

**CORPORATE SOCIAL RESPONSIBILITY AND PERFORMANCE
OF LARGE MOTOR VEHICLE COMPANIES IN NAIROBI, KENYA**

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DECLARATION

I declare that this is my original work and has not been presented for a degree in any other University or Institution of Higher Learning for examination/academic purposes.

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DEDICATION

This research project is a special dedication to my children; Ignegas, Tracy and James as well as my parents for their inspiration, encouragement, understanding and prayers towards the successful completion of this course.

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TABLE OF CONTENTS

DECLARATION	ii
DEDICATION	iii
ACKNOWLEDGEMENTS	iv
LIST OF TABLES	viii
LIST OF FIGURES	ix
ABBREVIATION AND ACRONYMS	x
ABSTRACT	xi
CHAPTER ONE: INTRODUCTION	1
1.1 Background	1
1.1.1 Corporate Social Responsibility	3
1.1.2 Organisational Performance	4
1.1.3 Corporate Social Responsibility and Organisational Performance.....	5
1.1.4 Large Motor Vehicle Companies in Nairobi, Kenya	8
1.2 Research Problem	9
1.3 Research Objective	11
1.4 Value of the Study	11
1.5 Summary of the Chapter.....	12
CHAPTER TWO: LITERATURE REVIEW	13
2.1 Introduction	13
2.2 Theoretical Foundation.....	13
2.2.1 Stakeholder Theory	13
2.2.2 Shareholders Theory	15
2.3 Measurement of Corporate Social Responsibility	16
2.4 Organisational Performance and Measurement	18
2.5 Empirical studies and Knowledge gaps.....	19
2.6 Summary of the Chapter.....	21
CHAPTER THREE: RESEARCH METHODOLOGY	23
3.1 Introduction	23
3.2 Research Design.....	23
3.3 Population of the study	24

3.4 Data Collection.....	25
3.5 Data Analysis	25
3.6 Summary of the Chapter.....	27
CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSION	28
4.1 Introduction	28
4.2 Response Rate	28
4.3 General Information.....	29
4.3.1 Length of continuous service with the organization	29
4.3.2 Duration of company existence.....	30
4.4 Corporate Social Responsibility Activities	31
4.4.1 Community Activities	32
4.4.2 Employment Diversity	33
4.4.3 Employee Welfare Program	35
4.4.4 Environmental Preservation Programs	36
4.4.5 Product Characteristics	37
4.5 Organizational Performance Measures.....	38
4.6 Regression Equation	39
4.7 Discussion.....	41
4.8 Summary of the Chapter.....	45
CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS...46	
5.1 Introduction	46
5.2 Summary.....	46
5.3 Conclusion.....	48
5.4 Recommendations.....	49
5.4.1 Recommendations on Policy Implications	49
5.4.2 Recommendations on Theory implications	49
5.4.3 Recommendations on Practice implications.....	50
5.5 Limitations of the study of the study	51
5.6 Suggestions for further research	51
5.7 Summary of the Chapter.....	52

REFERENCES	53
APPENDICES	57
Appendix I: Authorization Letter	57
Appendix II: Cover letter.....	58
Appendix III: Research Questionnaire	59
Appendix: IV: List of Motor Vehicle Companies in Nairobi County	63

LIST OF TABLES

Table 4.1: Length of continuous service with the company.....	29
Table 4.2: Duration of company operations	30
Table 4.3: Community Services	32
Table 4.4: Employment Diversity	34
Table 4.5: Employee welfare Programs	35
Table 4.6: Environmental Preservation practices.....	36
Table 4.7: Product Characteristics	37
Table 4.8 : Performance Measures.....	38
Table 4.9: Results of General Least Square.....	40
Table 4.10: Model Summary for organizational performance	41

LIST OF FIGURES

Figure 4.1: Response rate.....	27
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ABBREVIATION AND ACRONYMS

CMC:	Cooper Motors Corporation
CSR:	Corporate Social Responsibility
GMEA:	General Motors East Africa Limited
KMIA:	Kenya Motor Industry Association
OHRP:	Office of Human Research Protections
PWC:	PricewaterhouseCoopers
ROA:	Return on Assets
SAPs:	Structural Adjustment Programs
WBCSD:	World Business Council for sustainable Development

ABSTRACT

In the present day business set up, the idea of corporate social responsibility (CSR) has come to be accepted as a major corporate component of business growth and sustainability. In the past, CSR was only focused on businesses' responsibilities to society and doing good deeds for society but it has now become an important strategic issue. The study sought to establish the relationship between corporate social responsibility and the performance of large motor vehicle companies in Nairobi, Kenya. The population of study was all the 15 large motor vehicle companies in Nairobi as provided by the Kenya Motor Industry Association. A questionnaire was used to collect data, with respondents being CSR Managers, HR Managers, Finance Managers and Sales Managers. The data was analyzed using descriptive statistics and regression models. The results revealed that there was a positive relationship between CSR and the performance of motor vehicle companies. Results show that with the practice of various social responsibility activities, there is better asset utilization, improved internal processes and customer satisfaction as well as improved revenues. The study focused on CSR activities such as community activities, employment diversity, employee welfare programs, environmental preservation programs and safer product production. The study recommended that motor vehicle companies continually apply CSR practices by engaging the stakeholders in order to remain competitive. It also recommended that the government should provide incentives to organisations to enable them practice more CSR activities. The study's implication to motor vehicle companies will entail improved reputation in the market place as well as gain competitive advantage since the stakeholders will be satisfied and this will result to increased business and improved company revenues. The communities living around the firms will align themselves and support the firms in their daily businesses for being socially responsible. The government will also benefit from the environmental preservation programs which will help reduce depletion of the ozone layer. This will make the country a better place to live making it attractive to foreign investors. Further research should be done to identify other variables that may influence the performance of a firm such as government policy on taxation and regulations existing in a country. The study was supported by the Stakeholder theory which looks at the ethical behavior of organisations to society which in the end will affect the organisation's performance. Based on the findings of the study, all motor vehicle companies should embrace CSR unlike current practice where some of the companies are yet to consider CSR as a strategic issue. This will help them remain competitive in the present dynamic market.

CHAPTER ONE

INTRODUCTION

1.1 Background

The multinational corporations' status and influence is growing in the international economy and with that growth, higher demands on responsibility for the social and environmental effects come from their own operations. Over the last few decades, the perception of Corporate Social Responsibility (CSR) has been changing. In the 1950s, the primary focus was on businesses' responsibilities to society and doing good deeds for society. In the 2000s it has become definitely an important strategic issue. There is a growing interest in CSR (Forsberg, 2003). According to the World Business Council for sustainable Development (WBCSD) (1999), CSR is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life. Organizations view CSR as a measure to improving performance. Organisational performance is the result of an organization as measured against its intended goals and can be defined both financially and non-financially. According to Kaplan and Norton (2010), the Balanced scorecard is one of the recognized and established tool used in measuring the financial and non-financial performance by assessing the performance of a firm from four different perspectives namely: learning and growth, internal processes, customer and financial.

This research was guided by two theories; Stakeholder theory and Shareholders theory. Stakeholders theory starts in the world by describing those individuals and groups who will be affected or affect the company (Edward Freeman, 2002).

Shareholders theory stipulates that an organization's management has a fiduciary duty to owners or stakeholders of a corporation and thus this duty takes priority over other responsibilities and obligates it to focus on profit maximization alone Friedman (1970).

According to Minor and Morgan (2011), CSR is becoming a prerequisite for organisations to operate. In the last decade it has been gaining momentum across business communities and is seen to be increasing high in boardroom agenda (Carrol, 2000).

In India it is a requirement for all companies with a net worth of at least USD 90 billion and a turnover of USD 180 million to spend at least two percent of its net profits made in the preceding three financial years on government approved categories of CSR. Failure to comply is punishable with a fine. In Kenya, several organisations are participating in CSR activities. The Equity foundation wings to fly program as an example sponsors top 200 students spread across the 47 counties in Kenya. It is for this reason that the researcher feels motivated to conduct this research to enable her get to know the value organisations are getting from the huge investments in CSR.

The context of this research was large Motor Vehicle Companies in Nairobi where it aimed at establishing the relationship between CSR and Organisational performance. The motor vehicle industry is dominated by several motor vehicle companies which include: General Motors East Africa Limited (GMEA), Toyota East Africa, Cooper Motors Corporation (CMC), Simba Colt and DT Dobie, among others. Japanese grey imports makes up about 80 per cent of the market, primarily through second-hand dealerships (PWC, 2012).

1.1.1 Corporate Social Responsibility

The term CSR is used interchangeably such as Corporate Citizenship related to the concept of Tripple Bottom Line which refers to financial, social & environmental considerations an organization pursues as it carries on with normal business (Wanyama, 2012). Crawford and Scaletta (2005), state that CSR has been gathering momentum in the past decade. Other researchers say that CSR has been there as early as 1980s hence by no means is a new issue. Nevertheless, CSR is more in the spotlight now than ever since multinational corporations' power over world economy is stronger than ever and with that society's demands on social and environmental responsibility (Forsberg, 2003).

Martin (2002) claims that globalization heightens society's anxiety over corporate conduct. CSR activities demonstrate the inclusion of social and environmental concerns in business operations and in interactions with stakeholders. In the 1960's issues such as civil rights movement and environmental activism became part of the public debate where businesses began to question their responsibilities in areas such as hiring individuals from minority groups and protecting the environment. In 1972, at the United Nations conference on the Human environment in Stockholm, Sweden, representatives pondered questions about striking the balance between business activities and their impact on community.

By examining Porter & Kramer's (2002, 2006) approaches to CSR integration, it was found out that business and society are not two conflicting entities but interdependent. Galbreath's (2009) approach emphasized need for integrating CSR into a firm's strategy.

This justifies why CSR needs to be thought of strategically. CSR is about more than solely benefiting society by donating a certain amount of money to a cause. If businesses use CSR strategically, they also benefit. This means they should not solely focus on issues related to their business activities.

1.1.2 Organisational Performance

Organisational performance refers to how well an organization achieves its market-oriented, financial and non-financial goals. It can be judged by many different constituencies, resulting in many different interpretations of “successful performance”. Each organization has a unique set of circumstances, making performance measurement inherently situational (Cameron & Whetton, 1983). Previous research has underlined the effectiveness of measuring all aspects of performance relevant to organization's existence and success. Neill and Rose (2006) suggest that strategically complex organizations may engage in multiple perspectives than strategically simple organizations and may therefore be expected to achieve higher levels of performance.

They sampled wholesale distributors in three industries providing a range of product types, technical complexity and customer type. Their findings confirm that strategically complex organizations consider multiple perspectives in formulating strategy and produce superior customer-based performance. Organizations face an increasingly dynamic, complex and unpredictable environment which impact on overall performance (Asch and Salaman, 2002). More and more firms are turning to a strategic approach as the way forward.

The concept of organizational performance is based upon the notion that an organization is the voluntary association of productive assets, including human, physical, and capital resources, for the purpose of achieving a shared purpose (Kumar, 2008). Those providing the assets will only commit them to the organization so long as they are satisfied with the value they receive in exchange, relative to alternative uses of the assets. Consequently, the essence of performance is the creation of value. So long as the value created by the use of the contributed assets is equal to or greater than the value expected by those contributing the assets, the assets will continue to be made available to the organization and the organization will continue to exist. Therefore, value creation, as defined by the resource provider, is the essential overall performance criteria for any organization (Fahey and King, 2010).

1.1.3 Corporate Social Responsibility and Organisational Performance

CSR is the set of standards to which a company subscribes in order to make an effect on society and with potential to make positive contributions to it and business (Awuor, 2010). While Friedman (1970) argues that businesses do not have moral responsibility because they are not moral persons, Garriga and Mele (2004) dispute this assumption. They think that Friedman never carefully distinguished between moral and social responsibility. Friedman's view tends to conquer with instrumental theories which provide that CSR is mere means to end of profits. The theory also looks at CSR as a strategic tool to achieve economic objectives for wealth creation. The implication of Instrumental theories is that as a firm increases its expenditure in CSR activities, its financial performance should equally improve.

The satisfaction of these interests can contribute to maximizing the stakeholder value. A research conducted by Green and Peloza (2011) showed that a company's reputation for social responsibility tends to decrease consumer's price sensitivity and increase their brand loyalty. A company's socially responsible behavior is also likely to increase sales by motivating consumers to reward the company for its pro-social behavior.

A range of theory and some empirical evidence suggest that how a firm manages its employees can affect its financial performance (Dean and Lepak, 2006). Indeed, recent studies position human resources (HR) as an extremely valuable source of competitive advantage for firms. This advantage is achieved through increased efficiency or differential revenue growth. More specific claims include the potential for HR practices to lower turnover and absenteeism, improve productivity, and increase worker commitment and effort. Some empirical evidence also suggests that firm strategy-HR fit is important for enhancing financial performance (Youndt et al., 2006).

The concern for the natural environment could also enhance firm financial performance. First, being proactive on environmental issues can lower the costs of complying with present and future environmental regulations (Shrivastava, 1995). Second, environmental responsiveness can enhance firm efficiencies and drive down operating costs, firms can create distinctive, "ecofriendly" products that appeal to customers creating a competitive advantage for the firms. Being environmentally proactive not only avoids the costs of negative reactions on the part of key stakeholders, but can also improve a firm's image and enhance the loyalty of such key stakeholders.

Employment diversity in the workplace also has an impact on financial performance. Arguments state that lack of diversity may cause higher turnover and absenteeism from disgruntled employees. Diversity may enhance the ability of a firm to attract the best talent from the labor pool, regardless of race, ethnicity, or gender. Employee diversity improves the ability of a firm to relate to a broad customer base and compete more effectively in the highly diverse global marketplace thus creating cost savings for a firm, enhance its productive capabilities, and expand its markets (Thomas and Ely, 1996).

A number of studies have been conducted to assess the effects of firm-customer relationships on financial performance. Studies investigating reactions to product recalls in particular (Pruitt, and Reilly 1986) have consistently found market reactions to be strongly negative, except for those occurring in the auto industry. These results suggest that investors expect customers to react to recall announcements with actions that directly affect the bottom line. Positive customer perceptions about product quality and safety may lead to increased sales or decreased costs associated with stakeholder relationships.

The effects of community relations on financial performance are less clear. Recent work by Altman Waddock and Boyle (2005) suggests that companies are reorienting corporate community relations to fit broader strategic plans. Altman conducted interviews with both top managers and community relations officers and found that many executives "believe that community involvement is a business imperative, often creating a competitive advantage".

1.1.4 Large Motor Vehicle Companies in Nairobi, Kenya

Kenya's Motor Sector has undergone major transformations since the advent of Structural Adjustment Programs (SAPs) in the 1990s that advocated for liberalization, which replaced policies pursued earlier on, such as "Import Substitution". The opening up of the Kenyan economy caught some players in the Motor Sector unprepared to face competition. In addition, the Kenyan economy had been performing dismally, registering negative 0.2 growth rate in 2000. This performance of the economy had reduced the purchasing power of the average Kenyan, making the vehicles, and particularly new vehicles less affordable (International Energy Agency, 2002).

Kenya's automobile market is dominated by several large Motor Vehicle companies which include General Motors East Africa Limited (GMEA Ltd), Toyota (East Africa), Cooper Motors Corporation (CMC), Simba Colt and DT Dobie, among others. The Kenya Motor Industry Association (KMI), the representative body of the corporate participants in the motor companies, has been lobbying hard to reverse the trend where 80 percent of vehicle annual sales are grey imports while new vehicle dealers compete for the remaining 20 percent. On their part, the companies have become more innovative in responding to customer needs (PWC, 2012). Because of the Japanese market, most of these key companies have now come up with strategies which make them stand out and also improve their reputation. CSR is one of the key strategies they have undertaken. Marketers still pay more focus on products and markets and neglect social impact of their activities (Flores, 2001).

1.2 Research Problem

Due to the increasing levels of competition amongst the industries, corporations are adopting different strategies to remain in existence. Some have opted to actively include and involve stakeholders for sustainability. This has been implemented through initiatives that are included in their budget allocation. Most corporations have budgetary allocations for CSR activities they carry out. Some have further integrated CSR into their operations and policies (Friedman, 1970).

The Motor Vehicle Companies in Nairobi, Kenya have played a major role in the contribution to job creation and economic development. The sector employs many workers particularly in its assembly and service sections. However, despite the involvement of the Motor Vehicle companies in various developmental activities, concerns have been raised over their performance in the recent years. The established dealers face intense competition from imported second-hand vehicles despite the Kenya Motor Industry Association lobbying hard to reverse this trend (KMI) (2013). Concern has also been raised that despite various government initiatives to assist the Motor Vehicle companies, the sector's performance has not been that encouraging. Kenya continues importing completed units for sale in the local market. This really casts doubt over the ability of the country to sustain continued improvement on the performance of Motor Companies, (Just-Auto, 2012).

Local and international studies on CSR emphasize that corporations should assign substantial resources for the benefit of the community. Majority of the organizations have also realized the many benefits of CSR hence have now focused attention to incorporate it in all spheres of business strategies. A study by Rehman et al. (2010), on using CSR to strengthen relationships with different stakeholders showed that relationships ensure corporations have minimum conflicts with stakeholders and maximum loyalty from all stakeholders. Margolis & Walsh (2001) investigated the economic or financial impact of CSR which had mixed evidence about the nature of the relationship between Corporate Social Performance (CSP) and Corporate Financial Performance (CFP).

Further studies show that motor vehicle manufacturers are engaging in CSR activities concerning end-of-life-vehicles and producers' extended responsibility for their products, green supply chain management, environmental management schemes, and labour codes of conduct such as ILO (Steinweg, 2010). However, some of the studies indicate that these green approaches do not always show the desired effect on financial indicators. For example, a study analyzing Europe's automotive and industries revealed no significant relationship between greener manufacturing and corporate performance (Menzel et al., 2010).

Obusubiri (2009), studied CSR and portfolio performance and found positive relationship between CSR and Portfolio performance. He attributed this relationship to the good corporate image that comes with CSR making investors prefer such companies implying that good CSR behavior has reputational benefit for the firm.

Jerotich (2013) carried out a research to establish the relationship between CSR and financial performance of firms in the manufacturing, construction and allied sector of the Nairobi Securities. The study found a strong relationship between the CSR practice, efficiency and Capital intensity used in the model and dependent variable (ROA). Wanyama (2012) studied Corporate Social Responsibility of Kenyan Firms which he concluded that organizations in Kenya are now recognizing the important role CSR plays in business performance.

Whereas many studies have been done on relationship of CSR and performance in diverse industries, none has focused on the Motor Vehicle Companies in Nairobi, Kenya. This study aims to fill the gap by establishing the relationship between CSR and performance of Motor vehicle companies in Nairobi Kenya. What is the relationship between CSR and Performance of the Motor Vehicle Companies in Nairobi, Kenya?

1.3 Research Objective

The study sought to establish the relationship between corporate social responsibility and performance of Large Motor Vehicle companies in Nairobi, Kenya.

1.4 Value of the Study

This research attempts to fill the knowledge gap existing on the relationship between CSR and performance of large Motor vehicle companies in Nairobi. It will also demonstrate the level of adoption of CSR in these motor vehicle companies and how beneficial it is to them.

This research clearly depicts how the Motor vehicle companies must adapt CSR for financial and non-financial benefits. The study quantifies on the type of activities and what benefit they have on performance in the Motor vehicle companies in Nairobi, Kenya.

This research adds content to Stakeholder theory, shareholder theory and other theories relevant to CSR. The research is beneficial to the government of Kenya in policy formulation towards promotion of CSR for the other sectors for a better economy. This research can be replicated to other industries to establish how they can be improved.

With no similar research having been carried out in the Motor vehicle companies in Nairobi, Kenya on CSR and Performance, this study provided relevant information on the subject matter. The findings of this research can be used by other researches for further studies.

1.5 Summary of the Chapter

This chapter defined the concepts of CSR and performance providing the context of the study as motor vehicle companies in Nairobi. Studies conducted highlighted the importance of CSR and the benefits to organisations as far as value creation is concerned. Some of the studies indicated that the performance of firms was highly influenced by: the way a firm manages its employees, a firm's environmental proactiveness, employment diversity and positive customer perception. The research objective was to establish the relationship between CSR and performance of large motor vehicle companies in Nairobi, Kenya. The chapter also highlighted the beneficiaries of the research study as the Government of Kenya, other motor companies, other sectors and other researchers.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter brings out the literature review related to the objective of the study. It reviews shareholders and stakeholders theories that provide explanations to the relationship between Corporate Social Responsibility and Organisational performance. It also looks at both financial and non-financial tools which are used to measure CSR and Organisational performance. Both local and international studies that have been reviewed to establish this relationship have also been covered as well as empirical literature by other writers and academicians who have written in reference to the topic under study

2.2 Theoretical Foundation

According to Kilbourn (2006), the theoretical perspective in research reflects the researchers theoretical orientation, which is crucial to interpreting the data in qualitative, irrespective of whether it is explicit or implicitly stated. In other words, theoretical perspective plays a role as the filter for focusing and binding the data to be collected. This study will be anchored on stakeholder theory and shareholders theories.

2.2.1 Stakeholder Theory

According to stakeholder theory, firms possess both explicit and implicit contracts with various constituents and are responsible for honouring all contracts. Stakeholder theory, which has been described by Edward Freeman (2002) and others, is the mirror image of corporate social responsibility.

Instead of starting with a business and looking out into the world to see what ethical obligations are there, stakeholder theory starts in the world. It lists and describes those individuals and groups who will be affected by (or affect) the company's actions and examines their legitimate claims on the business.

The concern for social issues affecting consumers such as the environment has resulted to businesses adopting CSR activities that are designed to connect the brand with the firm's consumers (Bigne et al; 2012) thereby improving consumers perceptions of the firm. Researchers have identified that any firm can focus on meeting stakeholders expectations (being stakeholder oriented) and that such strategy potentially enhances business performances (Ferrell et al, 2010; Phillips et al; 2010).

Stakeholder's theory looks at both internal and external stakeholders. Employees and employers are internal stakeholders who directly participate in the operation of business. Attitudes of employees and support of corporate actions would be of critical interest to the management because employees are key in the success of and influence of corporate decision making (Spitzeck and Hansen, 2010). Company managers are primarily charged not with representing the interests of shareholders but with the more social task of coordinating the interests of all stakeholders, balancing them in the case of conflict and maximizing the sum of benefits over the medium and long term. The effectiveness of managerial actions depend on how well Managers understand stakeholders interests and influences how they respond to them (Wing-Hung Lo et al., 2010). Managers should use approaches which monitor stakeholders such as environmental scanning and stakeholder orientation as these helps to understand the wider business environment.

External stakeholders on the other hand, are individuals or groups outside the company that can affect or be affected by an organisation's activities (Fassin, 2008). They equally have influence on decision making and thus it is important when they accept the firm's social responsibility activities.

Consumers have been seen to boycott a firm because of unethical behaviour e.g Nestle is still being punished by some customers because of its activities in regards to questionable promoting of infant formula in developing countries (Boyd, 2012). Another example is when a factory produces industrial waste, a CSR perspective attaches a responsibility directly to factory owners to dispose off the waste safely. Stakeholder's voices must contribute to corporate decisions and as much as they may own no stock they have a moral claim to participate in the decision-making process. Communicating CSR activities to stakeholders influences corporate image and reputation Mehdi (2015). There is a positive relationship between CSR construct and reputation, which in turn influences market share but not profitability.

2.2.2 Shareholders Theory

The Shareholders theory stipulates that Management has fiduciary duty to the owners or stakeholders of a corporation and thus this duty takes priority over other responsibilities and obligates it to focus on profit maximization alone. The belief of researchers in this group stems from the Traditional neoclassical paradigm of the firm (Moir, 2001), a theory which reflects Adam Smith's notion of economic man whose goal is to maximize the wealth of the firm based on contractual duties to the owners (Brenner and Cochran, 1991).

This model of the firm was further popularized by Friedman (1970), who argued that in a free economy there is only one social responsibility of the business – to use its resources and engage in activities designed to increase its profits so long as it stays within the rule of the game which is to engage in open and free competition, without deception or fraud. Private enterprises should not be forced to undertake public responsibilities that properly belong to the Government (Friedman, 1970). Friedman believes that by allowing the market to operate with only minimal restrictions necessary to prevent fraud and force, society maximizes its overall economic wellbeing.

Pursuit of profits is what makes the free economy vibrant. Anything that dampens this kind of incentive or inhibits the operations weakens the ability of Adam Smith's invisible hand to deliver the economic goods. The CSR theory that upholds this view has also been regarded as 'Stockholders' model. This model identified that based on contractual agreement signed with the owners, management's responsibility is a legal one and it equates with ethical and social responsibility. However, this only-profit-oriented-business approach has been heavily criticized by many researchers and has given way to stakeholder view. Shareholders' critics claim that businesses have other obligations besides making profit.

2.3 Measurement of Corporate Social Responsibility

A number of approaches can be used to measure Corporate Social responsibility. Robbins and Coulter (2005) proposed that the management's social responsibility extends beyond the pursuit of economic profit and also entails the improvement of society's well-being.

They argued that companies not only satisfy the needs of their owners but also of those of a set of social actors interest in the company ie stakeholders. A socially responsible company is an economically competitive organization. Bowman and Haire (1975) used annual reports to discuss social involvement matters as the index of social involvement. They compared firms with a reputation for social involvement with others on basis of size and industry. They measured profitability using return on investment for 82 American food-processing firms. The premier groups scored significantly higher than the comparison group. Their findings supported the view that socially responsible firms do not threaten the profits received by investors.

Hassan et al (2011) suggests two methods of measuring CSR. The first method is the Reputation index where firms are rated on the basis of one or more dimensions of social performance. The second method is content analysis whereby firms are rated on the basis of the extent to which they report various CSR activities in their annual reports.

Griffin & Mahon (1997) identified social audits, CSR Processes and observable outcomes as another approach of measuring corporate social performance. Others include measurement of corporate social performance based on managerial CSR principles and value by using Tripple Bottom Line reporting which provides quantitative summaries of economic, environmental and social performance of the company. According to Archie Carroll (1991), a firm's pyramid of CSR starts with economic responsibilities and continues with legal, ethical, and discretionary responsibilities respectively.

A company's ethical behavior is the mirror image of its culture, a shared set of values and guiding principles deeply ingrained throughout the organization and the ethical behavior and culture become part of the definition of corporate identity.

2.4 Organisational Performance and Measurement

There are various methods of measuring organisational performance depending on the organisations' top priorities. One way of measuring is by the use of the balance scorecard which communicates a holistic model that links individuals efforts and accomplishments of business unit objectives (Kaplan and Norton,1992). The balance scorecard philosophy creates a strategic focus by translating an organisation's visions and strategies into operational objectives and performance measures for the discernable perspectives.

It tends to balance traditional financial perspective and other non-financial elements such as customers, internal business process and innovations/improvement. The Balanced score card gives organisations the advantages they need to evaluate themselves accurately and as a result place themselves in a better position to compete (Kairu et al, 2013). Financial performance looks at the results of a firm's policies and operations in monetary terms. These results are reflected in the firm's return on investment, return on assets, value added (Hillman & Keim, 2001). It is an approximation for financial success. Waddock and Graves (1997) and Cochran and Wood (1984) state that accounting measures of Return on equity, Return on assets and Return on investment are used to measure financial performance of an organization. Investor returns and accounting returns are measured from the perspective of the shareholders.

The first studies to employ investor returns as a measure of financial performance were those of Moskowitz (1972) and Vance (1975). Financial performance is a subjective to how well a firm can use assets from its primary mode of business and generate revenues. The term is used as a general measure of the firm's financial health over a given period of time. Inadequacies in financial management measures have led to innovations ranging from non-financial indicators of 'intangible assets' and 'intellectual capital' to 'balanced scorecards' of integrated financial and non-financial measures. The key non-financial measures are as included in the balanced scorecard. Non-financial measures offer four advantages over financial data; closer link to long-term organizational strategies, they do not deal with progress relative to customer requirements or competitors, they can be better indicators of future financial performance even when the goal is maximizing financial performance. Non-financial measures measure managerial action and gives the level of noise in the measures (Christopher and David, 2006).

2.5 Empirical studies and Knowledge gaps

Empirical studies of the relationship between CSR and organisational performance comprises two types. The first type uses the event study methodology to assess the short term financial impact when organizations engage in either socially responsible or irresponsible acts. The results have been mixed in nature (Waddock & Graves, 1997).

Some researchers believe that CSR principles do not make firms profitable as it is against classical theories of how market works. Their view is that the only social responsibility of business is to use its resources and engage in activities designed to increase profits.

Studies discussed in McWilliams and Siegel (1997) showed inconsistencies in the relationship between CSR & organisational performance. Various models were used to measure this. According to the studies, the model used may produce different results depending on how the empirical analysis is done. Moskowitz (1972) while performing studies using stock-market based measures of returns reported mixed outcome on the relationship of CSR and organisational performance. By ranking 67 selected firms basing on evaluation of their level of social responsibility, it was reported that higher than average stock returns was noticeable in the highly ranked firms. Using the firms listed by Moskowitz, Alexander and Bucholtz (1975) found little association between social responsibility and risk-adjusted return on securities.

The second kind of empirical study examines the relationship between measures of CSR and long term financial performance measures. This approach uses accounting ratios and other measures of profitability. These studies also reported mixed results. Cochran and Wood (1984) located positive performance between the variables having paid attention to accounting performance. Hill e.at (2007) investigated the effect of CSR on financial performance in terms of market-based measure and provided the positive result in the long-term horizon. A research by Bayoud (2012) on Libyan companies operating in four sectors (Manufacturing, Banking & Insurance, Service and Mining) found a positive relationship between CSR disclosure and organisational performance. The study revealed positive relationship between environmental disclosure and return on assets, consumer disclosure and revenues, community involvement disclosure and return on assets, and employee disclosure on return on equity.

Skare and Golja (2012) investigated the relationship between CSR and financial performance. The authors confirmed that CSR firms in the average enjoy better financial performance than non-CSR firms.

Local studies by Mutuku (2004) found no relationship between CSR and Financial Performance of firms listed at the Nairobi Stock Exchange. Ponnu and Okoth (2009) found preliminary evidence that firms engage in CSR activities to improve their corporate image from which they expect to grow their sales and profits. Nasieku (2012) in a theoretical review of CSR and Organisational performance revealed a strong link between a firm's CSR activities and its performance. A research by Okwemba (2012) showed that philanthropic responsibility of a bank has an impact on bank's performance based on customer retention. Environmental responsibility was insignificant in the study as most of the environment obligation go unnoticed by customers thus banks would rather invest in CSR activities.

2.6 Summary of the Chapter

The literature review covered extensively the theories supporting CSR and performance of firms. The theories reviewed in this case were stakeholder theories and shareholder theories. The stakeholder theory looked at individuals and groups who are affected or affect the organisation's actions and the ethical obligations of organisations. The shareholder theory on the other hand indicated that organisations have the fiduciary duty to its owners or stakeholders and focuses more on profit maximization.

The chapter also looked at the various ways of measuring CSR as well as various ways of measuring organisation performance highlighting the importance of using the balanced scorecard as a measurement tool since it looks at both financial and non-financial elements of performance. Non-financial elements were seen to be closely linked to long-term organisational strategies and being better indicators of future financial performance even when the goal is maximizing financial performance.

The empirical literature by other writers and academicians provided a lot of insight to the study. Both local and international studies were conducted with results showing both negative and positive relationships between CSR & performance. The empirical literature also included some of the short term and long term financial impact on organisations which practice social responsibility. Some researchers indicated that CSR does not in any way make firms profitable whereas others felt the CSR had an impact on a firm's profit. Inconsistencies were evident and this was associated to the fact that different models were used to measure the impact of CSR on performance.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the research methodology that was used to carry out the survey, what informed the selection of the research design, the target population, sampling method to be used, data collection instrument and how data was analyzed, interpreted and presented.

3.2 Research Design

A cross sectional research design was used to establish the effect of corporate social responsibility on the performance of motor vehicle companies in Nairobi. The Office of Human Research Protections (OHRP), 2013 defines a descriptive study as one in which information is collected without changing the environment and conducted to demonstrate relationships between things.

The data was cross sectional in nature since it covered a cross section of all motor vehicle companies in Nairobi. A cross sectional design was appropriate in this case since the study was conducted at the same time across all the firms and also since a causal study was undertaken in a non-contrived setting with no researcher interference. This design has been applied successfully before in similar studies by Kald (2003) and Kosmidou et al (2005).

3.3 Population of the study

The target population was all the large motor vehicle firms operating in Nairobi, who are members of the Kenya Motor Industry Association (Appendix IV). According to the Kenya Motor Industry Association, there are fifteen such firms in Nairobi. Kirkpatrick et al. (1984) defines large business firms as those employing more than 50 employees and above. In Ghana, a large business enterprise generally employs 30 people and above (Thomi and Yankson, 1985, Yankson, 1986, Osei; et al; 1991; Steel and Webster, 1991). In Kenya, a large business employs 50 or more people, has a sales turnover of at least Kshs. 3 million and sales per employee of at least Kshs. 60,000 (Aosa, 1992).

Nickels & McHugh (1996) in a study of large business enterprises in USA states that employment size, asset size and sales size are the key criterion used to define company size. They define large business as one employing over 1,000 people with asset value of USD 100 million plus and sales size of USD 250 million plus. The definitions of large business vary from country to country, however for the purpose of this research, definitions by Aosa, 1992 and Central Bureau of statistics, 1996 were considered more appropriate since the studies were conducted in Kenya under similar conditions. The listed organisations fall under this criteria.

The reason of choosing these firms is because they are large enough and consequently are likely to engage in CSR activities. In addition, all the motor vehicle companies concerned have their headquarters in Nairobi and its environs and this makes it convenient in terms of time and accessibility to the researcher. Since all the motor vehicle firms are covered by the study, a census was carried out.

3.4 Data Collection

The research used both primary and secondary sources of data. Primary data was obtained through self-administered questionnaires and it was collected through a drop and pick later method to the firms. The questionnaire consisted of both open and closed ended questions designed to elicit specific responses for qualitative analysis. The open ended questions are meant to avoid limiting the respondents in answering the questions.

A questionnaire is chosen since it acts as a useful tool for collecting data from respondents because of the need to provide a means of expressing their views more openly and clearly. The questioner was made up of three parts; Part A consisted of the demographic information of the respondent and general information about the company, Part B dealt with the corporate social activities being undertaken by the firms while Part C linked the corporate social responsibilities undertaken by the firm and their performance. The questionnaire was administered to CSR Managers, Finance Managers, Human Resource Managers and Sales Managers in the respective firms. Secondary data on the subject area was collected through annual reports and organizational publications both within and without the organization.

3.5 Data Analysis

The data collected was analyzed using descriptive statistics in part A and B while part C was analyzed using correlation and regression analysis. The dependent variable in the study was organizational performance.

The data was classified, tabulated and summarized using descriptive measures, percentages and frequency distribution tables while tables and graphs were used for presentation of findings.

However, before final analysis was performed, data was cleaned to eliminate discrepancies and thereafter, classified on the basis of similarity and then tabulated. The analysis was facilitated through use of Statistical Package of Social Sciences (SPSS). A multiple regression model was developed to describe the relationship between the motor vehicle company CSR practices and the firm's performance. The regression equation assumed the following form:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \alpha$$

The following translates the equation:

Where	Y	=	Organizational performance
	β_i	=	(i = 0 – 5) = Regression coefficient
	x_1	=	Community activities
	x_2	=	Diversity in Employees background
	x_3	=	Employee welfare programs
	x_4	=	Environmental management
	x_5	=	Product attributes
	α	=	Unexplained variables not explained by the model

3.6 Summary of the Chapter

The chapter covered the research methodology which was used to establish the relationship between CSR and Organisation performance. In this case, the cross sectional design was used. The population was all the large motor vehicle companies in Nairobi. Both primary and secondary data collection methods were used. Questionnaires with both open and closed questions were dropped and picked later. The collected data was analysed using descriptive statistics and regression analysis. The analysis was facilitated through use of Statistical Package of Social Sciences (SPSS). Data was then classified, tabulated and summarised in tables and graphs. The dependant variable in this case was Organisation Performance.

CHAPTER FOUR

DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

The research objective was to establish the relationship between corporate social responsibility and the performance of large motor vehicle companies in Nairobi, Kenya. This chapter presents the analysis, findings and the discussion with regard to the objective. The scale used in the tables was the five point Likert scale. The range used was 'Very low extent (1)' to 'Greater extent' (5) or 'Strongly disagree (1) to 'Strongly agree' (5)'. Different respondents identified the range within this likert scale. This scale was applied across all the tables which have been used in the analysis.

4.2 Response Rate

The data was collected, cleaned, tabulated and analysed. The analysis is presented in mean and standard deviations while the findings are presented in frequency distributions tables and graphs.

The survey targeted 15 motor vehicle companies that are well established and located in Nairobi. Of the 52 questionnaires distributed in the 15 companies 43 were returned completed and fully stamped with company rubber stamps. The number of responses represent 82.7% and this was deemed to be adequate in the realization of the research objectives. According to Donald (2011), the response rate of the sample size should be more than half the sample size. Therefore the response rate was adequate for the study. Some respondents declined to accept the questionnaires since they do not practice CSR while a few accepted but did not complete as shown in Figure 4.1.

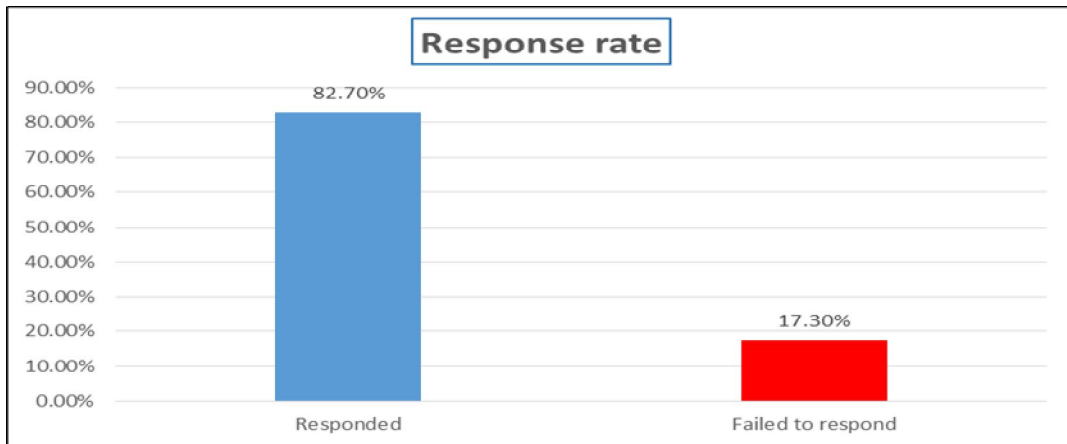


Figure 4.1: Response rate

Source: Primary data from survey, 2015

4.3 General Information

The demographic information considered in this study included the name of the organization, length of continuous service of the respondents with the organization and the period that the organization had been operating in Kenya.

4.3.1 Length of continuous service with the organization

This section of the questionnaire sought to establish the length of continuous service that the respondents had worked in the companies. The results are presented in Table 4.1.

Table 4. 1: Length of continuous service with the company

Length of service in the company	Percentage	Cumulative Percentage
Less than 2 years	34.2	34.3
2 – 5 years	42.9	77.2
6 – 10 years	14.3	91.5
Over 10 years	8.6	100
Total	100	

Source: Primary data from survey, 2015

The findings above indicates that majority of the respondents (42.9%) had been working in the organization for a period between 2-5 years while 34.2% of the respondents had worked for less than 2 years. This mean that more than 77% of the respondents had worked in the respective motor vehicle firms for less than five years. Similarly, 22.9% of the respondents had worked in the firm for more than 6 years.

4.3.2 Duration of company existence

This section of the questionnaire sort to establish the period of operation that the motor vehicle firm had been in Kenya. The results are presented in Table 4.2.

Table 4. 2: Duration of company operations

Number of years company has been in operation	Percentage	Cumulative Percentage
Under 5 years	22.9	22.9
6-10 years	22.9	45.8
11-15 years	8.6	54.4
Over 16 years	45.6	100
Total	100.0	

Source: Primary data from survey, 2015

The results indicates that 45.6% of the companies had been in operation for more than 16 years while 45.8 % of the large motor vehicle companies had been in operation for less than 10 years and this explains why majority of the employees in section 4.3.1 indicated that they had worked in the said firms for less than five years. It is expected therefore that since the majority of the large motor vehicle firms had operated for more than 6 years, they would have instituted social responsibility activities in their organization and be able to assess.

4.4 Corporate Social Responsibility Activities

This section of the questionnaire sought to determine the extent to which the large motor vehicle firms practice corporate social responsibility and CSR budget per company. On the question of whether the large motor vehicle companies practiced and appreciated the role of social responsibility, majority of the firms (94.3%) answered in affirmative while only 2 firms pointed out that they do not practice CSR. The annual budgets for the firms on corporate social responsibility activities ranged between Ksh 1 Million to Ksh 30M. It was found that the firms that had annual budgets exceeding Ksh 20M are those that had operated for periods more than 10 years and this means that there is a correlation between the number of years that the firm has operated and the annual budget on the CSR activities. The management of a firm's social responsibility extends beyond the pursuit of economic profit and also entails the improvement of society's well-being. Therefore managers should not only strive to satisfy the needs of their owners but also of those of a set of social actors' interest in the company.

The researcher sought to establish the extent of CSR activities being practiced in the firms. The respondents were requested to indicate the extent to which they practiced various CSR activities in a five point Likert scale. The range was 'very low extent (1)' to 'Greater extent' (5). The scores of very low extent and low extent have been taken to represent a variable which had a mean score of 0 to 2.5 on the continuous Likert scale; ($0 \leq S.E < 2.4$). The scores of 'moderate extent' have been taken to represent a variable with a mean score of 2.5 to 3.4 on the continuous Likert scale: ($2.5 \leq M.E. < 3.4$).

Scores of both great extent and greater extent have been taken to represent a variable which had a mean score of 3.5 to 5.0 on a continuous Likert scale; ($3.5 \leq \text{G.E.} < 5.0$). A standard deviation of >0.9 implies a significant difference on the impact of the variable among respondents. The results are shown in Table 4.3.

4.4.1 Community Activities

Traditionally, business entities tended to operate in silos whereby they least concerned themselves with the environment that they operate in. However, this approach is no longer tenable in the present day business environment because a firm should appreciate the fact that it is in operation because the community exist and it should seek to plough back some of its income to the community. This position was sought and the results are presented Table 4.3.

Table 4. 3: Community Services

Types of community services offered	Mean	Std. Deviation
The firm offers education support to children in the communities where we have operations	4.2714	0.8615
We support innovative ideas generated by members of the communities and provide necessary finance to completion of the said projects	3.7429	1.3793
We support volunteer programs in community projects such as management of diseases & medical camps	3.6571	0.7074
The firm has been engaged in charity giving to the community activities	3.4857	0.9186
The firm has been engaged in building houses for the communities around our plant	2.1059	1.2571
Overall Mean	3.4526	

Source: Primary data from survey, 2015

The above results indicate that the popular community service that is undertaken by majority of the firms is offering education support to children in the communities in the areas of operations (M=4.2714). This activity was the most agreeable to all the respondents because of the low level of variance in their responses (SD=0.8615).

To supplement this community activity, it was found that the next popular activity is the provision of financial support to innovative ideas generated by members of the communities (M=3.7429). However, the motor vehicle companies being able to build houses for the communities (M=2.1059, SD=1.2571) around their plants were found to be the least popular community activity undertaken by the firms.

4.4.2 Employment Diversity

The employment diversity is concerned with heterogeneity of the employees based on such characteristics as ethnic, gender, age, academic qualifications, tenure, professional qualifications and functional back grounds. A firm that is socially responsible will be expected to uphold employment diversity and not segregate employees on the basis of above characteristics. The results on the level of employment diversity practiced by the motor vehicle firms are represented in Table 4.4.

Table 4. 4: Employment Diversity

Employment diversity factors	Mean	Std. Deviation
The top Management of the firm are from different backgrounds and experience	4.2247	0.8555
All positions in the company are usually filled competitively	4.1143	1.2781
Training and development opportunities are fairly distributed across the organization	4.0158	1.0571
Promotion of employees is based on merit and does not segregate.	3.9714	1.1244
The firm has developed work life benefits that cater for all cadres of staff	3.9143	1.0674
The firm employs persons with disabilities and amenities are adjusted to meet their demands	3.2286	0.8236
Overall Mean	3.8710	

Source: Primary data from survey, 2015

The findings above show that the firms employ staff from different backgrounds in terms of ethnicity and experience (M=4.2247) and that positions are filled competitively (M=4.1143).

The respondents in addition agreed that training and development opportunities are fairly distributed across the cadres and departments (M=4.0158). However, there was less agreement on the practice of employing persons with disabilities and amenities are adjusted to meet their demands (M=3.2286).

On the ability of the firms instituting work life benefits that cater for all cadres of staff (M=3.9143), there was a moderate agreement on the application of this practice among the firms.

4.4.3 Employee Welfare Program

One of the important assets to a company is the human resource base. An organization will be able to realize its objective through its employees who will be responsible to developing and implementing appropriate strategies that will enable the firm to adapt to the changing business environment. Hence, in cognizance of the important role that the employees play, a firm should take care of the employees' welfare. To this extent, the researcher sought to establish the programs that the motor vehicle firms have put in place in the interest of the employees welfare. The results are represented in Table 4.5.

Table 4. 5: Employee welfare Programs

Welfare programs in place	Mean	Std. Deviation
The operations of the company puts into consideration the health and safety of the company's employees	4.7429	.6108
Employees are allowed to join a union	3.6571	1.1741
The company has put in place what is considered a good retirement package for all employees	3.4286	.6098
A cash sharing plan has been put in place in which the employees benefit from at the end of the year	3.4286	1.2609
Overall Mean	3.8143	

Source: Primary data from survey, 2015

The findings from table 4.5 shows that the health and safety of the company's employees (M=4.7329) was the common practice that the company's gave a priority as well as allowing employees to join unions of their choice (M=3.6571).

To a moderate extent however, the respondents pointed out that they have a cash sharing plan that allows its employees to have an employee benefit plan that is shared at the end of the year.

4.4.4 Environmental Preservation Programs

Man needs the environment but not the reverse where the environment needs man. Thus the importance of the human activities being cognizant of the environment in which it operates in by undertaking activities that will preserve the environment. By a firm being environmentally proactive it avoids both the costs of negative reactions on the part of key stakeholders and also improves its image and enhance loyalty of such key stakeholders as customers, employees, and government. It is on the importance of a firm being environmental conscious that the researcher sought to find out what actions the motor vehicle firms undertake in the environmental preservation. The results are presented in Table 4.6.

Table 4. 6: Environmental Preservation practices

Environmental preservation practices	Mean	Std. Deviation
There is little or manageable pollution of the environment	4.4053	.7746
The firm produces beneficial products and services that are not harmful to the environment	4.3143	.8737
The firm has put in place a management system that has checks and balances to detect environmental pollutants	4.1571	1.2141
The firm has put in place a process of recycling its used products/waste with the intention of protecting the environment	3.8286	1.2715
Overall Mean	4.1763	

Source: Primary data from survey, 2015

Management of the air pollution level as well as discharge of effluents to the environment (M=4.4053) was found to be the common practice among the motor vehicle firms. In addition, the production of beneficial products and services that is not harmful to the environment and users of the products (M=4.3143) was also found to be a common practice among the firms. In terms of whether the firms have put in place recycling process for its waste and recall of products, there was less agreement on the same (M=3.8286). However, it was evident most of the environmental practices was undertaken by most of the firms with an overall mean of 4.1763.

4.4.5 Product Characteristics

The customer of a firm is always considered the king such that without the customer being satisfied, there is little possibility of a firm succeeding in its business activities. Hence, the products that a firm produces and sells to the customer should not be harmful to the consumers nor to the environment. The results on Table 4.7 represent firm's product characteristics.

Table 4. 7: Product Characteristics

Product Characteristics	Mean	Std. Deviation
The firms products are of high quality	4.6861	.6761
The firm observes anti-trust laws.	4.0173	.9074
The firms budget for R & D has continued to be increased annually in order to develop products that meet the customer needs	3.8259	.7326
Our firms product benefits the economically disadvantaged persons in the society	3.1714	.8440
Overall Mean	3.9252	

Source: Primary data from survey, 2015

From the results above, all the motor vehicle companies indicated that their products are of high quality status (M=4.6861). In addition, it was found that the firms observe the anti-trust laws (M= 4.0173). However, the least agreeable product characteristic among the firms was that their product benefits the economically disadvantaged persons in the society (M=3.1714). Generally though, it is evident that with the overall mean (M=3.9252), it is evident that the motor vehicle companies to a large extent produce products that are environmental conscious.

4.5 Organizational Performance Measures

A firm's foregoing objective is to maximise shareholder wealth. However it has come out that the same cannot be realized if the firm does not consider the interest of all stakeholders. The argument behind the corporate social responsibility therefore has been that organizations should be operated and managed in the interests of all their constituents who can affect or be affected by the achievement of the organization's objectives. Financial and non-financial performance measures are expected to be affected by the CSR activities that a firm undertakes.

Table 4. 8 : Performance Measures

Measures of performance	Mean	Std. Deviation
The firms revenue has grown over time due to improvement of asset utilization and investment strategy	4.1249	.9631
There has been improved efficiency and effectiveness of the firms processes which has led to improved internal processes	4.1143	1.0508
The firm has been adopting modern manufacturing processes in adapting to the changing business environment.	3.8857	1.1825
The firm has improved its customer acquisition, satisfaction process/Customer satisfaction index over time due to being alive to CSR activities	3.7429	1.2209
Overall Mean	3.9670	

Source: Primary data from survey, 2015

From the findings above, the revenue position of the motor vehicle firms was found to have increased over time due to efficient utilization of resources and proper investment strategies (M=3.7429). This also can be evidenced by the improved internal process of the firms due to the adoption of efficient and effective processes by the motor vehicle firms (M= 3.7429). In addition, to a large extent, the respondents noted that the firms had embraced modern manufacturing processes (M=3.8857) that had resulted in improved performance of the organisations. This was further evidenced by the overall mean (M=3.967) which shows that there was to a greater extent an agreement that the firms performance had improved due to adoption of the corporate social responsibility practices.

4.6 Regression Equation

For quantitative analysis the study used regression analysis to establish the relationship between the adoption of corporate social responsibility activities and the net effect it has had on the performance of the motor vehicle firms as measured in section 4.5. To determine the same, the relationship between the overall mean of each of the CSR practices covered under section 4.4 was regressed with the resultant mean from the performance measure in section 4.5. From their overall means of each factor, a regression was established. As Gill and Beger (2012) noted, when using multiple regression analysis, there is a possibility of endogeneity occurring whereby when certain variables are omitted, it leads to measurement errors.

To minimize endogeneity issues, the most important variables that constitute CSR practices were used. The result is presented in Table 4.9.

Table 4. 9: Results of General Least Square

Coefficients ^a						
Model		Unstandardized		Standardized	t	Sig.
		Coefficients		Coefficients		
		B	Std. Error	Beta		
1	(Constant)	1.485	1.118		1.328	.194
	Community activities	.365	.122	.489	3.001	.005
	Diversity in Employees background	-.335	.121	-.437	-2.765	.010
	Employee welfare programs	.757	.268	.480	2.824	.008
	Environmental management	.226	.123	.298	1.840	.076
	Product attributes	-.360	.232	-.252	-1.549	.132

Source: Primary data from survey, 2015

Note: Dependent variable – Organization performance; X₁ = Community activities ; X₂ = Diversity in Employees background ; X₃ = Employee welfare programs; X₄ = Environmental management; X₅= Product attributes;

The resultant regression will be as follows:

$$Y = 1.485 + 0.365X_1 - 0.335X_2 + 0.757X_3 + 0.226 X_4 - 0.360 X_5$$

The coefficient of the independent variables ($X_1 - X_6$) is significant at 5% significance level because the p-values are less than the critical of 1.96 at the 5% significance level. The coefficient of employee welfare programs in the CSR is the highest of the independent variables and this means that a unit increase in the Employee welfare programs top management support will increase the organizational performance by 0.757 units. However, it is found that the performance of the firms decreases by 0.335 units for any unit change in the observance of employee diversity.

Table 4. 10: Model Summary for organizational performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.710 ^a	.504	.418	.73462

The R^2 , also called the coefficient of multiple determinations, is the percentage of the variance in the dependent variable explained uniquely or jointly by the independent variables and is 50.4 %. This means that 50.4 % of the changes in the firm's performance is explained by the changes in the independent variables in the model. The remaining 49.6% is caused by other variables not covered in this study.

4.7 Discussion

The relationship between a firm's corporate social responsiveness and the overall firm performance has become an important practice that shapes the operations of a firm. A firm's corporate social responsibility is a strategic move with stakeholder interests playing an instrumental role in enhancing firm performance.

Jensen (2002) opined, while the goal of the corporation is to maximize shareholder wealth, this goal cannot be met by treating stakeholders poorly, but instead, companies should try to maximize social welfare of its stakeholders. This position has been supported by the findings of this study which show that the motor vehicle firms strongly agreed that they practice activities that support the communities around where their production plants are situated, have employee welfare programs, have a diverse employee characteristics and also being environmentally conscious. Studies by (Steinweg, 2010) show that motor vehicle manufacturers are engaging in CSR activities concerning end-of-life-vehicles and producers' extended responsibility for their products, green supply chain management, environmental management schemes.

This study supports the concept of Creating Shared Value (CSV) in that the firms appreciate the position that corporate success and social welfare are interdependent. A business needs a healthy, educated workforce, sustainable resources and adept government to compete effectively. Therefore, for a society to thrive, profitable and competitive businesses must be developed and supported to create income, wealth, tax revenues, and opportunities for philanthropy (McWilliams and Siegel, 2001). Competition among the motor vehicle firms is so stiff such that each of them has been forced to be innovative to be able to attract clientele and of the strategies that they have adopted is to be seen as being a socially responsible firm. The findings reveal that majority of the firms support the educational activities of the children from the disadvantaged communities around their areas of operations. These firms have appreciated the fact that with the educational position of the children secured in the future, and then the communities' future is likewise secured.

This form of CSR is being replicated in other sectors of the Kenyan economy such as the banking sector whereby banks have all directed their resources to education bright children. However, for this to happen, the company's relations with its stakeholders must be rooted in the company's strategies and must be a means to an end, that of value maximization. Therefore, managers must optimize relations with stakeholders to maximize firm value since the management of stakeholder welfare may be a partial determinant of firm value (Jensen, 2002). This findings support the findings by Bayoud (2012) on Libyan companies operating in four sectors (Manufacturing, Banking & Insurance, Service and Mining) who find that there exist a positive relationship between CSR disclosure and organisational performance. The study revealed positive relationship between environmental disclosure and return on assets, consumer disclosure and revenues, community involvement disclosure and return on assets, and employee disclosure on return on equity.

This study found that management of the air pollution level as well as discharge of effluents to the environment was a common practice of the motor vehicle firms as well as producing products that are safe to the consumers. They did indicate that they are cognizant of the legal penalties that might accrue when the environment is polluted. Environmental issues can lower the costs of complying with present and future environmental regulations. As Shrivastava (1995) noted environmental responsiveness can enhance firm efficiencies and drive down operating costs which will create distinctive competitive advantage for the firms.

Further, he points out that being environmentally proactive not only avoids the costs of negative reactions on the part of key stakeholders, but can also improve a firm's image and enhance the loyalty of such key stakeholders as customers, employees, and government.

From the findings, the least agreeable product characteristic among the firms was that the motor vehicle firms in Kenya had not considered the conditions of all of its customers such as those with disabilities. There have been no known cases of product recalls in the country because they also do not such provisions. This position contradicts that of Waddock and Boyle (2005) who recognize the need of investors to not segregate among their customers and that in addition pointed out that investors expect customers to react to recall announcements with actions that directly affect the bottom line, either through lawsuits, decreased patronage, or both. There is reason to expect a positive relationship as well. For example, positive customer perceptions about product quality and safety may lead to increased sales or decreased costs associated with stakeholder relationships. The findings of this study also noted that there exist a positive correlation between a firms CSR activities and its performance. This is because companies were using CSR to build their name to the masses, being corporate responsible to the community rather than to escape taxation. Surroca (2010) found positive associations between firm's intangibles and performance.

4.8 Summary of the Chapter

This chapter provided the findings of the study. The response rate was adequate for the study objective. The study highlighted various CSR activities and Performance results. From the study it was clear that organisations provided community services such as supporting children in the communities and supporting innovative ideas such as finances to complete community projects. Employment diversity was evident with top management cutting across different backgrounds and experience and positions being filled competitively. Employee welfare programs such as health & safety were fully supported by the organisations but less emphasis on environmental preservation practices. Organisations are conscious about the quality of their products only that the products are economically disadvantageous to people in the society. Organisation revenues were seen to increase over time, improved efficiency & effectiveness of processes, adoption of modern manufacturing processes as well as improvement of customer acquisition index

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This study focused on the relationship between Corporate Social Responsibility and Performance of motor vehicle companies in Nairobi, Kenya. This chapter is divided into four sections; summary & discussion of findings, conclusions, recommendations and suggestions for further research. These sections were guided by the study objectives.

5.2 Summary

The study investigated relationship of corporate social responsibility on the performance of large motor vehicle companies in Nairobi, Kenya. Therefore the broad objective of the study was to determine the relationship between various areas of CSR and the performance of the motor vehicle firms. The study found that development of an effective corporate responsibility requires a delicate balance to be established in that the strategy should allow a firm to remain competitive in the market place while ensuring special needs of the environment and the public-at-large are served properly. The study reinforced the importance of a firm participating in community activities, practicing fair employment practices and development of appropriate employee welfare programs, producing of products that are not harmful to the consumers and also being environmentally friendly.

A firm's reputation came out as one of the important assets and therefore when designing social responsibility programs, it is a good idea to keep this concept in mind. A solid reputation enhances an organization's public reputation since consumers are willing to align themselves with business entities that are socially responsible and in the end, this can ultimately raise that coveted profit line. It was found that businesses which come across as compassionate, concerned and responsible to society have high potential to attract customers willing to flock to do business with a company they perceive as ethical.

The study established that the benefits attributable to the adoption of the CSR activities include increase in the firms revenue, improved efficiency and effectiveness of the firms processes, improved level of customer satisfaction, as well enabling the motor vehicle firms to employ modern manufacturing processes that will not pollute the environment and at the same time enhance the production efficiency levels. The study revealed that profits were not decreased by the activity of corporate social responsibility by the motor vehicle firms. The study reveal that the motor vehicle firms use corporate social responsibility as a business strategy to improve profit or market growth, through increase in market share, increased product awareness and also enhance market share. The study further found that corporate social responsibility guarantees the customers' confidence level and loyalty to the motor vehicle firms, through social acceptability of the company by the communities and communities feeling part of the company bringing the employees of the company close the communities. Hence corporate social responsibility should be pursued by all the well meaning business units.

5.3 Conclusion

The findings indicate that the performance of the motor vehicle firms is influenced by the level of corporate social responsibilities that the firms undertake. The tenets of corporate social responsibility investigated were engagement in community activities, need of having a diverse workforce and instituting employee welfare programs, environmental preservation and finally production of a product that does not harm the users. After the analysis of the two variables CSR and firm performance, there was a positive correlation co-efficient between firm performance and corporate social responsibility. It can therefore be concluded that the participation of the motor vehicle firms in the corporate social responsibility programs enhances its financial and non-financial performance and the study findings are in agreement to previous empirical studies for other firms in the mainstream industry.

The study established that through the CSR activities, the motor vehicle companies were able to enhance their reputation and through reputation management, the organization has influenced its corporate performance. The study found that reputation management enables a company to build positive relationships to deliver business advantage, helps companies to build customers trust thereby increasing sales, a good reputation demonstrably increases corporate worth and provides sustained competitive advantage.

5.4 Recommendations

The current study confirms the mainstream findings on the importance of a firm to be socially responsible. It also gives a consistent positive effect of CSR on the performance of firms. The recommendations will impact on both organization and government policy. They will also support the theories as referenced in the study and give insight to current practice.

5.4.1 Recommendations on Policy Implications

There is need for the management of the motor vehicle firms to consider actively, the application of more CSR practices as one form of gaining competitiveness and therefore improve firm performance. As an organization engages in more CSR activities, the society becomes aware of its presence and will in return align to the firms requirements. Motor vehicle companies should therefore embrace and include CSR programs as a key strategy in their short and long term business agenda. This will help to ensure that CSR is given equal priority.

The government through the relevant ministry will also have to come up with appropriate incentives that will enhance the firms' involvement in CSR activities. Environmental preservation activities which protect the environment impact positively to both the society and external investors.

5.4.2 Recommendations on Theory implications

This research study has confirmed that for an organisation to be competitive, it must have its stakeholders in mind. Companies should continually engage in ethical activities which benefit the community at large.

Edward Freeman (2002) describes stakeholder theory as the mirror image of corporate social responsibility. In this case, motor vehicles firms ought to engage the stakeholders more to enable them perceive value in all CSR activities so as they support the firm's engagement in it. This should be particularly so for the customer who is a key stakeholder for any business enterprise.

The firms should also endeavor to examine the potential value creation of CSR activities and align this value to their overall strategy. This can be done through customer satisfaction surveys since the feedback received from customers helps the organization to understand the needs of the customer and therefore respond to these needs.

5.4.3 Recommendations on Practice implications

The research indicated that motor vehicle companies that have been in existence for many years are practicing more CSR activities. However, some of the companies, especially the newly established ones, are yet to embrace CSR. The study reveals that CSR activities contribute to a great extent to the performance of motor vehicle companies therefore the need for companies to embrace CSR and consider it as part of their business strategy.

Organisations should allocate a good percentage of their overall budget to CSR so as to enable them run variety of activities which in return will help improve reputation thus increased business and support from stakeholders. Stakeholders tend to align themselves closely with organisations that make a difference in their lives.

5.5 Limitations of the study of the study

This study was conducted with a strong presence of firms that are in the motor vehicle industry in Nairobi. It is possible that this exposure contributed significantly to their perceptions on the role of corporate social responsibility activities on firm performance. There is need therefore to also get the views of non-players in the motor vehicle industry, such as the customers. Further, the study used a descriptive research design and there is need to employ various inferential techniques to validate further the results.

This study was also limited by other factors in that some respondents may have been biased or dishonest in their answers. More respondents would have been essential to increase the representation of respondents in this study and allowed for better check of consistency of the information given. However, despite the above limitations, the findings presented in this paper have important policy implications.

5.6 Suggestions for further research

The study centered on ways of improving a firm's performance through pursuing of corporate social responsibility. The research suggests that further investigation on the role of corporate social responsibility and customer loyalty be undertaken.

In addition, other researchers can test other variables to an effective implementation of social responsibility activities and identifying which of the variables have the most significant effect on the performance of a firm. A similar study can be conducted in a different industry relating to other moderating variables such as government policy such as taxation and regulations existing in a country.

5.7 Summary of the Chapter

This chapter concluded that the practice of CSR activities attributed to a great extent to the performance of motor vehicle companies. The reputation of a company was seen to be key since consumers want to align themselves with socially responsible businesses. The study also established the benefits attributable to CSR which included; increase of revenues, improved efficiency and effectiveness of the firms' processes which led to improved internal processes, improved customer satisfaction index and adoption of modern manufacturing process in adapting to the changing business needs. Also covered in the chapter are recommendations which will impact on company and government policy. The results of the study support the stakeholders theory. Organisations will be required to practice more and more CSR activities and integrate CSR into their strategy to remain competitive.

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APPENDICES

Appendix I: Authorization Letter



UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA PROGRAMME

Telephone: 020-2059162
Telegrams: "Varsity", Nairobi
Telex: 22095 Varsity

P.O. Box 30197
Nairobi, Kenya

DATE 22/7/2015

TO WHOM IT MAY CONCERN


The bearer of this letter MARGARET WANJIRU NDUNGU
Registration No. D61/75831/2012

is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate your assistance to enable him/her collect data in your organization.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.


PATRICK NYABUTO
MBA ADMINISTRATOR
SCHOOL OF BUSINESS



Appendix II: Cover letter

Margaret Wanjiru Ndungu

P.O. Box 32807 - 00100

Nairobi.

May, 2015

Dear Respondent,

RE: RESEARCH QUESTIONNAIRE

This questionnaire (attached) is designed to gather information on the corporate social responsibility and performance of the motor vehicle companies in Nairobi, Kenya. This study is being carried out for a management project paper as a requirement in partial fulfillment of the Master of Business Administration, University of Nairobi

Please note that this is strictly an academic exercise towards the attainment of the above purpose. You are hereby assured that the information will be treated with the strictest confidence. Your co-operation will be highly appreciated.

Thank you for your anticipated kind response.

Yours Sincerely,

Margaret Wanjiru Ndungu

Appendix III: Research Questionnaire

PART A: DEMOGRAPHIC AND RESPONDENTS PROFILE

1. Name of the Respondent (optional)
2. Name of your organization.....
3. Length of continuous service with the organization?
 - a) Less than two years [] b) 2-5 years []
 - c) 6- 10 years [] d) Over 10 years []
4. For how long has your organization been in existence?
 - a) Under 5 years [] c) 6-10 years []
 - b) 11-15 years [] d) Over 16 years []

PART B: CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES

5. As an organization do you appreciate the role of corporate social responsibility?

Yes [] No []
6. What is the current annual budget allocated to CSR?
7. The following measures give an indication of the firms’ involvement in CSR activities. In a scale of 1-5 please indicate the extent of the firm’s participation in the following activities.

5) Greater extent; 4) Great extent; 3) Moderate extent; 2) Low extent; 1) Very low extent

	Community activities	5	4	3	2	1
1	The firm has been engaged in charity giving to the community activities					
2	The firm has been engaged in building houses for the communities around our plant					
3	We support volunteer programs in community projects such as management of diseases & medical camps					
4	We support innovative ideas generated by members of the communities and provide necessary finance to completion of the said projects					
5	The firm offers education support to children in the communities where we have operations					

8. Please indicate the extent to which the following diversity practices as a form of corporate social responsibility are in place in your organization;

Key; 5) Strongly Agree; 4) Agree; 3) Moderate extent; 2) Disagree 1) Strongly Disagree

	Employment Diversity	5	4	3	2	1
1	The top Management of the firm are from different backgrounds and experience					
2	The firm employs persons with disabilities and amenities are adjusted to meet their demands					
3	Promotion of employees is based on merit and does not segregate.					
4	Training and development opportunities are fairly distributed across the organisation					
5	The firm has developed work life benefits that cater for all cadres of staff					
6	All positions in the company are usually filled competitively.					

9. The following measures give an indication of the firms' involvement in employee relations activities. In a scale of 1-5 please indicate the extent of the firm's participation in the following activities.

Key; 5) Strongly Agree; 4) Agree; 3) Moderate extent; 2) Disagree 1) Strongly Disagree

	Employee Welfare Programs	5	4	3	2	1
1	The operations of the company puts into consideration the health and safety of the company's employees					
2	The company has put in place what is considered a good retirement package for all employees					
3	Employees are allowed to join a union					
4	A cash sharing plan has been put in place in which the employees benefit from at the end of the year					

10. The following measures give an indication of the firms' involvement on environmental activities. In a scale of 1-5 please indicate the extent of the firm's participation in the following activities.

Key; 5) Strongly Agree; 4) Agree; 3) Moderate extent; 2) Disagree 1) Strongly Disagree

	Environmental Preservation	5	4	3	2	1
1	The firm produces beneficial products and services that are not harmful to the environment					
2	There is little or manageable pollution of the environment					
3	The firm has put in place a process of recycling its used products/waste with the intention of protecting the environment					
4	The firm has put in place a management system that has checks and balances to detect environmental pollutants					

11. Please mark the number that best describes the extent to which your organization product has the following characteristics.

Key; 5) Strongly Agree; 4) Agree; 3) Moderate extent; 2) Disagree 1) Strongly Disagree

	Product Characteristic	5	4	3	2	1
1	Our firms product benefits the economically disadvantaged persons in the society					
2	The firms products are of high quality					
3	The firms budget for R & D has continued to be increased annually in order to develop products that meet the customer needs					
4	The firm observes anti-trust laws.					

PART C: PERFORMANCE MEASUREMENTS

12. A firm’s corporate social responsibility has influence on its performance. Below are some of the performance measures expected to be influenced by CSR activities? Please mark the number that best describes the extent to which your organization performance has been influenced by the pursuance of the CSR activities.

5) Greater extent; 4) Great extent; 3) Moderate extent; 2) Low extent; 1) Very low extent

	Performance Measures	5	4	3	2	1
1	The firms revenue has grown over time due to improvement of asset utilization and investment strategy					
2	There has been improved efficiency and effectiveness of the firms processes which has led to improved internal processes					
3	The firm has improved its customer acquisition, satisfaction process/Customer satisfaction index over time due to being alive to CSR activities					
4	The firm has been adopting modern manufacturing processes in adapting to the changing business environment.					

THANK YOU FOR YOUR TIME

Appendix: IV: LIST OF MOTOR VEHICLE COMPANIES IN NAIROBI COUNTY

	COMPANIES	ADDRESS/LOCATION
1	Cooper Motor Corporation (CMC)	Enterprise/Mombasa Rd
2	Crown Motors Group Limited	Uhuru Highway
3	D. T. Dobie Kenya Ltd	Lusaka Road, Industrial area
4	Foton East Africa	Mombasa Road
5	General Motors East Africa Ltd	Enterprise/Mombasa Road
6	Hyundai (E.A) Holdings	Mombasa Road
7	Marshalls E. A. Ltd	Loita Street, Nairobi
8	Porsche Centre Nairobi Limited	Sameer Business Park, Ms Rd
9	RMA Motors Kenya Limited	Enterprise Road
10	Scania East Africa Limited	Kitui Road, off Kampala Rd
11	Simba Corporation Limited	Mombasa Road
12	Stantech Motors Limited	Shimo La Tewa Road
13	Subaru Kenya	Lusaka Road, Industrial area
14	Tata Africa Holdings	Mombasa Road
15	Toyota East Africa Limited	Uhuru Highway/Lusaka Road

Source: Kenya Motor Industry Association (2015)