# CHALLENGES OF IMPLEMENTING CORPORATE SOCIAL RESPONSIBILITY STRATEGIES BY COMMERCIAL BANKS IN KENYA

**BY**

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**RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION OF UNIVERSITY OF NAIROBI.**

**NOVEMBER 2014**

# DECLARATION

I declare that this research project is my original work and has not been submitted to any college, institution or University other than the University of Nairobi for academic credit.

SIGN………………………. DATE……….……………..

**Elizabeth Mbogoh**

**D61/P/8377/06**

This Project has been presented for examination with my approval as the University Supervisor.

SIGN…………………. DATE……………………..

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# DEDICATION

I dedicate this study to my parents – Mr. & Mrs. Kamau Mbogo, who were extremely supportive to me in so many ways, throughout this journey. Their love, sacrifice and commitment towards giving each and every one of us (Jane, Susan, Faith, Eddah, Samuel and I ) an education and their unwavering belief in me and my ability to complete this MBA program kept me always moving. I would also like to thank my siblings, for their constant Support and Encouragement. Thank you all.

# ACKNOWLEDGEMENT

This study would not have been possible without the encouragement, support, criticism and assistance from my family, friends, lecturers and my supervisor.

First, I want to express my gratitude to my supervisor, Prof. Martin Ogutu, who at every opportunity encouraged me to complete my MBA program even with my tight work schedule. In addition his insightful guidance and the time he dedicated to see this project to completion, his sacrifice and inspiration to meet and guide me at every possible time helped me complete the project.

I am also greatly indebted to my entire family – Parents and Siblings for the support assistance and understanding which served as an encouragement during this study. Their significance cannot be over emphasized.

I'm also thankful to my friends and colleagues for their assistance and input through this project. In particular I would like to thank my friend Susan Olelo with whom I went through the MBA Program and who kept encouraging me throughout the program and specifically in the last stages while completing the project. I could not have completed this study without their assistance and a little push here and there.

To you all, I thank you so much and may God Bless you abundantly.

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# ABBREVIATIONS AND ACRONYMS

| | |
|---|---|
| **ABI** | Italian Banking Association |
| **CBK** | Central Bank of Kenya |
| **CEO** | Chief Executive Officer |
| **CSR** | Corporate Social Responsibility |
| **NGO** | Non Government Organization |
| **ROA** | Return on Assets |
| **ROE** | Return on Equity |
| **SPSS** | Statistical Package for Social Sciences |
| **UN** | United Nations |
| **UNDP** | United Nations Development Program |
| **UNEP** | United Nations Environmental Program |

# ABSTRACT

The study sought to determine the challenges faced by commercial banks in Kenya in implementing corporate social responsibility strategies. The objectives of the study were; to establish the challenges commercial banks in Kenya face in the implementation of CSR strategies; and to determine how commercial banks in Kenya counter the challenges they face in implementation of CSR strategies. The research design was descriptive survey design. The population was 43 commercial banks in Kenya. Study was a census that is all the 43 duly licensed and operational commercial banking institutions within the country were used. The data collection instrument was a questionnaire. The data analysis method was quantitative in nature. Descriptive statistics was used. The particular descriptive statistics used were means scores and percentages. The software for analysis was SPSS Version 20. Results indicated that a the macro-environment challenges affecting the implementation of corporate social responsibility strategies by commercial banks were overwhelming poverty, culture of a community and high tax rates. Results also indicated that the industry specific challenges affecting the implementation of corporate social responsibility strategies by commercial banks were: ability of customers to bargain for particular CSR projects and bargaining power of suppliers. Results also indicated that the other challenges affecting the implementation of corporate social responsibility strategies by commercial banks were incompetent human resources and lack of clear guidelines in the bank. The study concluded that challenges affecting the implementation of CSR strategies by commercial banks could be classified into three broad groups which include macro-environment challenges, industry specific challenges and other challenges. It was concluded that among the strategies to counter the macro economic challenges they face in implementation of corporate social responsibility strategies were: community participation strategy before CSR implementation and that the bank understands the culture of a community. The strategies to counter the industry specific challenges they face in implementation of corporate social responsibility strategies were: that the bank ensures it has structures and the budgets on CSR are made to facilitate effective resource allocation. The strategies to counter the industry specific challenges they face in implementation of corporate social responsibility strategies were: high clientele participation which provides diversity of ideas in CSR implementation and market analysis on the CSR project. Recommendations are that that in order to tackle the challenges faced by commercial banks in Kenya in implementing corporate social responsibility strategies then, the banks should ensure community participation before CSR implementation and the banks should understand the culture of a community. Bank should also ensure that it has structures on CSR implementation and the budgets on CSR should be made to facilitate effective resource allocation. Banks should carry out thorough market analysis on the CSR project. For effective implementation of CSR the government should tackle the problem of overwhelming poverty and high tax rates. The banks should employ competent human resources and give clear guidelines of CSR implementation.

# CHAPTER ONE

# INTRODUCTION

## 1.1 Background of the Study

Strategy implementation, a step in the strategic management is an integral component of the strategic management process. Strategic management is viewed as the set of decisions that result in the formulation, implementation and control of plans designed to achieve organization's purpose (Pearce & Robinson 2007). Strategy implementation is viewed as the process that turns the formulated strategy into a series of actions and then results to ensure that the vision, mission, strategy and strategic objectives of the organization are successfully achieved as planned (Thompson & Strickland, 2003). Jooste and Fourie (2009) found that strategy implementation is more important than strategy formulation in majority of organizations and that the ability to implement a strategy in an organization is more important than the ability to formulate a strategy.

Resource based theory is applicable to the study as it supports that resources at a firm's disposal are a critical factor for effective corporate social responsibilities strategy implementation. It is expected that an organization that has adequate financial resources would facilitate effective/successful corporate social responsibilities strategies. Institutionalization theory explains how organization cultures, can affects corporate social responsibilities of companies. Institutional theory approach provides useful guidelines for analyzing organization-environment relationships with an emphasis on the social rules, expectations, norms, and values as the sources of pressure on organizations.

The importance of corporate social responsibilities has become an important issue for banks to address ahead of corporate scandals in the beginning of the century. Commercial banks are paying more attention to their corporate social responsibilities. Common corporate social responsibility practices in most organizations by different organization are centered on mainly poverty alleviation, healthcare, education, charity activates, cultural enrichment, youth development, women empowerment, patronizing sports and music (Alam Hoque& Hosen, 2010). Blahová and Knápková (2010) assert that one of the challenges of implementing corporate social responsibility strategies originate from isolating the workforce.  First limitation factor in CEO's being able to create and follow through great strategy is their isolation from their own workforce. Information is idealized as it passes each management level resulting in good strategy being based on questionable data and ideals. Brenda (2013) states that Corporate Social Responsibility in the banking sector is becoming a well-established notion in the service industry and financial institutions are coming round to the idea that there is more to invest than just to focus on the figures. However challenges such as lack of resources, incompetent management and organization politics leads to a decline in the effectiveness of CSR in banks.

### 1.1.1 Concept of Strategy

Capon (2008) describes strategy as a long term plan, drawn up by organizational leaders in order to meet the organizations objective. In the game theory, strategy is defined as a plan which specifies what choices a player that is the organization, will make in certain situations. The different types of strategies helps organizations to focus on managing strategic direction and control to get things done. Strategies may be either specific or general, a strategy may be specific. According to Capon (2008) as cited from Mintzberg, strategy can be a plan, a ploy that is a way of removing competitors for example a grocery chain might threaten to expand a store, to avoid a competitor moving into the same area. Mintzberg further describes strategy as a position which involves how companies position itself in the market place. In this way strategy helps organizations explore the fit between the organization and the environment and develop a competitive advantage.

Most corporations would purport to have a well-defined strategy which they have developed to take their business forward (Morgan, nd). Strategy is about planning to reach a vision which differentiates a company from its competitors in a positive way. It encompasses overall direction as well as the many detailed activities that occur in a company. Strategic success generally depends on possessing an enlightened and unique vision as well as doing the many things needed to achieve the vision well. However, no one strategy can last forever and any corporate strategy needs to be reviewed on a regular basis, not only to ensure it is still relevant but to also ensure that the original strategy has not become blurred by misconceived operational responses to threats and opportunities that are not in keeping with the original strategy (Bettis, Gambardella &Helfat, 2012; Morgan, nd)

### 1.1.2 Strategy Implementation

Strategy implementation is the putting into action a formulated strategy. It involves organization of the firm's resources and motivation of the staff to achieve objectives (Ramesh, 2011). Strategy implementation is important because its success or failure rate may have a significant impact on the success and sustainability of the business. The implementation of the strategy is often conceptually viewed as a step or stage in the strategic management process that follows the formulation of strategies and that precedes strategic control. In order to facilitate successful strategy implementation there should be an effective and dedicated top management team (Freedman and Tregoe, 2003).

The implementation of strategy is a step requires the definition of robust actions, the evaluation of budgetary requirements, the study of time and organizational constraints, the elaboration of human resource issues, management and plan coordination, migration and diffusion etc. In addition, the action plans need to be examined concerning its risks, strategic importance and harmonized integration within the overall evolution of the specific organization. There are three main stages to the development of the implementation strategy and these include definition of action plan elements, elaboration of action plan, and risk mitigation and coping strategies (Stewart & Mohammed, 2002).

Developing an action agenda for implementing and executing a strategy involves managers at all levels, deciding on answers to the question; what is required for us to implement our part of the overall strategic plan and how can we best get it done? Doing the implementation task well means scrutinizing virtually every operating activity to see what actions can be taken to improve strategy execution and to instill strategy-supportive practices and behavior. The administrative tasks of implementing and executing the strategy involve a process of moving incrementally and deliberately to create a variety of "fits" that bring an organization's conduct of its internal operations into good alignment with strategy. Broadly viewed, the management's task of strategy implementation is one of scrutinizing the whole internal organization to diagnose what strategy supportive approaches are needed and what actions to take to accomplish the same (Nedelea & Paun, 2009).

It is thus obvious that strategy implementation is a key challenge for today's organizations. There are many factors that influence the success of strategy implementation, ranging from the people who communicate or implement the strategy to the systems or mechanisms in place for co-ordination and control. Formulating a consistent strategy is a difficult task for any management team, making that strategy work that is, implementing it throughout the organization is even more difficult (Hrebiniak, 2006). A myriad of factors can potentially affect the process by which strategic plans are turned into organizational action. Factors such as resource allocation, managerial behavior and institutional policies influence implementation of strategic plans (Omboi, 2011).

### 1.1.3 Corporate Social Responsibility

Corporate social responsibility is a concept born of the premise that both for profit and nonprofit organizations have various stakeholders whose different interests are affected in one way or the other by an organization's goals, operations or the behavior of its members. Wise and Ali (2009) pointed out that corporate social responsibility is associated with corporate governance and ethical business procedure. Good corporate governance is expected to under pin effective and efficient corporate social responsibility within firms. Kapoor, and Sandhu (2010) state that if a business fails to take care of its social environment, its long-term survival may be jeopardized. Seen this way, the sustainability of society and business as related entities becomes increasingly important.

Therefore being a socially responsible company is good for business, because in the long-term it increases shareholder value as well as committing the business's skills, money and resources in solving society's problems (Peterson, 2004).

Banks among other organizations are increasingly being held accountable for issues such as fair trade, environmental degradation and local or regional socioeconomic matters. They are being required to expand their corporate agenda, and the corporate world realizes that it cannot ignore society is demand for greater responsibility. When developing CSR the organization takes into account additional values and long-term responsibilities in order to meet the expectations and address the critical viewpoints of all parties involved. Implementing CSR requires a company's perspective to be reoriented so that new relationships can be formed, new values defined and new strategies developed. This is more than just another business project. Ultimately, it involves revisiting the very core of the organization, and this poses some difficult challenges for organizations in executing corporate social responsibility. Banks also experience the challenge of lack of certain competences in ensuring CSR is a success. In France for example the main challenge for CSR is to make corporate social responsibility part of the mainstream of small and medium-sized businesses, giving it to understand what this benefit, but also to make the concept of CSR understandable to all stakeholders (Denis, 2010)

Baker (2011) also holds that Corporate Social Responsibility is about how companies manage the business processes to produce an overall positive impact on society. In summary therefore, corporate social responsibilities is concerned with delivery of economic, social, environmental, legal and technological gains to internal and external stakeholders of the firm. Management, as representatives of the shareholders, decides the resource allocations to CSR programmes but is guided by the overall strategic footprint as set out by the board of directors and industry trends. It is the task of Management teams to advise shareholders on the right corporate social responsibility initiatives for their organizations. Most importantly, it is in the interest of all stakeholders that all CSR programmes enable the firm to stay focused on its mission through proper utilization of its resources in the attainment of its strategic objectives.

Sharma (2011) in a study on corporate social practices in Indian banking sector finds that CSR recognizes an organization's commitment to operate in a socially responsible manner. But CSR activities of developing nations are not so rosy. Particularly in financial sector there is an absence of stringent provisions regarding compliances and reporting CSR. According to Ahmed (2013) Firms engaging in a CSR-based strategy can only generate an abnormal return if it can prevent competitors from imitating its strategy. In competitive markets this is unlikely, since CSR is highly transparent, with little causal ambiguity. CSR may be used in the context of political strategies that result in regulatory barriers to imitation. One such strategy would be for firms to be use government regulation to impose CSR on rivals who do not employ an appropriate technology, thus raising the costs of those rivals relative to the initiating firm.

### 1.1.4 Corporate Social Responsibility in Kenya

The emergence of corporate giving can be traced back to the 1920s when corporations began to purposely launch publicity campaigns to label themselves as trustees of the public. They sought to change the society's perception from moneymaking machinery to communal institutions for the purposes of gaining public endorsement (Marchand, 1998).

A few studies have considered the association between CSR initiatives and business strategy and found fairly reasonable evidence on the existence of a positive relationship (Porter et al 2006; Pearce and Doh, 2005). Lately, CSR performance has been placed under scrutiny by various players; thus, CSR has become a widely-applied concept and is an increasingly essential concern in business decision-making process (Cochran, 2007).

In essence, Strategic CSR is the philosophy of integrating CSR into a company's strategic perspective and operations (Werther and Chandler, 2006); the more companies integrate CSR into their corporate strategy, the better companies will be able to satisfy the demands of the various stakeholders. Strategic philanthropy is expected to grow in the years ahead (Lantos, 2001).

Corporate social responsibility is a relatively new topic in Kenya. Since government authorities alone are unable to combat poverty and ensure sustainable development, international organizations, local NGOs and national and international companies need to support them in their efforts. United Nations programs have been among the first to introduce the concept of CSR to Kenya. They include the UN Global Compact, the UNDP Growing Sustainable Business Initiative and the UNIDO project for the electrification of rural areas (Lighting up Kenya).

As they apply their international standards on the ground, major foreign enterprises are the engine that drives CSR efforts in Kenya. German companies, too, are involved in a wide variety of CSR activities, including creating foundations and supporting initiatives launched by their employees. These companies, some of which are members of the German Business Association, often work together with UNEP and the World Bank.

Kenyan companies, too, are actively engaged in social issues. They need to meet the expectations of their foreign trading partners in such areas as labor standards and environmental protection. Fair trade standards are playing an increasingly important role in the coffee, tea, flower and food industries, which are of particular importance to Kenya. Some companies are marketing innovative products to low-income consumers. For example, the telecommunications enterprise Safaricom has introduced M-Pesa, a service that allows its customers to transfer money using a mobile telephone. CSR is of virtually no significance for smaller companies and the sizable informal sector.

### 1.1.5 Commercial Banks in Kenya

The Kenyan financial sector is largely dominated by banks which control 57 percent of the total assets in the financial sector. The vital role played by commercial banks in Kenya in financing economic development brings to the fore the need to study the funding structure of commercial banks. The banking environment in Kenya has, for the past decade, undergone many regulatory and financial reforms. These reforms have brought about many structural changes in the sector and have also encouraged foreign banks to enter and expand their operations in the country (Kamau, 2009). Kenya's financial sector is largely bank-based as the capital market is still considered narrow and shallow (Ngugi, 2006).

In Kenya, commercial banks play an important role in mobilizing financial resources for investment by extending credit to various businesses and investors. Lending represents the heart of the banking industry and loans are the dominant assets as they generate the largest share of operating income. Loans however expose the banks to the greatest level of risk. There are 44 licensed commercial banks in Kenya (43 if Charterhouse bank is excluded), one mortgage finance company and one credit reference bureau. Of the 45 financial institutions, 32 are locally owned and 13 are foreign owned. The credit reference bureau, Credit Reference Bureau Africa was the first of its kind to be registered in Kenya by the Central bank of Kenya aimed at enabling commercial banks to share information about borrowers to facilitate effectiveness in credit scoring.

Manyange (2013) describes corporate social responsibility as a core activity for majority of organizations. The researcher examined the role played by CSR in brand image in Kenya Commercial Bank. The researcher findings indicate that engaging in CSR is not only beneficial to KCB's stakeholders in terms of improvements in levels of education, better health, conservation of the environment entrepreneurship opportunities and aid to avert natural calamities but also to the Bank with regards to brand loyalty which translates to new business and the retention of existing business. Further, the author found that CSR is not all about free goodies; rather it is an effort by organizations to deploy their resources in a way that helps the organizations build a mutually productive and sustainable business relationship between them and the communities with which they do business.

## 1.2 Research Problem

Corporate Social Responsibility (CSR) is becoming an increasingly important activity to businesses nationally and internationally. As globalization accelerates and large corporations serve as global providers, these corporations have progressively recognized the benefits of providing CSR programs in their various locations. CSR activities are now being undertaken throughout the globe (Kiran and Sharma, 2011). In the implementation of CSR strategies, organizations are faced by a number of challenges which this paper aims to investigate. In the light of the importance of strategy implementation as a component of the strategic management process, the high failure rate of change initiatives due to poor implementation of new strategies and the fact that a lack of strategic leadership has-been identified as one of the major barriers to effective strategy implementation. Additionally, a poor understanding of the strategy by the workforce and ineffective communication of the strategy to the workforce are the most important barriers to effective strategy implementation (Jooste & Fourie, 2009).

Organizations in Kenya and Commercial Banks in particular are increasingly being held accountable for corporate social issues such as fair trade, environmental degradation and local or regional socioeconomic matters. Implementing CSR requires a banks perspective to be re-oriented so that new relationships can be formed, new values defined and new strategies developed. Examples of CSR activities by commercial banking sector include the Standard Chartered Marathon, KCB Safari Rally, Equity Scholarship program among others. If these CSR activities are not well implemented, they may influence the competiveness of the banks negatively.

A number of studies (Otieno, 2008; Odhiambo,2006; Nduku, 2008; Mwiti, 2009; Okeyo, 2004) attempting to shed some light on corporate social responsibility are more general or have failed to give detailed insights on challenges faced by commercial banks in Kenya in implementing corporate social responsibility strategies. Otieno (2008) studied the practice of corporate social responsibility of commercial banks in Kenya. Although the study achieved its objectives it did not focus on the challenges faced by commercial banks in

CSR strategy implementation. Odhiambo (2006) researched on corporate social responsibility as a strategic tool for stakeholder’s mgt in large scale enterprises in Kenya but the study did not focus on all aspects of CSR strategy implementation or on its challenges. Nduku (2008) studied the practice of corporate social responsibility among foreign multinational corporations in Kenya; Mwiti (2009) conducted a survey on the relation between corporate social responsibility and competitive advantage in the oil industry in Kenya while Okeyo (2004) did a survey of levels & determinants of corporate social responsibility among commercial firms in Kenya. Although these studies attained their objectives they did not focus on the challenges faced by commercial banks in implementing corporate social responsibility strategies. There is little published work on challenges faced by commercial banks in implementing corporate social responsibility strategies, particularly in the context of developing countries in the dynamic African region and specifically in Kenya. This study intends to bridge this gap in knowledge.

In contrast to the many studies (Otieno, 2008; Okeyo, 2004; Kostyuk, 2011; Otieno, 2011) that are related to the banking industry, there is only a limited amount of research on challenges faced by commercial banks in implementing corporate social responsibility strategies. The numerous studies while shading so much light on the corporate social responsibility have not covered the challenges faced by commercial banks in implementing corporate social responsibility strategies. To address this gap in knowledge and the study sought to answer the question; what are the challenges faced by commercial banks in Kenya in implementation of corporate social responsibility strategies?

## 1.3 Research Objectives

The key objective of the study was to determine the challenges faced by commercial banks in Kenya in implementing corporate social responsibility strategies. Specifically, the research wished to:

i. Establish the challenges commercial banks in Kenya face in the implementation of Corporate Social Responsibility strategies.
ii. Determine how commercial banks in Kenya counter the challenges they face in implementation of Corporate Social Responsibility strategies.

## 1.4 Value of the Study

The regulators and the policy makers can use the finding as reference for policy guidelines on management and control of such institutions. They will be able to use the findings of the study to formulate viable policy documents that effectively address problems faced by the financial institutions in implementing CSR activities. These may relate to regulating those aspects that threaten to adversely impact on the operations and development of such institutions.

The commercial banks in Kenya will gain a better understanding of the key components of corporate social responsibility that would facilitate successful organizations. Specifically, they will be able to understand the benefits derived from adoption of CSR activities by the financial institutions. On the basis of the findings of the study, the commercial banks in Kenya will implement corporate social responsibility practices from a point of knowledge.

The findings may also be used as a source of reference for other researchers. In addition, academic researchers may need the study findings for further research in this area and this can form a basis of a good background for further researches. The study will also validate the various theories on strategy implementation such as Resource Based View of the firm and the Institutionalization theory. The study will check the applicability of the theories to this study.

# CHAPTER TWO

# LITERATURE REVIEW

## 2.1 Introduction

This section comprised of the theories that supports this study. In addition, this chapter provided the discussion of the empirical and general literature that relates to the study.

## 2.2 Theoretical Foundation

This section provided the theories relevant to the study. The theories discussed herein are the resource based and the institutionalization theory.

### 2.2.1 Resource Based Theory

This theory argues that firms possess resources enable firms to achieve competitive advantage and lead to superior long term performance. Valuable and rare resources can lead to the creation of competitive advantage. That advantage can be sustained over longer time periods to the extent that the firm is able to protect against resource limitation, transfer or substitution (Frawley & Fahy, 2006). Information system resources may take on many of the attributes of dynamic capabilities and may be useful to firms operating in rapidly changing environment. Information resources may not directly lead the firm to a position of superior sustained competitive advantage but they may be critical to the firm's long term competitiveness in unstable environments if they help it develop, add, integrate and release other key resources over time (Wade & Hulland, 2004).

Resources such as adequate finance and competent and skilled managers in banks are crucial for the effectiveness management practices in a rapidly changing environment (Wade & Hulland, 2004). The dynamic capabilities which consist of the activities and mechanisms of managing resources in the creation of value may have an influence on the effectiveness and success of youth enterprise projects within the country. It is expected that an organization that has adequate financial resources would facilitate effective/successful corporate social responsibilities strategies. This theory is relevant to the study as it explains how resources at a firm's disposal are a critical factor for effective CSR strategy implementation.

### 2.2.2 Institutionalization Theory

Institutional theory attends to the deeper and more resilient aspects of social structure. It considers the processes by which structures, including schemas; rules, norms, and routines, become established as authoritative guidelines for social behavior. It inquiries into how these elements are created, diffused, adopted, and adapted over space and time; and how they fall into decline and disuse. Although the ostensible subject is stability and order in social life, students of institutions must perforce attend not just to consensus and conformity but to conflict and change in social structures.

The basic concepts and premises of the institutional theory approach provide useful guidelines for analyzing organization-environment relationships with an emphasis on the social rules, expectations, norms, and values as the sources of pressure on organizations. This theory is built on the concept of legitimacy rather than efficiency or effectiveness as the primary organizational goal (McAdam and Scott, 2004). The environment is conceptualized as the organizational field, represented by institutions that may include regulatory structures, governmental agencies, courts, professionals, professional norms, interest groups, public opinion, laws, rules, and social values. Institutional theory assumes that an organization conforms to its environment. There are, however, some fundamental aspects of organizational environments and activities not fully addressed by institutional theory that make the approach problematic for fully understanding NGOs and their environment: the organization being dependent on external resources and the organization‘s ability to adapt to or even change its environment (McAdam and Scott, 2004).

This theory is relevant to the study as it explains how institutional environment; that is the desire to explore organization cultures defines the corporate social responsibilities of an organization and how the culture affects the development of formal structures.

## 2.3 Strategy Implementation Process

Once strategies have been agreed on, the next step is implementation; this is where most failures occur. It is not uncommon for strategic plans to be drawn up annually, and to have no impact on the organization as a whole. According to Thompson, Strickland and Gamble (2005), the better conceived a company’s (organization) strategy and the more competently it is executed, the more likely it is that the company (organization) will be a standout performer in the market place

Strategy implementation entails putting the decided strategy into action. Daft 2000 noted that strategy implementation involves strategy operationalization, which is the development of the action plans and institutionalization which ensures that the strategy is internally acceptable within the organization. Strategy implementation involves both macro-organizational issues and micro-organizational issues. Macro-organizational issues are large-scale, system-wide issues that affect many people within the organization. Galbraith and Kazanjian (1986) argue that there are several major internal subsystems of the organization that must be coordinated to successfully implement a new organization strategy. These subsystems include technology, reward systems, decision processes, and structure. As with any system, the subsystems are interrelated, and changing one may impact others (Chege, 2012)

Technology can be defined as the knowledge, tools, equipment, and work methods used by an organization in providing its goods and services and must fit the selected strategy for it to be successfully implemented. Reward systems or incentive plans include bonuses and other financial incentives, recognition, and other intangible rewards such as feelings of accomplishment and challenge. Commonly used reward systems include stock options, salary raises, promotions, praise, recognition, increased job autonomy, and awards based on successful strategy implementation. Decision processes pertaining to resource allocations, job responsibilities and priorities help the organization make mid-course adjustments to keep the implementation on target (Otieno, 2008; Okeyo, 2004; Mwiti, 2009)

Organizational structure is the formal pattern of interactions and coordination developed to link individuals to their jobs and jobs to departments which involves the interactions between individuals and departments within the organization. Current research supports the idea that strategies may be more successful when supported with structure consistent with the new strategic direction. A functional organizational structure tends to have lower overhead and allows for more efficient utilization of specialists, and might be more consistent with a low-cost strategy(Chege, 2012).

Micro-organizational issues pertain to the behavior of individuals within the organization and how individual actors in the larger organization will view strategy implementation in terms of impact on culture and resistance to change as far as employee acceptance and motivation to implement the new strategy is concerned. Peters and Waterman (1982) focused attention on the role of culture in strategic management. Organizational culture is more than emotional rhetoric; the culture of an organization develops over a period of time and it is influenced by the values, actions and beliefs of individuals at all levels of the organization (Okeyo, 2004; Mwiti, 2009).

## 2.4 Factors in Strategy Implementation

Muthuri and Gilbert (2010) examined the focus and form of corporate social responsibility practice of companies in Kenya. It is evident from our findings that the nature and orientation of CSR differ across companies with operations only in Kenya and those headquartered abroad or with international operations. Significantly, firm-related drivers such as public relations and performance, as well as global institutional pressures explain the focus and form of CSR in Kenya. The researcher concluded that for the institutionalization of CSR in Kenya, attention must be paid to conditions that stifle CSR uptake such as lack of government regulations, and the government's capacity and commitment to enforce regulation. The establishment of functional CSR institutions and a vibrant civil society that advance civil regulation ought to be encouraged.

In United Kingdom, the sustainability issues in the UK banking sector have been shaped and influenced by relevant stakeholders such as government, competitors and consumers.

The competitive structure of the UK banking industry prompted the major banks to strengthen their competitive edge by building up a strong brand and reputation in corporate responsibility. There have been a number of CSR initiatives in the past ten years. These comprise: The UK Government, British Bankers Association and Association of British Insurers, FORGE guidelines published in 2002; The UK Responsible Lending Initiative of 2005/06; A review of European Banking Sector Best Practices in CSR published by the European Bankers Federation in 2008.According to the 2012 CSR forum of the Italian Banking Association the financial sector remains a key player in the field of corporate social responsibility, despite the difficulties caused by the crisis. According to the latest findings by the Italian Banking Association (ABI), 80% of the industry continues to formalize its commitment to CSR. More generally, the interest in corporate social responsibility is not in jeopardy; indeed, there is still a commitment to integrate CSR practices into business activities (Kostyuk, 2011).

Limbs and Fort (2000) for example identified ethnicity, language and religion as the three major contexts that shaped Nigerian business practices. A common trend among the different tribes and peoples, which could have implication for the CSR discourse, is the communal philosophy of life and concern for the less privilege. This trend is rooted in the concept of extended kinship which is common to all the groups. The family network is very important in Nigeria and almost if not all ethnic group in Nigeria believes that individual responsibility extend beyond the boundaries of immediate family. This practice has been described as Nigeria's form of social security (Limbs and Fort 2000). In establishing a firm, the founder represents not only the company but also the family (Limbs and Fort 2000). Therefore in his business judgment the founder balances the demand of business with his responsibility to the extended family, which could be a whole community sometimes.

## 2.5 Challenges of Strategy Implementation

Blahová and Knápková (2010) assert that one of the challenges of implementing strategies originate from isolating the workforce. First limitation factor in CEO's being able to create and follow through great strategy is their isolation from their own workforce. Information is idealized as it passes each management level resulting in good strategy being based on questionable data and ideals. Not so many CEO's spend time with staff at all levels and most importantly listen without passing judgment.

Wafula (2012) examines the challenges facing the organization's decision to pursue corporate social responsibility. The researcher found that in developing economies the government's inability to provide adequate infrastructure makes the economy to rely on the donor's support which may not be guaranteed. Further findings indicate that donor aid is released with tough conditions and furthermore the donors can withdraw such assistance if the government or institutions mismanage such funds. In Kenya lack of land for resettlement of displaced persons has led to encroachment and destruction of forest through illegal logging, Institutions like National Environmental Management Authority (NEMA) established to protect the environment is not very well equipped and lacks the capacity to enforce environmental regulations.

## 2.6 Corporate Social Responsibility in Commercial Banks in Kenya

Otieno (2011) established how Commercial Banks in Kenya practice CSR and the challenges they face. The study targeted corporate managers involved in CSR. A descriptive survey was used and the questionnaire consisted of open ended structured and semi structured questions which was pretested for clarity. The results showed that in most of the companies, the Functional group in a company such as the Foundation, Marketing Department, and PR Department Etc initiates CSR programs with the blessing of the CEO. The entry point for CSR practice has been concentrated on two aspects: community work and PR. Also getting the other functional groups involved in embedding the CSR strategy into the way the company plans and implements products and services is rare. More findings revealed that most companies leave the CSR implementation to the corporate foundation or its equivalent, while half say they let the public relations or corporate communications group take the lead.

Gathungu and Ratemo (2013) assessed the impact of CSR on the strategic intent at Standard Chartered Bank Kenya Limited. The objectives of the study were to establish the nature of CSR programmes that Standard Chartered Bank engages in and evaluate their influence on the strategic intent. This study also exposed the challenges experienced by Standard Chartered Bank in the conduct of its CSR programmes. The study used a case study research design. The study based the analysis on both primary and secondary data. Results showed that the CSR practice at Standard Chartered Bank was aligned with the strategic intent and that generally the CSR programmes met the expectations of employees, investors and local communities. However, there was no certainty that the expectations of customers were met due to the fact that customers also doubled up as employees and local community members. The key recommendation of the study was that the current CSR programmes at Standard Chartered Bank should be expanded to engage more employees and serve more needy cases in a wider geographical area. Secondly, SCB needs to partner with more co- sponsors in order to benefit from the economies of scale.

Nyamongo and Temesgen (2013) sought to investigate the effect of corporate governance on the performance of 37 commercial banks in Kenya over the period 2005-2009. The paper used two measures of performance, i.e. return on assets (ROA) and return on equity (ROE), and the dependent variables and three measures of governance – namely the board size, independent directors, and CEO duality – as the key independent variables. The study followed a panel econometrics technique to investigate the relationship between governance variables and bank performance. Results revealed that; a large board size tends to impact performance negatively, the existence of independent board directors tends to enhance the performance of the banks and there was no evidence that CEO duality or otherwise has impact on the performance of commercial banks in Kenya. The study recommended that for commercial banks in Kenya to register high performance they need to check the size of their board of directors and also increase the number of independent directors.

Amara (2013) sought to determine the factors that influence choice of social corporate responsibility among commercial banks in Kenya. The study was conducted using a descriptive cross sectional census survey method, which was appropriate as it enabled the researcher to obtain information from a broader category of commercial Banks for comparison purposes. The target population was all the forty three registered Commercial banks in Kenya. The instrument of data collection was a semi structured questionnaire administered to persons in charge of social corporate responsibility. The data collected was analyzed using charts and graphs to identify the order of their significance. The study found out that majority of Commercial Banks are highly influenced by financial capability then followed by everybody is involved in social corporate responsibility, communication among stakeholders, technology level, market competition, company objective, rating purposes by commercial banks association of Kenya, organizational structure and ethical consideration with order of significance. The study findings also found that there in significant influence of government policies, political instability, resource allocation, and literacy of commercial banks staffs, role allocation, incentives of employees and Staff retention to the choice of corporate social responsibility program in commercial banks. The study recommended that there is need to frequently do corporate social responsibility so as to have the good will from the community they operate from.

Okwama (2012) sought to determine the impact of CSR on financial performance of commercial banks in Kenya. The study used a longitudinal research design. CSR activities and financial performance of 28 commercial banks was studied between the year 2007 and 2008. CSR was measured by the amount spent on CSR activities while financial performance was measured using ROA, ROE and GII. Regression model was used to analyse data. The study found that CSR had a positive significant effect on the financial performance of all commercial banks studied. However, on classification based on size based on CBK criteria, the study found that CSR had a positive and significant effect on financial performance of large and medium size banks but no significant effect on financial performance of small banks. The study concluded that CSR is good for the financial health of large and medium size banks but not small banks.

Kagendo (2013) sought to determine the influence of Corporate Social responsibility as a strategy on the Competitive Advantage of the commercial banks in Kenya. This study used descriptive research design. The population of this study comprised all Banks that were in operation in Kenya by December 2012 whereby a census was conducted. The study used both primary and secondary data. Primary data was collected using a semi structured questionnaire; the questionnaires were administered to Corporate Affairs Managers of the banks. Quantitative data collected was analyzed by the use of descriptive statistics using SPSS and presented through percentages, means, standard deviations and frequencies.

The findings of this study established that: CSR increased customer awareness of the core function and products offered, improved the level of customer loyalty, improved the Bank's product marketability, diversification, reduced the marketing costs and operational cost as well as promotion of the image of the Bank; CSR was integrated with some element of marketing the banks and thus it was recommended that banks should ensure that CSR activities are integrated with all element of marketing the bank; CSR promoted the employees' perception of the Banks, increased the interaction of the Bank with its stakeholders, promoted the relationship between the Bank and the society; CSR increased customer awareness of the core function and products offered, improved the level of customer loyalty, improved the Bank's product marketability, diversification, reduced the marketing costs and operational cost as well as promotion of the image of the

Bank; a positive correlation existed between corporate social responsibility and age of the Bank, ownership and number of employees. The study recommended that Banks should use CSR in order to; enhance their level of competitiveness, increase customer awareness of the core function and products offered, improve the level of customer loyalty, improve the Bank's product marketability, diversification, reduce the marketing costs and operational cost as well as promotion of the image of the Bank.

# CHAPTER THREE

# RESEARCH METHODOLOGY

## 3.1 Introduction

This chapter outlines the research methods and parameters that were used in the study. This include research design, target population, data collection methods and data analysis.

## 3.2 Research Design

According to (Kothari, 2004) research design is the plan, structure of investigation conceived so as to obtain answers to the research questions as validly, objectively, accurately and as economically as possible. This study adopted a descriptive survey design.

According to Upagade and Shende (2013) a descriptive survey is mainly concerned with description of facts only. Descriptive survey design was applicable to the study because included fact finding enquiries from all companies in the banking industry in Kenya.

## 3.3 Target Population

Burns and Grove (2003) describe a target population as all the elements that meet the criteria for inclusion in a study. The study had 43 units of analysis which are the commercial banks operating in Kenya as at 31st December 2013 (CBK, 2013).

The study was a census that is all the 43 duly licensed and operational commercial banking institutions within the country were used. The choice of the 43 commercial banks was because they are few enough to justify a census.

### 3.4 Data Collection

Primary data was collected by use of questionnaires. The questionnaires were administered on the 43 commercial banks in Kenya with one respondent from each banking institution. The respondents were forty three (43) senior managers from the business development, marketing and public relations department as they are deemed to be in possession of the required information for this study.

Questionnaires were utilized as they are easy to understand by the respondents and are a fast means of getting the required information. A likert scale questionnaire was utilized as it is easy to convert responses into quantitative format for ease of data analysis using compute based software. The questionnaires were administered by use of mail survey using the drop and pick method.

### 3.5 Data Analysis

Burns and grove (2003) define data analysis as a mechanism for reducing and organizing data to produce findings that require interpretation by the researcher. After data is obtained through questionnaires, it was prepared in readiness for analysis using statistical package for social sciences (SPSS) computer software.

The statistics generated frequencies, descriptive statistics. Microsoft excel was used to complement SPSS especially in production of diagrams and tables.

# CHAPTER FOUR

# DATA ANALYSIS, RESULTS AND DISCUSSION

## 4.1 Introduction

In this chapter, the data collected during the research was analyzed and reported. This study was executed in order to achieve the objective of determining challenges of implementing corporate social responsibility strategies by commercial banks in Kenya.

## 4.2 Background Information

This section displays the results of the background information. Specifically, this captured the respondents` level of education, when the bank commenced its operation, and the core banking business of the respondents` bank.

### 4.2.1 Level of Education

The table below presents the background information on the level of education of the respondents. Among the respondents 63.9 percent were at the university level of education where as 25 percent of the respondents had postgraduate level of education.

**Table 4.1 Level of education**

| **Level of education** | **Frequency** | **Percent** |
|---|---|---|
| College Level | 4 | 11.1 |
| University Level | 23 | 63.9 |
| Postgraduate Level | 9 | 25 |
| Total | 36 | 100 |

### 4.2.2 When the Bank Commenced its Operation

The table below presents the background information on when the bank commenced its operation. All the respondents said that their banks commenced more than 5 years ago.

**Table 4.2 When the Bank Commenced its Operation**

| When the bank commenced its operation | Frequency | Percent |
|---|---|---|
| More than 5 Years | 36 | 100 |

### 4.2.3 Core Banking Business of the Bank

The table below presents the background information on the core banking business of the bank. The respondents indicated that 75percent of commercial banks offered corporate loans where as 50 percent of commercial banks offered SME loans.

**Table 4.3 Core Banking Business of the Bank**

| | No | Yes |
|---|---|---|
| SME Loans | 50% | 50% |
| Corporate Loans | 25% | 75% |
| Asset Financing | 86% | 13% |
| Agriculture Loans | 91% | 8% |
| Unsecured Loans | 69% | 30% |
| Mortgage Financing | 75% | 25% |

## 4.3 Challenges in the Implementation of CSR Strategies

This section discusses the challenges in the Implementation of CSR Strategies. The challenges discussed herein are the Macro- environment Challenges, Industry Specific Challenges as well as other challenges identified.

### 4.3.1 Macro-environment Challenges

In order to access the macro-environment challenges in the implementation of corporate social responsibility strategies by commercial banks, respondents were asked to rate the factors on a scale of 1 to 5; (1; very low extent, 2; low extent, 3; moderate extent, 4; great extent, 5; very great extent). The means of the factors of macro-environment challenges in the implementation of corporate social responsibility strategies by commercial banks were ranked in order to establish their order. The highest rank (for instance Rank 7) in the table 4.4 below implies that respondents were neutral in the assertion that the commercial banks had macro-environment challenges in the implementation of corporate social responsibility strategies while the lowest of the ranks (for instance Rank 1) implied that the respondents agreed that the commercial banks had macro-environment challenges in the implementation of corporate social responsibility strategies. Specifically, the results indicate that the greatest macro-environment challenges to the implementation of corporate social responsibility success were; overwhelming poverty (mean = 3.58), culture of a community (mean = 3.5), high tax rates (mean =3.03), and lastly globalization (mean = 2.69), while the least macro-environment challenges to the implementation of corporate social responsibility success were: complying with regulation (mean = 2.14), technology advancement (mean = 2.5) as indicated by the rank results in table 4.4.

**Table 4.4 Macro-environment Challenges**

| Statement | N | Mean | Std. Deviation | Rank |
|---|---|---|---|---|
| Overwhelming poverty hinders effectiveness in CSR | 36 | 3.58 | 1.156 | 1 |
| Culture of a community greatly determines the adoption of CSR | 36 | 3.50 | 0.941 | 2 |
| High tax rates affect CSR implementation | 36 | 3.03 | 0.810 | 3 |
| Challenge of globalization affect CSR effectiveness | 36 | 2.69 | 1.0640 | 4 |
| Floods, draught and environmental challenges impact CSR initiatives | 36 | 2.67 | 1.069 | 5 |
| Challenges emanating from political factors | 36 | 2.50 | 1.342 | 6 |
| Challenges of technology advancement | 36 | 2.50 | 1.298 | 6 |
| Challenges of complying with regulation | 36 | 2.14 | 1.150 | 7 |

### 4.3.2 Industry Specific Challenges

In order to access the industry specific challenges in the implementation of corporate social responsibility strategies by commercial banks, respondents were asked to rate the factors on a scale of 1 to 5; (1; very low extent, 2; low extent, 3; moderate extent, 4; great extent, 5; very great extent). The means of the factors of industry specific challenges in the implementation of corporate social responsibility strategies by commercial banks were ranked in order to establish their order. The highest rank (for instance Rank 5) in the table 4.5 below implies that respondents were neutral in the assertion that the commercial banks had industry specific challenges in the implementation of corporate social responsibility strategies while the lowest of the ranks (for instance Rank 1) implied that the respondents agreed that the commercial banks had industry specific challenges in the implementation of corporate social responsibility strategies. Specifically, the results indicate that the greatest industry specific challenges to the implementation of corporate social responsibility success were; bargaining power of suppliers (mean = 2.39), ability of customers to bargain for particular CSR projects (mean = 2.24), while the least industry specific challenges to the implementation of corporate social responsibility success were: new entrants in the banking industry (mean = 1.75), competition among banks (mean = 1.83) as indicated by the rank results in table 4.5.

**Table 4.5 Industry Specific Challenges**

| Statement | N | Mean | Std. Deviation | Rank |
|---|---|---|---|---|
| The bargaining power of suppliers impacts CSR initiatives | 36 | 2.39 | 1.293 | 1 |
| The challenge of the ability of customers to bargain for particular CSR projects | 33 | 2.24 | 1.226 | 2 |
| The impact of clients in the bank hinders implementation of CSR | 33 | 2.00 | 1.061 | 3 |
| Competition among banks on CSR practices hinder its effectiveness | 36 | 1.83 | 0.878 | 4 |
| Threat of new entrants in the banking industry curtail the CSR implementation | 36 | 1.75 | 0.692 | 5 |

### 4.3.3 Other Challenges

In order to access the other challenges in the implementation of corporate social responsibility strategies by commercial banks, respondents were asked to rate the factors on a scale of 1 to 5; (1; very low extent, 2; low extent, 3; moderate extent, 4; great extent, 5; very great extent). The means of the factors of other challenges in the implementation of corporate social responsibility strategies by commercial banks were ranked in order to establish their order. The highest rank (for instance Rank 10) in the table 4.5 below implies that respondents were neutral in the assertion that the commercial banks had other challenges in the implementation of corporate social responsibility strategies while the lowest of the ranks (for instance Rank 1) implied that the respondents agreed that the commercial banks had other challenges in the implementation of corporate social responsibility strategies. Specifically, the results indicate that the greatest other challenges to the implementation of corporate social responsibility success were; that the composition of the CSR governing committee is a key determinant of successful CSR performance (mean = 3.47), declining bank revenues and low budgetary allocations for CSR (mean = 3.28), forming a foundation (mean = 2.94) while the least other challenges to the implementation of corporate social responsibility success were: lack of clear guidelines in our bank has affected CSR implementation (mean = 2.11), Incompetent human resources (mean = 2.35) as indicated by the rank results in table 4.5.

**Table 4.6 Other Challenges**

| Statement | N | Mean | Std. Dev | Rank |
|---|---|---|---|---|
| The composition of the CSR governing committee is a key determinant of successful CSR performance | 36 | 3.47 | 1.158 | 1 |
| Declining bank revenues and low budgetary allocations for CSR | 36 | 3.28 | 1.233 | 2 |
| Forming a foundation is a good way of managing CSR activities of a bank | 36 | 2.94 | 1.286 | 3 |
| Misappropriation of funds meant for CSR | 36 | 2.89 | 1.489 | 4 |
| Most CSR programs lack tangible deliverables making it difficult to put management accountable on value for money spent on CSR | 36 | 2.86 | 1.313 | 5 |
| Financial and skilled manpower scarcity | 36 | 2.75 | 1.228 | 6 |
| Lack of adequate management attention to CSR activities | 36 | 2.61 | 1.554 | 7 |
| Our managers view CSR implementation as a public relation exercise thus their dedication to CSR programs is limited | 36 | 2.50 | 1.320 | 8 |
| Incompetent human resources | 34 | 2.35 | 1.178 | 9 |
| Lack of clear guidelines in our bank has affected CSR implementation | 36 | 2.11 | 1.190 | 10 |

## 4.4 Curbing the Challenges in Implementation of CSR Strategies

This section addresses how commercial banks curb the specific challenges identified in the Implementation of CSR Strategies based on the responses from the questionnaire.

### 4.4.1 How to Curb Macro Economic Challenges

In order to determine how commercial banks in Kenya counter the macro economic challenges they face in implementation of corporate social responsibility strategies, respondents were asked to rate the factors on a scale of 1 to 5; (1; very low frequency, 2; low frequency, 3; moderate frequency, 4; frequently, 5; very frequently). The means of the factors of how commercial banks counter the macro economic challenges they face in implementation of corporate social responsibility strategies were ranked in order to establish their order. The highest rank (for instance Rank 5) in the table 4.7 below implies that respondents were neutral in the assertion that the commercial banks had ways to counter the macro economic challenges they face in implementation of corporate social responsibility strategies while the lowest of the ranks (for instance Rank 1) implied that the respondents agreed that the commercial banks had ways to counter the macro economic challenges they face in implementation of corporate social responsibility strategies. Specifically, the results indicate that the greatest strategies to counter the macro economic challenges they face in implementation of corporate social responsibility strategies were; community participation strategy before CSR implementation is used to reduce the socio-cultural challenges (mean = 4.21), the bank understands the culture of a community (mean = 3.79), while the least strategies to counter the macro economic challenges they face in implementation of corporate social responsibility strategies were: that the bank lobbys the government as a way of addressing political challenges (mean = 2.94), the bank carries out an impact analysis on the environment to determine its strengths and control its weaknesses (mean = 3.22) as indicated by the rank results in table 4.7.

**Table 4.7 How to Curb Macro Economic Challenges**

| Statement | N | Mean | Std. Dev | Rank |
|---|---|---|---|---|
| Community participation strategy before CSR implementation is used to reduce the socio-cultural challenges | 33 | 4.21 | 0.65 | 1 |
| Our bank understands the culture of a community eases CSR implementation | 34 | 3.79 | 0.88 | 2 |
| Our bank carries out a market analysis on latest trend of technology reduces the challenges of technology in CSR implementation | 33 | 3.27 | 1.126 | 3 |
| Our bank carries out an impact analysis on the environment to determine its strengths and control its weaknesses | 36 | 3.22 | 0.929 | 4 |
| Our bank lobbys the government as a way of addressing political challenges | 36 | 2.94 | 1.068 | 5 |

### 4.4.2 How to Curb Industry Specific Challenges

In order to determine how commercial banks in Kenya counter industry specific challenges they face in implementation of corporate social responsibility strategies, respondents were asked to rate the factors on a scale of 1 to 5; (1; very low frequency, 2; low frequency, 3; moderate frequency, 4; frequently, 5; very frequently). The means of the factors of how commercial banks counter industry specific challenges they face in implementation of corporate social responsibility strategies were ranked in order to establish their order. The highest rank (for instance Rank 5) in the table 4.8 below implies that respondents were neutral in the assertion that the commercial banks had ways to counter industry specific challenges they face in implementation of corporate social responsibility strategies while the lowest of the ranks (for instance Rank 1) implied that the respondents agreed that the commercial banks had ways to counter industry specific challenges they face in implementation of corporate social responsibility strategies. Specifically, the results indicate that the greatest strategies to counter other challenges they face in implementation of corporate social responsibility strategies were; that high clientele participation provides diversity of ideas in CSR implementation (mean = 3.97), that market analysis on the CSR project that is likely to have a significant impact should be chosen (mean = 3.94), while the least strategy to counter other challenges they face in implementation of corporate social responsibility strategies was: that government stability will ensure successful implementation of CSR (mean = 3.53) as indicated by the rank results in table 4.8.

**Table 4.8 How to Curb Industry Specific Challenges**

| Statement | N | Mean | Std. Dev | Rank |
|---|---|---|---|---|
| High clientele participation provides diversity of ideas in CSR implementation | 36 | 3.97 | 0.696 | 1 |
| Market analysis on the CSR project that is likely to have a significant impact should be chosen | 36 | 3.94 | 0.754 | 2 |
| Being unique and highly initiative in the CSR project curbs the challenge of competition | 36 | 3.92 | 0.967 | 3 |
| Government stability will ensure successful implementation of CSR | 36 | 3.53 | 1.028 | 4 |

### 4.4.3 How to Curb Other Challenges

In order to determine how commercial banks in Kenya counter other challenges they face in implementation of corporate social responsibility strategies, respondents were asked to rate the factors on a scale of 1 to 5; (1; very low frequency, 2; low frequency, 3; moderate frequency, 4; frequently, 5; very frequently). The means of the factors of how commercial banks counter other challenges they face in implementation of corporate social responsibility strategies were ranked in order to establish their order. The highest rank (for instance Rank 5) in the table 4.9 below implies that respondents were neutral in the assertion that the commercial banks had ways to counter other challenges they face in implementation of corporate social responsibility strategies while the lowest of the ranks (for instance Rank 1) implied that the respondents agreed that the commercial banks had ways to counter other challenges they face in implementation of corporate social responsibility strategies. Specifically, the results indicate that the greatest strategies to counter other challenges they face in implementation of corporate social responsibility strategies were; that bank ensures it has structures and processes for any CSR to be effective (mean = 4.42), the budgets on CSR are made to facilitate effective resource allocation (mean = 4.39), while the least strategies to counter other challenges they face in implementation of corporate social responsibility strategies were: interacting with the local community to understand what kind of CSR project to implement is most used (mean = 3.94), bank's management employ competence for implementation of CSR (mean = 4.19) as indicated by the rank results in table 4.9.

**Table 4.9 How to Curb Other Challenges**

| | N | Mean | Std. Dev | Rank |
|---|---|---|---|---|
| Our bank ensures it has structures and processes for any CSR to be effective | 36 | 4.42 | 0.604 | 1 |
| Budgets on CSR are made to facilitate effective resource allocation | 36 | 4.39 | 0.728 | 2 |
| Our bank take keen interest on the guidelines on effective CSR implementation | 36 | 4.22 | 0.832 | 3 |
| Our bank's management employ competence for implementation of CSR | 36 | 4.19 | 0.786 | 4 |
| Interaction with the local community to understand what kind of CSR project to implement is most used | 36 | 3.94 | 0.630 | 5 |

## 4.5 Discussion

The study established that macro-environment challenges affected the implementation of corporate social responsibility strategies among the commercial banks in Kenya. The highest perceived macro-environment challenge was overwhelming poverty followed by culture of a community, high tax rates and globalization. The finding also indicates that the bottom two macro-environment challenges when complying with CSR strategies and plans include; complying with regulation and technology advancement.

The findings further imply that commercial banks in Kenya need to concentrate on improving the highest rated macro-environment challenges. Precisely, overwhelming poverty needs to be addressed as it may affect the extent to which CSR strategies are implemented. For instance, overwhelming poverty may work against education related CSR. In addition the culture can affect the implementation of CSR strategies either negatively or positively. The findings agree with those in Limbs and Fort (2000) who identified ethnicity, language and religion as the three major contexts that shaped business practices and strategy implementation. A common trend among the different tribes and peoples, which could have implication for the CSR discourse, is the communal philosophy of life and concern for the less privilege. This trend is rooted in the concept of extended kinship which is common to all the groups.

However, the findings disagree with those in Wafula (2012) who examined the challenges facing the organization’s decision to pursue corporate social responsibility. The researcher found that in developing economies the government’s inability to provide adequate infrastructure makes the economy to rely on the donor’s support which may not be guaranteed. Further findings indicate that donor aid is released with tough conditions and furthermore the donors can withdraw such assistance if the government or institutions mismanage such funds. In Kenya lack of land for resettlement of displaced persons has led to encroachment and destruction of forest through illegal logging, Institutions like National Environmental Management Authority (NEMA) established to protect the environment is not very well equipped and lacks the capacity to enforce environmental regulations.

The findings also indicated that industry specific challenges affected the implementation of corporate social responsibility strategies among the commercial banks in Kenya. The findings indicated that the greatest industry specific challenges to the implementation of corporate social responsibility success were; bargaining power of suppliers, ability of customers to bargain for particular CSR projects. The findings indicated that the least industry specific challenges to the implementation of corporate social responsibility success were: new entrants in the banking industry and competition among banks. There are other challenges that affected the implementation of corporate social responsibility strategies among the commercial banks in Kenya. Results indicated that the greatest other challenges to the implementation of corporate social responsibility success were; that the composition of the CSR governing committee is a key determinant of successful CSR performance and declining bank revenues and low budgetary allocations for CSR. The findings agree with those in Gathungu and Ratemo (2013) who assessed the impact of CSR on the strategic intent at Standard Chartered Bank Kenya Limited and concluded that there was no certainty that the expectations of customers were met due to the fact that customers also doubled up as employees and local community members. This reveals industry specific competitive challenges.

Specifically, the results indicate that the greatest strategies to counter the macro economic challenges they face in implementation of corporate social responsibility strategies were; community participation strategy before CSR implementation and ensuring that the bank understands the culture of a community. The findings agree with those in Limbs and Fort (2000) who identified ethnicity, language and religion as the three major contexts that shaped business practices and strategy implementation. The author (Limbs and Fort, 2000) also noted that a common trend among the different tribes and peoples, which could have implication for the CSR discourse, is the communal philosophy of life and concern for the less privilege

# CHAPTER FIVE

# SUMMARY, CONCLUSION AND RECOMMENDATIONS

## 5.1 Introduction

This chapter summarizes the findings of the study, outlines the conclusions of the study and also outlines the recommendations of the study which was done in order to determine the challenges of implementing corporate social responsibility strategies by commercial banks in Kenya.

## 5.2 Summary

This section summarizes the findings of the study which was done in order to determine the challenges of implementing corporate social responsibility strategies by commercial banks in Kenya.

### 5.2.1 Macro-environment Challenges

The study examined the macro-environment challenges in the implementation of corporate social responsibility strategies by commercial banks. From the results, the study finds that the greatest macro-environment challenges in the implementation of corporate social responsibility strategies by commercial banks were; overwhelming poverty (mean = 3.58), culture of a community (mean = 3.5), high tax rates (mean =3.03), while the least macro-environment challenges to the implementation of corporate social responsibility success were: complying with regulation (mean = 2.14), technology advancement (mean = 2.5).

### 5.2.2 Industry Specific Challenges

The study examined the industry specific challenges in the implementation of corporate social responsibility strategies by commercial banks. From the results, the study finds that the greatest macro-environment challenges in the implementation of corporate social responsibility strategies by commercial banks were: bargaining power of suppliers (mean = 2.39), ability of customers to bargain for particular CSR projects (mean = 2.24), while the least industry specific challenges to the implementation of corporate social responsibility success were: new entrants in the banking industry (mean = 1.75), competition among banks (mean = 1.83)

### 5.2.3 Other Challenges

The study examined the other challenges in the implementation of corporate social responsibility strategies by commercial banks. From the results, the study finds that the greatest other challenges in the implementation of corporate social responsibility strategies by commercial banks were: that the composition of the CSR governing committee is a key determinant of successful CSR performance (mean = 3.47), declining bank revenues and low budgetary allocations for CSR (mean = 3.28), forming a foundation (mean = 2.94) while the least other challenges to the implementation of corporate social responsibility success were: lack of clear guidelines in our bank has affected CSR implementation (mean = 2.11), Incompetent human resources (mean = 2.35).

### 5.2.4 How to Curb Macro Economic Challenges

The study examined how commercial banks in Kenya counter the macro economic challenges they face in implementation of corporate social responsibility strategies. From the results, the study finds that the greatest strategies to counter the macro economic challenges they face in implementation of corporate social responsibility strategies were; community participation strategy before CSR implementation is used to reduce the socio-cultural challenges (mean = 4.21), the bank understands the culture of a community (mean = 3.79), while the least strategies to counter the macro economic challenges they face in implementation of corporate social responsibility strategies were: that the bank lobbys the government as a way of addressing political challenges (mean = 2.94), the bank carries out an impact analysis on the environment to determine its strengths and control its weaknesses (mean = 3.22)

### 5.2.5 How to Curb Industry Specific Challenges

The study examined how commercial banks in Kenya counter industry specific challenges they face in implementation of corporate social responsibility strategies. From the results, the study finds that the greatest strategies to counter other challenges they face in implementation of corporate social responsibility strategies were; that the bank ensures it has structures and processes for any CSR to be effective (mean = 4.42), the budgets on CSR are made to facilitate effective resource allocation (mean = 4.39), while the least strategies to counter other challenges they face in implementation of corporate social responsibility strategies were: interacting with the local community to understand what kind of CSR project to implement is most used (mean = 3.94), bank's management employ competence for implementation of CSR (mean = 4.19).

### 5.2.6 How to Curb Other Challenges

The study examined how commercial banks in Kenya counter other challenges they face in implementation of corporate social responsibility strategies. From the results, the study finds that the greatest strategies to counter other challenges they face in implementation of corporate social responsibility strategies were; that high clientele participation provides diversity of ideas in CSR implementation (mean = 3.97), that market analysis on the CSR project that is likely to have a significant impact should be chosen (mean = 3.94), while the least strategy to counter other challenges they face in implementation of corporate social responsibility strategies was: that government stability will ensure successful implementation of CSR (mean = 3.53).

## 5.3 Conclusion

In line with the above findings the study concluded that macro-environment challenges affect the implementation of corporate social responsibility strategies by commercial banks. More specifically, it was concluded that among the macro-environment challenges affecting the implementation of corporate social responsibility strategies by commercial banks were overwhelming poverty, culture of a community and high tax rates.

Secondly, the study concluded that industry specific challenges affect the implementation of corporate social responsibility strategies by commercial banks. More specifically, it was concluded that among the industry specific challenges affecting the implementation of corporate social responsibility strategies by commercial banks were: ability of customers to bargain for particular CSR projects and bargaining power of suppliers.

Thirdly, the study concluded that other challenges affected the implementation of corporate social responsibility strategies by commercial banks. More specifically, it was concluded that among other challenges affecting the implementation of corporate social responsibility strategies by commercial banks were: Incompetent human resources and lack of clear guidelines in the bank.

The study concluded that there are strategies to counter the macro economic challenges they face in implementation of corporate social responsibility strategies. More specifically, it was concluded that among the strategies to counter the macro economic challenges they face in implementation of corporate social responsibility strategies were: community participation strategy before CSR implementation and the bank understands the culture of a community.

The study concluded that there are strategies to counter the industry specific challenges they face in implementation of corporate social responsibility strategies. More specifically, it was concluded that among the strategies to counter the industry specific challenges they face in implementation of corporate social responsibility strategies were: that the bank ensures it has structures and the budgets on CSR are made to facilitate effective resource allocation.

Lastly the study concluded that there are strategies to counter other challenges they face in implementation of corporate social responsibility strategies. More specifically, it was concluded that among the strategies to counter the industry specific challenges they face in implementation of corporate social responsibility strategies were: high clientele participation which provides diversity of ideas in CSR implementation and market analysis on the CSR project.

## 5.4 Recommendations

This section details the two recommendations of the study which are recommendations for theory and knowledge as well as the recommendations for managerial policy and practice.

### 5.4.1 Recommendations for theory and knowledge

This study results validate the CSR theories. The CSR approaches proved useful in identifying the critical success factors. In particular, it was through CSR approaches that the study was able to identify the following; Utilitarian, managerial and relational theories of corporate social responsibility. The study also validated the several theories by showing their usefulness. For instance, the study applied the social contract theory, relational theories and the theory of social costs.

### 5.4.2 Recommendations for managerial policy and practice

Based on the above findings the study recommends that in order to tackle the challenges of implementing corporate social responsibility strategies by commercial banks in Kenya then the following strategies should be pursued by the players in the sector. The banks should ensure community participation before CSR implementation and the banks should understand the culture of a community. Bank should also ensure that it has structures on

CSR implementation and the budgets on CSR should be made to facilitate effective resource allocation. Banks should carry out thorough market analysis on the CSR project.

For effective implementation of CSR the government should tackle the problem of overwhelming poverty and high tax rates. The banks should employ competent human resources and give clear guidelines of CSR implementation.

## 5.5 Limitations of the Study

A study however comprehensive is bound to have limitations. One of the limitations encountered in this study relates to the accuracy of the findings. The accuracy of the findings may have been influenced by personal biases and competency of the respondents on the area of strategic implementation. In addition, the likelihood of dishonest responses increases in situations where the respondents want to portray a positive picture.

The limitations also included the generalization ability of the findings since it remains to be seen how the results can apply to other non insurance sectors. For instance, the operating and regulatory environment may be different in others sectors hence limiting the applicability of the results to those sectors.

## 5.6 Suggestions for Further Research

Future studies should address the potential relationships between CSR and strategy implementation challenges as well as strategic responses. In addition, it may be important to investigate the strategic responses in line with the typology advocated for by Kinuu, (2007).

Studies on response strategies should also be conducted on entry of oil drilling firms as well as the government. It is important for such a study to establish the overall impact of these changes to this key part of the economy and how this will influence the future of oil industry in Kenya.

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# APPENDICES

## Appendix I: Introduction Letter

Date: ………………..

Dear Respondent,

**<u>Interview for Academic Research</u>**

My name is Elizabeth Mbogoh, a student of Master of Business Administration at University of Nairobi is carrying out a research study on challenges of implementing corporate social responsibility strategies in commercial banks in Kenya.

This is to kindly request you to participate as a respondent in an interview with a view of obtaining your input from your experience in the recently challenges of strategy implementation at commercial banks in Kenya. Your answers will be handled with highest confidentiality; and the names of respondents shall not be revealed.

Yours Faithfully,

Elizabeth Mbogoh

**Appendix II: Questionnaire**

## SECTION 1: GENERAL INFORMATION

Kindly tick or cross the answer which is appropriate to you.

1. What is the average level of education of the bank employees? Tick only one answer

    a) Secondary level ☐

    b) College level ☐

    c) University level ☐

    d) Post graduate level ☐

2. When did your bank commence its operation?

    a) less than one year ☐

    b) 1 to 2 year ☐

    c) to 5 years ☐

    d) More than 5 years ☐

3. What is the Core Banking business of your organization?

| | | | |
|---|---|---|---|
| SME Loans | ☐ | Agriculture Loans | ☐ |
| Corporate Loans | ☐ | Unsecured Loans | ☐ |
| Asset Financing | ☐ | Mortgage Financing | ☐ |

## SECTION B

## TYPES OF CORPORATE SOCIAL RESPONSIBILITIES

Please indicate the type of CSR that your bank is engaged in.

| | | | |
|---|---|---|---|
| Sponsoring needy students through School fees | | Supporting Destitute Children | |
| Planting trees | | Sponsoring Sports Activities | |
| Wildlife Conservation | | Sponsoring Community Projects | |

**CHALLENGES FACING CSR IMPLENTATION**

To what extent do you encounter each of the following challenges while incorporating the corporate social responsibility plan?

**MACRO-ENVIRONMENT CHALLENGES**

| **Statement** | **Very Great Extent** | **Great Extent** | **Moderate Extent** | **Low Extent** | **Very Low Extent** |
|---|---|---|---|---|---|
| | **5** | **4** | **3** | **2** | **1** |
| Challenges of technology advancement | | | | | |
| Challenges of complying with regulation | | | | | |
| Challenges emanating from political factors | | | | | |
| High tax rates affect CSR implementation | | | | | |
| Overwhelming poverty hinders effectiveness in CSR | | | | | |
| Culture of a community greatly determines the adoption of CSR | | | | | |
| Challenge of globalization affect CSR effectiveness | | | | | |
| Floods, draught and environmental challenges impact CSR initiatives | | | | | |

**INDUSTRY SPECIFIC CHALLENGES**

To what extent do you encounter each of the following challenges while incorporating the corporate social responsibility plan?

| **Statement** | **Very Great Extent** | **Great Extent** | **Moder ate Extent** | **Low Extent** | **Very Low Exten t** |
|---|---|---|---|---|---|
| | **5** | **4** | **3** | **2** | **1** |
| Competition among banks on CSR practices hinder its effectiveness | | | | | |
| The impact of clients in the bank hinders implementation of CSR | | | | | |
| Threat of new entrants in the banking industry curtail the CSR implementation | | | | | |
| The challenge of the ability of customers to bargain for particular CSR projects | | | | | |
| The bargaining power of suppliers impacts CSR initiatives | | | | | |

**OTHER CHALLENGES**

To what extent do you encounter each of the following challenges while incorporating the corporate social responsibility plan?

| **Statement** | **Very Great Extent** | **Great Extent** | **Moderate Extent** | **Low Extent** | **Very Low Extent** |
|---|---|---|---|---|---|
| | **5** | **4** | **3** | **2** | **1** |
| Financial and skilled manpower scarcity | | | | | |
| Misappropriation of funds meant for CSR | | | | | |
| Declining bank revenues and low budgetary allocations for CSR | | | | | |
| Incompetent human resources | | | | | |
| Lack of adequate management attention to CSR activities | | | | | |
| Our managers view CSR implementation as a public relation exercise thus their dedication to CSR programs is limited | | | | | |

| Statement | Very Great Extent | Great Extent | Moderate Extent | Low Extent | Very Low Extent |
|---|---|---|---|---|---|
| | 5 | 4 | 3 | 2 | 1 |
| Most CSR programs lack tangible deliverables making it difficult to put management accountable on value for money spent on CSR | | | | | |
| Forming a foundation is a good way of managing CSR activities of a bank | | | | | |
| Lack of clear guidelines in our bank has affected CSR implementation | | | | | |
| The composition of the CSR governing committee is a key determinant of successful CSR performance | | | | | |

**PART TWO**

**CURBING THE CHALLENGES**

How frequent does your bank use the following strategies to control challenges in CSR?

**HOW TO CURB MACRO ECONOMIC CHALLENGES**

How frequent does your bank use the following strategies to control challenges in CSR?

| Statement | Very Frequently | Frequently | Moderate Frequency | Low Frequency | Very Low Frequency |
|---|---|---|---|---|---|
| | 5 | 4 | 3 | 2 | 1 |
| Our bank lobby's the government as a way of addressing political challenges | | | | | |
| Our bank understands the culture of a community eases CSR implementation | | | | | |
| Community participation strategy before CSR implementation is used to reduce the socio-cultural | | | | | |

| Statement | Very Frequently | Frequently | Moderate Frequency | Low Frequency | Very Low Frequency |
|---|---|---|---|---|---|
| challenges | | | | | |
| Our bank carries out a market analysis on latest trend of technology reduces the challenges of technology in CSR implementation | | | | | |
| Our bank carries out an impact analysis on the environment to determine its strengths and control its weaknesses | | | | | |

**CURBING INDUSTRY SPECIFIC CHALLENGES**

How frequent does your bank use the following strategies to control challenges in CSR?

| Statement | Very Great Extent | Great Extent | Moderate Extent | Low Extent | Very Low Extent |
|---|---|---|---|---|---|
| | **5** | **4** | **3** | **2** | **1** |
| Being unique and highly initiative in the CSR project curbs the challenge of competition | | | | | |
| High clientele participation provides diversity of ideas in CSR implementation | | | | | |
| Market analysis on the CSR project that is likely to have a significant impact should be chosen | | | | | |
| Government stability will ensure successful implementation of CSR | | | | | |

**CURBING OTHER (INTERNAL) CHALLENGES**

How frequent does your bank use the following strategies to control challenges in CSR?

| Statement | Very Great Frequent | Great Frequent | Moderate Frequency | Low Frequent | Very Low Frequency |
|---|---|---|---|---|---|
| | **5** | **4** | **3** | **2** | **1** |
| Our bank ensures it has structures and processes for any CSR to be effective | | | | | |
| Budgets on CSR are made to facilitate effective resource allocation | | | | | |
| Interaction with the local community to understand what kind of CSR project to implement is most used | | | | | |
| Our bank take keen interest on the guidelines on effective CSR implementation | | | | | |
| Our bank's management employ competence for implementation of CSR | | | | | |

**Appendix III: List of Commercial Banks**

| | BANK |
|---|---|
| 1 | Equity Bank |
| 2 | Barclays Bank of Kenya |
| 3 | Kenya Commercial Bank |
| 4 | Imperial Bank Ltd |
| 5 | Standard Chartered Bank |
| 6 | Commercial Bank of Africa |
| 7 | Stanbic Bank Ltd(CFC STANBIC) |
| 8 | National Bank of Kenya |
| 9 | Co-operative Bank of Kenya |
| 10 | Bank of Baroda Ltd |
| 11 | NIC Bank ltd |
| 12 | I & M Bank |
| 13 | Citibank Kenya Branch |
| 14 | Habib Bank AG Zurich |
| 15 | Diamond Trust Bank Ltd |
| 16 | Transnational Bank Ltd |
| 17 | Oriental Comm (Delphis) Bank |
| 18 | Housing Finance Co of Kenya |
| 19 | Bank of India Ltd |
| 20 | Fidelity Commercial Bank |
| 21 | Family bank |
| 22 | Prime Bank Ltd |
| 23 | Victoria Commercial Bank |
| 24 | Chase Bank Ltd |
| 25 | Credit Bank Ltd |
| 26 | Paramount Universal Bank |
| 27 | Giro Commercial Bank |
| 28 | Bank Of Africa Kenya |
| 29 | African Banking Corporation |
| 30 | K-Rep Bank Ltd |
| 31 | Guardian Bank Ltd |
| 32 | Consolidated Bank |
| 33 | Development Bank |
| 34 | Gulf African Bank Limited |
| 35 | Habib Bank Ltd |
| 36 | Jamii Bora Bank Ltd |
| 37 | Dubai Bank Kenya Ltd |
| 38 | Fina Bank Limited |
| 39 | Middle East Bank (K) |
| 40 | First Community |
| 41 | EcoBank K Ltd (EABS Bank) |
| 42 | Equatorial Commercial Bank |
| 43 | UBA Kenya Bank Ltd |

**Source: Central Bank of Kenya, 2013**