the environmental/local community and the government as the major components to consider while formulating and implementing CSS within commercial banks in Kenya

As much as commercial banks incorporate employees in formulation and implementation of CSS, retaining and attracting the best talent is key and therefore employee needs to be captured and factored in while formulating such. Most of the banks introduced more attractive benefits to their employee's e.g. robust medical covers, Employee ownership schemes etc to retain and attract talent within the industry. It is important to note that some of the best talents have effects on the end users and therefore tend to influence market perception on commercial banks.

The fourth estate i.e. the media comes in as one of the stakeholders. This is because of the role the media plays in highlighting activities of commercial banks which has an impact on the competitive edge scored vis a vis competitors within the commercial banking industry.

Previous studies however indicate that the main motive for the implementation of sustainable business practices is based on the business managers' or the corporations' philosophy and closely linked to the possibility of saving costs (Landrum and Edwards, 2009; Bohdanowicz et al., 2004; Hitchcock and Willard, 2009). But positive public relations and higher employee commitment and satisfaction have also been mentioned as important benefits (Hitchcock & Willard, 2009; Swarbrooke, 1999; Baum, 2006).

Respondents identified tailor-made capital investments, efficient operations and process and technology transfer as the key benefits of CSS within commercial banks in Kenya. New markets are yet to be achieved through CSS and thus an area that needs to be explored more by adapting tailor made CSS's that attract new markets with high returns. CSS's operate like a conveyor belt which multiple benefits, if adapted and coined strategically, to commercial banks within Kenya.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The research study aimed at assessing the corporate sustainability strategies implemented by commercial banks in Kenya.

This chapter seeks to summarize the findings, conclusions and make recommendations for further research.

5.2 Summary of findings

CSS is mainly driven by shareholder/investor pressure as indicated by 28.6% of the respondents. However, the government/ regulatory environment is felt during implementation of bank operations leading to CSS implementation as reflected by 25.7% of the respondents. Market driven factors are not highly linked to CSS formulation as indicated by factors like: brand with 5.71% and consumer demands with 5.71% of the respondents.

From 28.5% of the respondents, it was determined that investors/shareholders demanded that banks get involved in CSS. This reflects that investors are mainly responsible for CSS activities adopted by banks. The banks had also focused on limiting liabilities through ensuring that they complied with regulatory regimes hence embarking on CSS as reflected by 20% of the respondents who associated CSS with limiting punitive fines. It is also notable that CSS was linked to enhancing competitive advantage by 25.7% of the respondents.

The government (25.7% of the respondents) and local community (22.8% of the respondents) were the main stakeholders in the implementation of CSS. For different stakeholders, the study identified an array of reasons for informing on their influence among banks to carry out CSS: Employees sought inclusiveness and reduction in resource wastage. Governments and related agencies sought to ensure that there was order in the banking sector; NGOs had interest in ensuring equitable resource distribution through the bank CSS and CSR activities. The respondents identified tailor-made capital investments and efficient operations as the key benefits of CSS. On the other hand,

91.4% (32) of the respondents identified value addition through the adoption of new banking solutions as an outcome of CSS implementation.

5.3 Conclusion

From respondents, it was determined that the government and investors/shareholders demanded that banks get involved in CSS. This reflects that investors are mainly responsible for CSS activities adopted by banks. The banks had also focused on limiting liabilities through ensuring that they complied with regulatory regimes hence embarking on CSS to limit punitive fines. It is also notable that CSS was linked to enhancing competitive advantage by 25.7% of the respondents.

5.4 Recommendations for policy and practice

The commercial banks need to make CSS a more definitive experience for customers. There should be more emphasis on CSS among the bank clientele. Customer focused banking operations could go a long way into delivering on the visions and missions of the banks. In addition, the role of employees as an internal customer is key for commercial banks. There is need to place a premium on the way they are trained as well as the budgetary allocation given to their training and development needs in relation to driving the CSS.

5.5 Limitations of the study

The study relied largely on quantitative methodology of data collection (though qualitative methodology was used to a limited extent) and is therefore restrictive. Therefore, more of qualitative methodology of data collection should be undertaken in future to provide wider perspective to the present study. For instance, the use of responses from a focus group would further reinforce or provide deeper meaning for some of the quantitative measures derived so far.

The retrospective design of the study was also a limitation as it meant that the study relied on the collective memories of the respondents coupled to the fact that there was little access to the data available in the banks on CSS for the researcher. Hence there was

a possibility of inconsistent responses as respondents saw the need to invoke the non disclosure clauses in the cause of working for their employers.

5.6 Recommendations for further research

This study focused on corporate sustainability strategies by commercial banks in Kenya. This was a supply side emphasis on sustainability. The study can be extended to a wider sphere to cover:

- Demand side studies on CSS implications i.e. on consumer perceptions and market segments within the banking industry.
- It is also important to assess the operational and market driven strategies on the demand side i.e. energy efficiency and conservation measures and their impacts on financial performance among manufacturing companies benefiting from carbon reduction related loans in Kenya.
- The role of finance function in driving company strategy is critical: it is recommended that future surveys determine the extent to which the finance function influences strategy formulation, implementation with regards to sustainability.

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APPENDICES

APPENDIX 1: INTRODUCTION LETTER

Introduction of researcher and Questionnaire Problem.

Dear Respondent

My names are Luthers Mokuu, a final year MBA student at the University of Nairobi. As part of my course requirements, I am expected to conduct research in my area of study. In this regard, my research is aimed at determine the roles of corporate sustainability strategies in Kenya's commercial banking sector.

I intend to carry out research across Kenya's commercial banking sector. I hereby do request for your permission to collect information from your company and specifically from the head of bank strategy and the operations manager. Your responses will be treated with utmost confidentiality and only be used for this study. Should you require the outcomes of this study please contact me contact the MBA administrator UON.

LUTHERS MOKUA.

Signature.....

(STUDENT)

MR. JEREMIAH KAGWE.

Signature.....

(SUPERVISOR)

APPENDIX II: QUESTIONNAIRE

Where choices are provided, *tick the appropriate box* where there are no choices use the *space provided to give your response*.

SECTION A

Demographic Information (On Respondent) (This is optional)

Name of Co.....

Company role: Head of Strategy..... ()

Operations Manager....()

Bank Profile: Number of employees.....

Asset base.....

Value of Deposits.....

Ownership structure.....

Number of bank branches.....

Period of existence in Kenyan bank sector.....

Objective One: corporate sustainability strategies adopted by commercial banks in Kenya

1. In order of importance which factors have driven your bank, to take action on sustainability issues? (Rank from 1 for most important and 8 for least significant)

a) Brand, trust and motivation	
b) Shareholder/ Investor pressure	
c) Government/regulatory environment	
d) Effect of development gaps on business	
e) Consumer demand	
f) Potential for revenue growth	
g) Cost reduction	
h) Personal motivation	

2. Tick up to three most important reasons for the use of corporate sustainability strategies in the bank.

a) Potential Cost saving due to resource efficiency	
b) Avoidance of punitive environmental fines.	
c) Potential for gaining competitive advantage	
d) Obtain tax incentives	
e) Match environmental focused actions of competitors	
f) Meet investor/shareholder demands	
g) Create new markets	

3. Answer Yes, No or Maybe for the following questions

- i. Corporate Sustainability strategies are part of the daily processes at the bank.....
- ii. Corporate Sustainability strategies are embarked on to meet clientele needs and are hence not proactively implemented by the bank.....
- iii. Corporate Sustainability strategies are embarked on to meet clientele needs.....

Objective two: The different stakeholders groups that the banks incorporate in the CSS.

1. Over the past five years, which five stakeholders have had the greatest impact on the way you manage societal expectations? (Tick where appropriate)

Stakeholder

Employee	
Government	
Environmental/Local communities/investment communities	
Consumers/Customers	
Bank Regulators	
Media	
Others (<i>Mention</i>)	

2. Over the past five years, how have the stakeholders had the greatest impact on the way you manage societal expectations?

Stakeholder	Sustainability Expectations or Activities initiated
Employee	
Government	
NGOs	
Consumers	
Bank Regulators	
Media	
Investment Community	
Others (<i>Mention</i>)	

3. Objective three: Benefits of corporate sustainability strategies to commercial banks in Kenya.

The following list indicates potential benefits of corporate sustainability strategies to the firm. Indicate using the numbers given against the benefits.

(1), for the ones achieved, (2) those in formative levels, (3) those not yet achieved

- a) Investments in CSS have created new market segments for the banks..... []
- b) The green services have led to a growth in the market share of []
- c) A sustainability approach reduces risk for the bank, at every stage of production, ensuring that material shortages are addressed..... []
- d) Pro-actively reducing wastage at the bank has averted or minimized negative regulatory impacts..... []
- e) Sustainability challenges have driven the need for new banking solutions at the bank. This has added value to the firm..... []
- f) Sustainability strategies have created avenues for tailor made capital investments in the bank.....[]
- g) Efficient operational standards tied to sustainability strategies e.g. recycling have minimized paper, water and electricity consumption costs.....[]
- h) Sustainability strategies have enabled the bank to engage in process and/ or technology transfer.....[]

**APPENDIX III: LIST OF COMMERCIAL BANKS IN KENYA (SOURCE: CBK
APRIL 30TH 2012)**

- 1.ABC Bank (Kenya)
- 2.Bank of Africa
- 3.Bank of Baroda
- 4.Bank of India
- 5.Barclays Bank
- 6.Chase Bank (Kenya)
- 7.Citibank
- 8.Commercial Bank of Africa
- 9.Consolidated Bank of Kenya
- 10.Cooperative Bank of Kenya
- 11.Credit Bank
- 12.Development Bank of Kenya
- 13.Diamond Trust Bank
- 14.Dubai Bank Kenya
- 15.Ecobank
- 16.Equatorial Commercial Bank
- 17.Equity Bank
- 18.Family Bank
- 19.Fidelity Commercial Bank Limited
- 20.Fina Bank
- 21.First Community Bank
- 22.Giro Commercial Bank
- 23.Charterhouse Bank
- 24.Guardian Bank
- 25.Gulf African Bank
- 26.Habib Bank AG Zurich
- 27.I&M Bank
- 28.Imperial Bank Kenya
- 29.Jamii Bora Bank

30. Kenya Commercial Bank
31. K-Rep Bank
32. Middle East Bank Kenya
33. National Bank of Kenya
34. NIC Bank
35. Oriental Commercial Bank
36. Paramount Universal Bank
37. Prime Bank (Kenya)
38. CFC Stanbic Bank
39. Standard Chartered Bank
40. Trans National Bank Kenya
41. United Bank for Africa
42. Victoria Commercial Bank
43. Habib Bank

(Central Bank of Kenya, 30th April 2012)