MANAGEMENT PERCEPTION OF SOCIAL RESPONSIBILITY AT THE KENYA REVENUE AUTHORITY

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DECLARATION

This research project is my original work and has never been presented in any other University or College for the award of degree or diploma or certificate.

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

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DEDICATION

So many people contributed directly or indirectly to the completion of this course. Without my parents’ support, I would not have oversaw the course. My sincere thanks to them for their encouragement and moral support and thus enabling me to realize my ambition.

I am also grateful to the management of Kenya Revenue Authority for granting me permission to do my study in the authority. More so, I am grateful to the human resources department for facilitating the data collection exercise in the authority. I thank the managers who spent their time to participate in answering the questions during the study and their tight schedule. May God bless them abundantly.

My sincere thanks go to my supervisor, Mr. Jackson Manja, without whose invaluable criticism and advice, this work would not have been a success. I am also grateful to my fellow MBA students and workmates for their inspiration, encouragement, and support during the studying course. I cannot forget to thank other members of my family their untiring love, support, and encouragement.

Above all, I thank my good God, the Lord and Savior, for bringing this far and granting me a true gift of life. He has given me the strength and sustained me all through. May His name be praised forever.
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ABSTRACT

This study sought to answer one question in relation to corporate social responsibility concept. It sought to establish the nature of management’s perception of social responsibility at the Kenya Revenue Authority (KRA). Imbedded in this was how concept of social responsibility is reflected in the authority’s strategic plans. To establish management’s perception of the concept, the respondents were required to indicate their opinions on the extent to which they agree or disagree with arguments for or against the concept. The respondents of the study were drawn from top and middle levels of managements of the authority where social responsibility can be addressed either directly or indirectly.

Concerning the practice social responsibility at KRA and the extent to which is reflected in the plans, it was found that it is reflected to a limited extent in the Authority’s plans. However, it was found that the authority carries out some social activities and has plans to carry out more countrywide.

In relation to management’s perception of the concept, it was found that the authority’s, in general, perceived the arguments in favor of the concept to be more important (valid) than the arguments against it. As far as involvement in socially responsible to its employees (personnel) as well as to the larger society in various social responsibility in the authority was found to be wide.
In conclusion, it was deduced that the perception of KRA’s management to SR is largely positive and that it will be in the long run self-interest of KRA to engage in SR issues.
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The concept of corporate social responsibility (CSR) has gained a substantive focus in the
global economy. The emphasis on the need for more socially responsible firms has
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CHAPTER ONE: INTRODUCTION

1.1 Background

"Humanity does not live on GNP alone. Better a smaller social pie divided equitably among the populace, many ethical observers will say, than a larger one devoted to the vulgate objects of material display. Why seek what William James called the Bitch Goddess of success, if the price of that despoliation of our environment and in the end the non-attainment of happiness and serenity?" (Samuelson, 1980)

The concept of corporate social responsibility (CSR) has gained a substantive focus in the global economy. The emphasis on the need for more socially responsible firms has moved from being the preserve of the Developed Economies to being the concern of both the emerging economies and the developing nations, courtesy of globalization. The significance of CSR was testified by the scheduling of the first international CSR conference in Kuwait in December last year (2004). The conference aimed at addressing the role of private sector companies and enterprises in the societies in which they operate (Stensgaard, 2004).

Corporate Social Responsibility began to emerge as an issue during the late 1800 when large organizations commanded by such captains of industry as Vanderbilt, Rockefeller, and Carnegie arose. However, it is during the great depression, when the stock market crash served as a backdrop for the creation of the Securities and Exchange Commission
and the enactment of additional laws regulating business that the greatest concern for CSR gained momentum (Bartol and Martin, 1991).

Rue and Sutcliffe (1992), came up with three historical phases of the attitude of managers to social responsibility. Phase one was up to 1930s and emphasized the belief that a business manager had but one objective- to maximize profits. From 1930s to early 1960s was phase two which stressed that managers were responsible not only for maximizing profits but also for maintaining an equitable balance amongst the competing responsibilities for customers, employees, suppliers, creditors, and the community. Lastly is phase three which is the dominant phase in modern management contending that managers and organizations should involve themselves in the solution of society’s major problems and that it is the society that gives the organization the charter to exist.

According to the World Bank, corporate citizenship/social responsibility is an approach by which a company recognizes that its activities have a wider impact on the society in which it operates and the society’s development in turn impacts on its ability to pursue its business successfully; actively manages the economic, social, environmental, and human rights impacts of its activities across the world, basing these on principles which reflect international values, reaping benefits both from its own operations and reputation as well as for the communities in which it operates; seeks to achieve these benefits by working closely with other groups and organization, local communities, civil society, other businesses, and home and host governments (Quoted from Gichana, 2004)
The practice of CSR is manifested in three circles: the inner, intermediate, and outer circles. The inner circle includes the clear-cut basic responsibilities for efficient execution of the economic function—products, jobs, and economic growth. The intermediate circle encompasses a responsibility to exercise this economic function with a sensitive awareness of changing social values and priorities, for example with respect to environmental conservation, hiring, and relations with employees…. The outer circle outlines newly emerging and still amorphous responsibilities that business should assume to become more broadly involved in actively improving the social environment (quoted from Carroll, 1979, pg 498 in Krausz and Pava, 1995).

Issues of CSR are numerous and complex and the problems are sometimes contingent on the situation. As a result, SR decision-making is the domain of corporate level management. However, rigid rules of conduct are possible, as each enterprise must decide on its approach in trying to meet its social responsibility. These different approaches will reflect differences in competitive position, industry, country, environmental and ecological pressure and a host of other factors—both situational and differing priorities in the acknowledgement of responsibility.

Perhaps the most complex of the views to company responsibility is the general public/community. Each enterprise tries to assure these outsiders that it attempts to conduct business in a socially responsible manner. Some of the issues for the general public can be sampled as: Place of productive and healthful employment in the community, Participation of enterprise officials in community affairs, Interest in and
support of local government, Support of cultural and charity projects, creative communications between government and business units designed for reciprocal understanding among others.

Perception is the process by which an individual gives meaning to the environment. It involves organizing and interpreting various stimuli into a psychological experience. As a mental process, perception is used to select, organize, and evaluate stimuli from the external environment to mold them into a meaningful experience, influence behavior, and form attitudes. The way a manager sees a situation often has much greater meaning for understanding behavior than does the situation itself. Perceptual processes are relevant for managers as these make them to behave based on how they see the environment and play an important role in the decisions managers make concerning various issues in organizations, among them social responsibility (Steers, 1981; Gibson et al, 1994; and Hersey et al, 1996).

A study conducted by Harris Interactive and the Reputation Institute (1999) found out that making significant contributions for communities, the environment, and society at large would pay dividends when it comes to consumer loyalty, employee satisfaction, and the public opinion of a company's overall image and its products. In other studies (e.g. Cone Ropers, 1999), it has been seen that eight out of ten consumers 'had more positive image of companies who support a cause that they care about' and two thirds of those polled said that they are likely to switch to a brand or a retailer associated with a cause when the price and quality are equal (Arbor, 2001).
The Kenyan economy has in the past experienced enormous pressure to support its people amid growing concerns for productivity and other related hardships. For example, freezing of donor aid, political turbulence, economic restructuring, massive lay offs, corruption etc. Incidences of disease such as HIV/AIDS, Malaria, etc; climatic change; and a host of other conditions have made it difficult for the government to go it alone. This has necessitated the government, in its efforts to improve the welfare, to urge the corporate world to adopt policies that will enhance CSR.

1.1.1 The Kenya Revenue Authority (KRA)

The Kenya Revenue Authority was established on 1st July 1995 by an Act of Parliament. The authority is charged with the responsibility of collecting revenue on behalf of the government. Its board, whose membership is drawn from both the private and public sectors, makes policy decisions to be implemented by the KRA management. The President of Kenya appoints the chairman of the board.

KRA’s mission statement is to promote compliance with Kenya’s tax, trade, and border legislation and regulation by promoting the standards set out in the Tax Payers Charter and responsible enforcement by highly motivated and professional staff thereby maximizing revenue collection at the least cost possible for the socio-economic well being of Kenyans. The sole purpose of KRA is therefore the assessment, collection, administration, and enforcement of laws relating to revenue. Over the recent years since its inception, the body has become of utmost relevance to the government and the
stakeholder publics, hence a lot of attention in its public image. The modern view of corporate social responsibility urges that as enterprise attempts to define its mission, it must incorporate the interests of the outsiders- the general public as it justifies the enterprise’s own existence.

As an organization takes personality of its own, Hall (1972) states that much of behavior in organizations is organizationally based; hence corporate self-concept should be based on management perception of the way others (society) respond to the corporation. However, the key concern would be how an organization like KRA satisfies the societal demands and at the same time achieve the goal of optimizing success in its business. On the other hand, the actions of KRA would have a great impact on our economy. Thus, one would like to do a closer assessment of its mission to establish whether it reflects clearly its social responsibility in terms of programs that would enhance the publics’ (customers, society) responsiveness to the authority.

1.2 Statement of the Problem

Corporations should focus their resources on objectives that are socially desirable even if they are economically less so (Bowen, 1953). This arises from the existence of a myriad of problems associated with rapid population growth and economic development in the emerging economies in which there are political and social issues that exceed the mandate and the capabilities of any corporation. Paradoxically, corporations are the sole organizations with resources, technology, the global reach, and ultimately, the motivation to achieve sustainability (Hart, 1997).
Kenya, an emerging economy, is faced with social, political, and economic difficulties that have seen a rise in poverty, disease, environmental degradation, and so on. Such a situation will increasingly make it difficult for corporations to do business as they are faced with impoverished customers, a degraded environment, and an unraveling society.

CSR entails giving back to community... for profit concern. This is a way of showing gratitude and appreciation of the enabling environment, harmony, and cooperation that has contributed to the success of their business.

The Kenya Revenue Authority, whose core business is to assess, collect, administer, and enforce laws relating to revenue on behalf of the government, sometimes engages in acts that suggest social responsibility to the society. However, one can suggest that the relationship between the authority and the society is "compulsory" given that it has a statutory duty to collect tax and the society has no choice but to comply. The danger is that the authority can use this legitimate power to intimidate the society instead of practicing social responsibility to enhance this "compulsory" relationship.

On the other hand, strategic decision makers in the authority, like in other public enterprises, may not have a consistent understanding of the specific responsibilities to each group of the stakeholders. This scenario is likely to breed haphazard acts of social responsibility in the absence of annual budget, consistent and coherent social responsibility area.
A number of studies done have focused on managers’ attitude(s) towards social responsibility (Kamau, 2001; Kiarie, 1997; Kweyu, 1993). They found a positive attitude existed towards social responsibility by managers. Mulwa (2002) found out that perception of social responsibility on the part of banks influence its preference by customers. However, most of these studies looked at the firms in the private sector whose rationale for existence is profit. It is because of this that they could engage in social responsibility practices (Gichana, 2004) in order to attract more business.

Not many studies have been done to ascertain the perception held toward social responsibility by managers in the public sector. Hence a knowledge gap exists. It is for this reason that this study is focusing on KRA management’s perception of corporate social responsibility to bridge the perceived gap. Public corporations do not manage for profit which, like in the private sector insinuates participation in social responsibility. Management perception of social responsibility would have an impact on the importance to be attached to CSR, for it will determine whether SR programs will be instituted or not, and whether implementation of the same will succeed or not. This study will therefore seek to answer the question:

What is KRA management’s perception toward corporate social responsibility?

1.3 Objective of the study

The objective of this study is to establish the nature of KRA management’s perception toward corporate social responsibility.
1.4 Importance of the Study.

1. The study will provide an impetus to KRA in considering redefining its social responsibility in its mission statement and trigger a more positive perception of social responsibility by strategic managers of the authority.

2. It will offer an opportunity for review of corporate social responsibility practices in both the public and private sectors. It will offer a window for possible amendments and/or adjustments to facilitate more beneficial and prudent participation by organizations and the creation of an enabling environment.

3. The findings of the study will also contribute to the broadening of the knowledge base of the topical issue, and hopefully provide a basis for further research into the area of corporate social responsibility.
2.1 The concept of Corporate Social Responsibility

Over the past three to four decades, corporate social responsibility has been a subject of debate. In as much as it has aroused a lot of interest, it has also been marred with controversy as can be found in the different views held by different scholars over the subject matter. The core belief is that a corporation incurs responsibilities to societies beyond profit maximization. Huge corporations possess the power to control and influence the quality of life of employees, customers, shareholders, and residents of local communities in which they operate. A single corporate decision can irrevocably change the lives of thousands of people. Power necessarily entails responsibility. Managers, in pursuing their primary goal of increasing shareholder value, have social responsibilities beyond meeting the minimal requirement of the law.

Bowen (1953), points out that social responsibility refers to “obligations to pursue those policies to make decisions or to follow those lines of actions which are desirable in terms of objectives and values of society”. This argument presupposes that corporations should focus their resources on objectives that are socially desirable, even if they are economically less so.

Keith (1960), on the same line of thought observe that social responsibility refers to businessmen’s decisions and actions taken for reasons at least partially beyond the firm’s
direct economic or technical interest. Both Bowen and Keith allude to the importance of corporations, paying attention to the social-cost benefit analysis of their actions.

Corporate social responsibility is concerned with the ways in which organizations exceed the minimum obligations to stakeholders specified through regulation and corporate governance. This includes considerations as to how the conflicting demands of different stakeholders can be reconciled (Johnson and Scholes, 2002). They further argue that since the legal and regulatory frameworks pay uneven attention to the rights of different stakeholders, it is useful to distinguish between contractual stakeholders such as customers, suppliers, and employees, who have a legal relationship with an organization; and community stakeholders such as local communities, consumer and pressure groups, who do not have protection of the law to the extent of the first group. They thus recognize that corporate social responsibility policies of companies will be important to the community stakeholders in particular.

Steiner (1975), offers an interesting understanding of CSR. He observes that at any one time in any society, there is a set of generally accepted relationships, obligations, and duties between the major institutions and the people—termed as ‘social contract’ by philosophers and political theorists. This argument is indicative of an assumption that on the concept of social responsibility, there exists a theory about the social role of corporations in the modern society. Then, the theory would not only explain the interest of the public, but would also advocate for the monitoring of firms in line with the value judgment upon which the theory may be said to be founded.
Reidenbach and Robin (1987), argue that the interest of the community in the behavior of firms is expressed at the local and national levels. At the local level, local authorities and bodies in both direct and indirect socio-economic impact of the activities of the corporations express this interest. At the national level, the interest is manifested in the concern of the government in many aspects of corporate activities such as economic well-being, contribution to welfare, participation in economic growth and so on.

In Kenya, the law has provided an embodiment and expression of this value judgment, for instance employment of women, young persons and children Act (Cap 227) and the workmen’s compensation Act (Cap 236) to say the least. However, the concept of CSR goes beyond notions embodied in the current law. Johnson and Scholes (2002), capture this well by listing CSR aspects recognizing them as either internal or external to the organization(s).

Internal aspects include employees’ welfare, working conditions, job designs, intellectual property etc; while external aspects include green issues, products, markets and marketing, suppliers, community activity etc. The aspects could either be philanthropic, which are purely voluntary; and those that are induced by government incentives, market conditions or public pressure. Advocates for increased participation in corporate social responsibility emphasize an increased involvement (by companies) in philanthropy in areas of education, employment and training of poor classes, and provision of direct financial or personal support to charity. The non-philanthropic activities are increasingly
being perceived as either direct or indirect business costs and not as social responsibility activities and to this extent they reflect the traditional functions of the firm.

2.2 Perspectives of Social Responsibility

Two opposing views have been castigated by scholars. This is based on their perception of the objectives of the firms. The first one is that championed by Adam Smith (1776), who vehemently opposed contributions made by firms to the society. The second one is that purported by Davis (1960) and Steiner (1953), which hold that managers are committed to various social responsibilities and would use their discretionally powers accordingly. Therefore, two major perspectives of CSR are held by its proponents and opponents (for and against CSR).

Proponents of CSR argue that social responsibility has the effect of prolonging an organization’s lifetime particularly when compounded by strong support by the public. Being socially responsible ensures popularity with the local community, which is a source of a firm’s market and labor forces (Bashaijah, 1977). The general public would like to be associated with responsible organizations, that is, those whose activities do not negatively affect them. Such corporations will go an extra mile to address any issues that are likely to jeopardize the welfare of those concerned. The society gives business the charter to exist and organizations would engage in social responsibility issues to prevent problems that may affect them in the future. Social responsibility can therefore increase the profitability of the organization as well as business opportunities.
Social power is a concept that cannot be overlooked in its contribution to ensuring that organizations behave responsibly. Davis (1974), calls it an “iron law” of responsibility, which states that in the long run, those who do not use power in a manner that society considers responsible will ten to lose it.

Some scholars (Preston, 1978; Anderson and Frankle, 1980; and Bowman, 1978) observe that social responsibility could improve the value of the firm. The corporations that report their activities have experienced increased share value as opposed to those firms that do not engage in social disclosure. The scholars have also shown existence of a positive correlation between social disclosure and economic performance. They further show that an efficient market can detect those giving misleading reports, and discriminate those firms that engage in social responsibility and those that do not.

Other scholars e.g. Bateman et al (1998), argue that social responsibility has a long term advantage for organizations for instance, organizations can improve their image and avoid unnecessary and costly regulation if they are perceived as socially responsible. The society’s problems can offer business opportunities, and profits can be made from systematic and vigorous efforts to solve problems. They conclude that it pays to be good.

On the other hand, there are those who hold a different perspective with regard to CSR of organizations- the opponents of CSR. The classical economists are the major advocates against social responsibility led in chief by Smith (1776), who believed that any social benefits accruing to production are unintended by products of men’s search for private
gain. Smith advocated for ‘Laissez-faire’, which holds that the businessman has no
formal social obligations to the public, he serves society best when he tends to his own
affairs without giving much thought to social problems and that there is an ‘invisible
hand’ regulating business dealings in the market.

However, due to imperfections in the assumed competitive market dynamism, it does not
guarantee protection to every participant and as such there is need for specific regulation
to ensure fairness to all in the open system. It is thus imperative that corporations strive to
achieve a dynamic equilibrium with environmental demands so as to achieve stability for
survival and growth.

The social responsibility of business is to increase profits. According to the economist
Friedman (1990), organizations may help in improving the quality of life so long as such
actions are aimed at increasing profits. These sentiments are also true with Drucker
(1986), who insists that if business uses its resources in other social problems, it means
that its profits will decrease and less returns given to the shareholders. He views
corporate social responsibility as being costly.

In other arguments (Journal of General Management, July 1998), some executives
perceive social responsibility as being costly; they argue that such cost will eventually be
passed on to the society by way of hiked prices. They further argue that if pursuance of
social goals is done alongside economic ones, confusion and ineffectiveness may result
due to division of interest. They see the singular pursuit of profits as enabling the firm to reduce costs and prices to the benefit of the society.

2.3 Corporate Social Responsibility Practices

A firm struggles to determine the orientation reflected in its mission statement. However, public debate and business concern have led to a jelling of perspectives (Pearce and Robinson, 2002). The perspectives are summarized in Sawyer (1979), who outlined guidelines for a socially responsible firm, consistent with the claimant approach. They include: that the purpose of the business is to make a profit; its managers should strive for the optimal profit that can be achieved over the long run. No true profits can be claimed until business costs are paid. These include social costs, as determined by detailed analysis of the social balance between the firm and the society.

Sawyer (1979), points out that if there are social costs in areas where no objective standards for correction yet exist, managers should generate corrective standards. These standards should be based on managers’ judgment of what ought to exist and should simultaneously encourage individual involvement of firm members in developing necessary social standards. He further notes that where competitive pressure of economic necessity precludes socially responsible action, the business should recognize that its operation is depleting social capital and therefore represents a loss. It should attempt to restore profitable operation through either better management if the problem is internal or by advocating corrective legislation if society is suffering as a result of the way that the rules for business competition have been made.
It is worthwhile to note that areas of participation/practice in corporate social responsibility are broad. However, Pearce and Robinson (2002), indicate that different approaches undertaken by organizations will reflect differences in competitive position, industry, country, environmental and ecological pressure, and a host of other factors. In other words, they will reflect both situational and differing priorities in acknowledgement of claims. This view is also held by Sawyer (1979), who argues that each business must decide on its approach in trying to meet its perceived social responsibility.

The inclusion of social audits in reporting has highlighted the increasing recognition and need for more socially responsible actions by organizations. Some organizations have tried to assure outsiders that they attempt to conduct business in a socially responsible manner. Their philosophy(ies) is/are based on the premise that their performance objectives can be achieved in a manner that is responsive to the needs of their peoples—shareholders, customers, suppliers, and the general public among others. The selection of highly skilled and motivated workforce is essential. The work environment must be safe, healthy, and provide ample opportunity for improvement. The needs of the communities in which the firms have presence must also be addressed (Pearce and Robinson, 2002). The firms have (in their social audit) outlined their performance in health and safety, charitable giving minority employment and pensions.

2.4 Actions Necessary to Implement Social Responsibility

According to Rue (1992), the biggest obstacle to organizations assuming more social responsibility is pressure by financial analysts and stockbrokers. They push for steady
increases in earnings per share on quarterly basis. Concern about immediate profits makes it difficult to invest in areas that cannot be accurately measured and still have returns that are long run in nature. Furthermore, pressure from short term earnings affects corporate social behavior; most companies are geared to short term profit goals.

Rue adds that budgets, objectives, and performance evaluation are often based on short run considerations. Managers who state the willingness to lose short-term profits to achieve short-term objectives- who sacrifice profit and seek to justify these actions on the basis of corporate social goals may find stockholders unsympathetic.

According to Gantt (1989), for organizations to implement social responsibility, some actions are necessary. First, organizations should carefully examine their cherished values- short-term profits and others to ensure that these concepts are in tune with the values held by society. This should be a constant process because the values held by society are ever changing. Second, organizations should also re-evaluate their long-range planning and decision-making processes to ensure that they full understand the potential social consequences. Plant location decisions are no longer merely economic matters. Environmental impact and job opportunities for the disadvantaged are examples of other factors. Third, organizations should seek to aid both governmental agencies and voluntary agencies in their social efforts. This should include technical and managerial help as well as monetary support. Technological knowledge, organizational skills, and managerial competence can all be applied to solving social problems. Finally, organizations should look at ways to help solve social problems through their own
businesses. Many social problems stem from economic deprivation of fairly large segments of our society. Attacking this could be the greatest social effort of organizations.

Porter (1980), points out that the best companies take their social responsibility seriously. This is because they know that a socially responsible business is more competitive, fast moving, and stronger business. Social responsibility is crucial to winning that trust and thereby keeping good people and winning more business.

Scott (1994), on his part observes that businesses are increasingly experiencing pressure from the society to be socially responsible. This is due to the facts that society has become more enlightened i.e. more educated society is more aware of its problems, rights, and the role a business can play in social welfare; and society’s problems have become more alarming i.e. the society is impatient and feels that something must be done. Therefore, more than ever before, businesses cannot be expected to just sit and wait. They must also play a role in helping to combat these problems.

2.5 Corporate Social Responsibility Planning and Operation

An organization should assess its strengths and weaknesses in readiness for determination of its action on social responsibility. This requires an assessment of its own resources against industry requirements as indicative on its ability to fulfill its responsibility. Since organizations are environment serving, such policies should be formulated, evaluated, and changed to achieve a dynamic equilibrium. It thus follows that management needs to
evaluate the opportunities it can exploit in its discharge of social responsibilities as well as the threats it may experience in regard to other forces (McMurry, 1963).

2.6 Incorporating CSR in the Company Mission

Questions of social responsibility are perhaps the thorniest of all issues faced in defining a company mission. In defining or redefining the company mission, strategic managers must recognize and acknowledge the legitimate responsibilities to all the stakeholders. The stakeholders view approach offers the clearest perspective on the problem. Thus, appropriate stakeholder mapping is paramount. These include among others: investors, employees, customers, suppliers, governments, unions, competitors, local communities and the general public. Generalizing, stockholders want appropriate returns on investment; employees want job satisfaction; customers want value for their money; suppliers seek dependable buyers; governments want adherence to legislation; unions seek benefits for members in proportion to contributions to company success; competitors want fair competition; local communities want companies to be responsible citizens; and the general public seeks improvement in the quality of life from the firms’ existence.

There is always a conflict in interest amongst the major stakeholders, which the organization must seek to strike an amicable balance amid its efforts to achieve its performance objectives. The major groups are insiders and outsiders. Broadly stated, outsiders often demand that any responsibility to insiders be subordinated to the greater good of the society, that is, to the greatest good of the outsiders. They believe such issues
as elimination of solid and liquid wastes, pollution, and conservation of natural resources should be the principal considerations in strategic decision-making.

On the other hand, broadly stated, insiders tend to believe that the competing responsibilities to be the outsiders should be balanced against each other in a way that protects the company mission. For example, the consumers’ need for a product must be balanced against the water pollution resulting from production if the company cannot totally afford to eliminate the pollution and remain profitable. Further, some insiders argue that the society, as activated by government regulation, should provide tax money that is more than sufficient to eliminate unwanted business by-products such as pollution if this is truly the wish of the general public.

Thus an organization’s self concept should be incorporated in the mission and communicated to both insiders and outsiders (Kelly, 1992). However, when an organization like KRA attempts to define its mission to incorporate the interests of these groups, broad generalizations are insufficient. Four steps need to be taken to avert this insufficiency.

First is identification of stakeholders where obviously though, every business faces slightly different set of stakeholders who vary in number, size, influence, and importance. In defining a mission, strategic managers must identify all groups and weigh their relative ability to affect the firm’s success.
Second is understanding of specific claims vis-à-vis the company. Strategic decision makers should understand each and every group’s specific demands. It is only then they will be better able to both appreciate these concerns and initiate clearly defined actions.

Third is reconciling of claims and assigning them priorities. Unfortunately, the concerns of various groups often conflict. For example, the responsibility for government and general public tend to limit profitability, which is the central concern of most creditors and stockholders. Thus, this should be reconciled. To achieve a unified approach, managers must define a mission that resolves the competing, conflicting, and contradicting responsibilities. For objectives and strategies to be consistent and precisely focused, mission statements must display a single-minded, though multidimensional approach to business aims.

Finally, coordination of responsibilities with other elements of the mission should be undertaken. Demands of groups for responsible action by a company constitute only one set of inputs to the mission. Managerial operating philosophies and determination of the product-market offering are the other principal components considered. The latter factors essentially pose a reality test that the accepted demands must pass. The key question is; how can the company satisfy all responsibilities and simultaneously optimize its success in the market place?

As part of its social responsibility, KRA engages in some activities that would portray its corporate citizenship. For instance, its peer educators took part in World AIDS Day on 1st
October 2003 with an exhibition of healthy foods, condoms, literature on HIV/AIDS, and a visit to Mwikasa Home in Kasarani; donated 200 packets of milk to Kibera Community Self Help (KICOSHEP) children’s home on 19th December 2003; donated KShs.150,000 to ICPAK for Silver Jubilee Celebrations in 2004; took part in Freedom from Hunger Walk in 2004; its team visited St Nicholas Children’s Home in Karen and donated KShs. 50,000; conducted an HIV/AIDS awareness seminar at Kisumu in 2002; and it joined other sectors by putting a stand at KICC where its peer counselors distributed and gave advice on proper use of condoms. Though this would seem to portray KRA as a socially responsible organization, the authority’s management’s perception to the comprehensive aspects of CSR determines the scope of participation.

2.7 Aspects of CSR

The social responsibility spectrum is wide and open and as such cannot be stated in an absolutely way. However, some scholars (e.g Johnson and Scholes, 2002), have offered some insights into areas of concern. They have examined two aspects which, in the practice of CSR by organization cater for the two major categories of stakeholders. That is, the internal and external aspects of CSR.

On the one hand, internal aspects concern insiders, i.e. individuals and groups who are either stockholders or employees of the firm. The aspects include among others, employee welfare which relates to provision of medical care, assistance with mortgages, extended sick leave, assistance for dependants, etc; working conditions which relate to enhancement of working surroundings, social and sporting clubs, above minimum safety
standards, etc; job design i.e. designing jobs to the increased satisfaction of workers than for economic efficiency; intellectual property i.e. respecting and not claiming corporate ownership of the private knowledge of individuals, etc; largest possible returns i.e. dividends and increase share/stock value, etc.

On the other hand, external aspects concern outsiders i.e. all other individuals or groups affected by the actions of the firm. This extremely large and often amorphous set of stakeholders makes the general demand that the company be socially responsible. The aspects will include among other, the green issues i.e. reducing pollution to below legal standards if competitors are not doing so; products i.e. danger arising from the careless use of products by consumers and quality of the products; markets and marketing i.e. deciding not to sell in some markets; advertising standards; suppliers i.e. fair terms trade, blacklisting suppliers; employment i.e. positive discrimination in favor of minorities, maintaining jobs, etc.

2.8 Approaches to Social Responsibility

Three main approaches have been suggested for corporations in instituting social ethics. These are the adaptive mode, the proactive mode, and the interactive mode.

The adaptive mode entails a corporation adapting a ‘low profile’ strategy in its social responsibility practices. An active role in social responsibility is avoided, and instead, the firm normally adapts in cases where it has no power over the demanding factor. This
approach is criticized for not being conclusively related to social responsibility as the firm is just complying with the law and no more.

The proactive mode entails a firm initiating the activity after an analysis of its environment to identify opportunities to be exploited. The society will perceive the firm as undertaking social responsibility. However, in the long run, it is the firm which benefits and not the society. This is because the activities undertaken are weighed in favor of the firm’s benefit and thus critics view this approach as a ‘selfish’ approach.

Lastly is the interactive mode, which leads to both the society and the firm to benefit. The firm interacts with its environment as much as possible in social activities for purposes of mutual gain. This approach requires an inherent understanding of the social fabric. The approach is thus viewed as a ‘bargaining response’ because the corporation bargains with the groups demanding social responsiveness.

2.9 Social Responsibility Response Strategies

Response to social responsibility by corporations can be categorized into three stages: the Token Behavior stage, Attitude change stage, and Substantive change stage.

The Token Behavior stage involves management undertaking a limited concern for society as a commitment towards social responsibility. This may be in the form of speech, handouts from headquarters as bonuses, and so on.
The Attitude change stage involves management appointing a staff executive responsible to the Head of Corporate Social Responsibility activities. This stage is characterized by an attitude that is pro-social action though expenditure incurred is minimal. Nevertheless, this stage can lead to organization expansion and potential for conflict within management due to a clash in perception.

Finally, the Substantive change stage involves management embracing on structural and behavioral changes to implement social responsibility actions. This may involve setting up task forces, committees, special departments, executive to handle social issues and others. There is increased commitment on the part of management, labor is more specialized, and there is a more meaningful representation within the labor force. This stage has a high expenditure and thus likely to induce conflict among decision makers.

2.10 The Kenya Revenue Authority’s Role in the Economy.

The KRA’s role in the economy is one that is played as stipulated in the Act of Parliament that created it. Its roles of assessment, collection, administration, and enforcement of laws relating to revenue and the economic agenda that they articulate could be specifically outlined as:

Administering and enforcing written laws or specified provisions of written laws pertaining to assessment, collection, and accounting for all revenues in accordance with these laws; advising on matters pertaining to the administration and/or the collection of revenue under written laws; enhancing efficiency and effectiveness of tax administration by eliminating bureaucracy in procurement,
promotion, training and discipline; eliminating tax evasion by simplifying and streamlining procedures and improving tax payers’ service and education thereby increasing the rate of compliance; and promoting professionalism and eradicating corruption amongst KRA employees by paying adequate salaries that enable the institution to attract and retain competent professionals with high rating of integrity and sound ethical morals.

Other roles played by KRA include restoring economic independence and sovereign pride of Kenya by eventually eliminating the perennial budget deficits through the creation of organizational structures that maximize revenue collection; ensuring protection of local industries and facilitating economic growth through effective administration of tax laws relating to trade; ensuring effective allocation of scarce resources in the economy by effectively enforcing tax policies thereby sending the desired incentives and shift signals throughout the country; facilitating distribution of income in socially acceptable ways by effectively enforcing tax laws affecting income in various ways; facilitating economic stability and moderating cyclic fluctuations in the economy by providing effective tax administration as an implementation instrument of the fiscal and stabilization policies; and finally acting as a “watchdog” for the government agencies e.g. ministries by controlling exit and entry points to the country to ensure that prohibited and illegal goods do not pass through Kenyan borders.
CHAPTER THREE: RESEARCH METHODOLOGY

3.1. Research Design

This study was conducted through a case study design. It involved an in-depth investigation of KRA management's perception of social responsibility. This design has been used in other strategic management studies and has proved successful (Koske, 2003; Muthuiya, 2004).

KRA’s role in the Kenyan economy is pivotal because its operations transcend all spheres of the economy. Its stakeholders are diverse and thus presented a good case for study on the ever-contentious issue: Corporate Social Responsibility.

3.2. Data Collection Method

The study used primary data that was collected by way of structured questionnaire consisting of closed-ended and open-ended questions. The questionnaire was administered by mail “drop and pick”. The respondents were required to score on the various arguments for and against the concept of Social Responsibility on the Likert Scale and provide answers to open-ended questions by writing on the spaces provided. The respondents of this study were the top level and middle level managers who hold key decision making positions.
3.3. Data Analysis

Because the study sought to solicit data that is qualitative in nature, the concept of social responsibility was operationalized into various components in terms of arguments for and against social responsibility. The data obtained was analyzed by way of both content analysis and use of statistical tools of analysis (frequencies and percentages) and then presented on tables.
CHAPTER FOUR: RESEARCH FINDINGS AND DISCUSSIONS

4.1 Introduction
The Kenya Revenue Authority management provided the data that was analyzed. The Authority was formed as a corporate body by an Act of Parliament in July 1995 for the assessment and collection of revenue, for the administration and enforcement of the laws relating to revenue, and to provide for the connected purposes. As an agency of the government therefore, KRA profoundly influences the lives of all Kenyans: the social and economic well-being of the families and communities, the health and prosperity of the business, and the affordability and sustainability of the social programs. The Authority acknowledges this and makes societal aspirations and needs central in its operations.

The study intended to achieve the objective of establishing the nature of management perception of social responsibility at KRA. Corporate Social Responsibility decisions are made at corporate level. Therefore, most of the respondents were drawn from the top management level with the rest coming from the middle level of management. Thirty respondents were picked on the basis of the roles they play in the Authority using the Authority’s organizational chart as the guiding tool.

The organizational framework of the Authority reflects the activities that the Authority undertakes within its mandates and the style of management adopted for effective service delivery. In terms of organizational structure, the Authority’s functions are divided into five main categories namely: four revenue collection departments (customs and excise, income tax, value added tax, and road transport) and the headquarters. The headquarters
provide common administrative service to the revenue departments. It also facilitates performance enhancement in revenue collection by creating and sustaining dynamic structures that maximize revenue collection and quality service delivery. It mainly comprises of eleven departments namely: Public Relations, Legal Affairs, Research and Corporate Planning, Investigations, Revenue Protection Services, Internal Audit, Human Resources and Administration, Finance, Management Information Service, Tax Programs, and the Large Taxpayer Office.

The respondents who provided the data that was analyzed comprised of the Commissioners, Senior Deputy Commissioners, Deputy Commissioners, and Senior Assistant Commissioners. This section covers analysis of the research findings and discussions using frequencies and percentages, and presents them in form of frequency tables. The analysis involved content and descriptive modes of analysis. Content analysis was used to analyze qualitative data on the practice of social responsibility while descriptive analysis was used to analyze quantitative data on management’s perception of social responsibility at KRA. Arguments for and against social responsibility were generated and respondents were required to score on a Likert Scale depending on the extent to which they perceive a particular argument important or unimportant by agreeing or disagreeing with it.

4.2 The Practice of Social Responsibility at KRA

Social Responsibility refers to obligations to pursue those policies to make decisions or to follow those lines of actions which are desirable in terms of objectives and values of society. It is organizational managers’ decisions and actions taken for reasons at least
partially beyond the firm’s direct economic or technical interest. It is therefore concerned with the ways in which organizations exceed the minimum obligations to stakeholders specified through regulation and corporate governance. This includes considerations as to how the conflicting demands of different stakeholders can be reconciled (Bowen, 1953; Keith, 1960; and Johnson and Scholes, 2002). In achieving the research objective of establishing the nature of management perception of social responsibility at KRA, the researcher first sought to establish how social responsibility is reflected in KRA’s strategic planning and the Authority’s involvement in social issues. Data on this aspect was majorly qualitative as respondents were required to provide answers to open-ended questions that did not restrict them.

It was established that social responsibility is scantly reflected in KRA’s strategic planning. There is no explicit and exhaustive statement on what the Authority intends to do as far as social responsibility is concerned. Instead, there exist vague statement that do not detail on courses of action to be pursued. KRA is a public corporation and its obligation to the public is to a greater extent statutory. Though no formally reflected, the study established that the Authority recognizes and appreciates social responsibility. It was established that the Public Affairs department has embarked on a venture to establish social responsibility programs and/or policy guidelines to the extent of having budgetary allocations for the same.

The Times Tower Bulleting (August 2005) reports that KRA engages and undertakes some social responsibility activities and intends to undertake more of these activities. For
instance, KRA gets involved in charity/community development projects and providing internal benefits to its employees. Such benefits include house allowance, transport allowance, medical scheme, car loans, mortgage loans, training, housing, bonuses, education benefits, and good package emoluments among others.

4.3.1 Introduction

On HIV/AIDS, the authority has peer counseling groups and involves the staff to be part of it and for easier enlightenment, holds frequent awareness seminars for the staffs where people who are directly or indirectly affected speak to them, donates money and other materials to the affected in society, engages in collaborative initiatives with other organizations, has launched an initiative to conduct free medical clinics all over the country in October 2005, sensitizes the public on the effects of the pandemic countrywide through awareness campaigns, offers training to peer educators on the scourge, irregularly supplies condoms and ARVs, does not discriminate based on one’s status, and offers medical support for the affected among others.

The Authority’s Board of directors, according to the bulletin, approved a management’s proposal to form a Tax Payer’s Services Division. The division, which will work closely with Revenue Departments and Regions, will develop an integrated, customized and high quality taxpayer education and service programme for implementation by KRA. The bulletin also reports that KRA is to offer free medical clinics countrywide in October 2005. This, the bulletin continues, is attributed to the high levels of poverty in the country such that 56% of Kenyans who are poor cannot afford the cost sharing in the government health facilities. The Authority believes in adding value to communities in which it
operates and is therefore committed to developing structures that will make social
responsibility a permanent aspect of its core business.

4.3 Management Perception of Social Responsibility at KRA

4.3.1 Introduction

Perception is the process by which an individual gives meaning to the environment. It
influences behavior and leads to the formation of attitudes. The way a manager sees a
situation often has much greater meaning for understanding behavior than does the
situation itself. Perceptual processes play an important role in the decisions managers
make concerning various issues in organizations, among them social responsibility.

To indicate KRA management's perception of social responsibility, the concept of social
responsibility was operationalized in terms of arguments for and against social
responsibility and proportions of respondents agreeing or disagreeing with a particular
argument in favor of the concept were computed and are presented tables. The perception
index for each argument was then calculated by subtracting from each perception
statement (argument), the percentage of respondents who agreed with the argument from
the percentage of those who disagreed with the argument. The proportion of respondents
who could neither agree nor disagree with a statement was ignored for the purpose of this
calculation. Positive perception would be indicated when the perception index for a
particular argument is positive for argument for social responsibility and when its
negative for arguments against social responsibility.
4.3.2 Management perception of Arguments For Social Responsibility

The arguments that were considered by the study are those commonly recited in favor of social responsibility. Therefore, the arguments that could apply to KRA were the only ones that were considered. The findings were interpreted and discussed in the light of the literature review and the possible expectations. The arguments include:

a) It is KRA’s long run self-interest to get directly involved in social issues

The argument draws from the proactive mode of approach to social responsibility in which a firm initiates social responsibility activities in order for the society to perceive it as understanding social responsibility while in the long-run, it is the firm which benefits and not the society. It thus implies that if KRA gets involved in social issues, it is for its self-interest and not the society’s. Table 1(a) presents the findings below.

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
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<td>43.3</td>
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Table 1(a): Perception index = 86.7

Results show that in general, of the 30 respondents involved in the study, only one (3.3%) disagreed with the argument while 27 (90%) agreed with the argument. Two respondents (6.7%) could neither agree nor disagree with the argument. Its perception index is 86.7 implying a positive perception of the argument. This echoes the claim by Bateman et al (1998) that social responsibility has a long-term advantage for organizations. They
conclude that it pays to be good. It has the effect of prolonging an organization’s lifetime particularly when compounded by strong support from the public. KRA being a public corporation, one would expect it to be concerned with its mandated obligations and care little for its long-term self-interest given that it would continue existing so long as the government and the people exist.

b) Society expects more from KRA over and above efficient delivery of service

One of the assertions in KRA’s Corporate Plan (2003/2004-2005/2006 is to enhance quality service delivery to all stakeholders especially taxpayer, staff, and the government. As one of its strategic goals, the Authority recognizes the fact that its stakeholders require quality service delivery. But is it the Authority’s absolute aspiration or it is aware that society requires more than this? The findings are as shown below.

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
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<tr>
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<tr>
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<tr>
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<td>46.7</td>
</tr>
<tr>
<td>Total</td>
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</tbody>
</table>

Table 1(b): Perception index = 76.7

The results show that in general, 10% of the respondents (3) disagreed with the argument while 86.7% of them (26) agreed with the argument. One respondent (3.3%) could neither agree or disagree with the argument. Its perception index is 76.7 meaning that generally, KRA’s management would not only endeavor to achieve efficient service delivery but would also go an extra mile to address other issues. The results are in line
with an argument by Bashaijah (1977) that organizations will go an extra mile to address any issues that are likely to jeopardize the welfare of those concerned. This is against the popularized notion that efficient delivery of quality service could accord an organization sustainable profitability while in fact more in expected of it by the society for such sustainability to be realized.

c) KRA could capture a favorable public image by being socially responsible

KRA states in its Corporate Plan that owing to both domestic and global competitive challenges facing many organizations, it can no longer ignore the different dynamics that affect its operations and prominent among them is the relationship between the organization and the public. The Authority's Public Relations Department is charged with the responsibility of building a positive image for the Authority. Whether the management achieves this partially through social responsibility was the concern of the study and the findings were as follows.

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<tr>
<th></th>
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</table>

Table 1(c): Perception index = 86.6

The results show that, in general, two respondents (6.7%) disagreed with the argument while the rest 28 (93.3%) agreed with the argument. Its perception index is 86.6. how KRA shows that it is socially responsible is debatable. However, its endeavor to identify, establish, and maintain mutually beneficial relationships between it and the public on
whom its success or failure depends; build and maintain effective communication channels between the management and the internal and external publics; and conduct taxpayer education among others are geared towards building a positive corporate image.

The results reflect an observation by Preston (1978), Anderson and Frankle (1980), and Bowman (1978) that there exits a positive correlation between social disclosure and economic performance. The results are also in line with the argument that society gives organizations a charter to exist and they would engage in social responsibility issues to prevent problems that may affect the in the future (preserve heir corporate public image).

It would be expected that since KRA is a public corporation, its public image matters less to its success because it is not managing for profit. However, there is much it could gain by enhancing a positive public image.

d) KRA will discourage additional regulation of the economic system by the government if it is socially more responsible

Besides the revenue collection and quality service delivery, KRA sets to assist the government in achieving the broader objectives of reducing poverty in the country, enhancing investment in the country, enhancing reduction of tax burden on Kenyans, improve tax fairness in the tax system, and enhancing service quality to both taxpayer and staff among others. It is on this basis that the study intended to establish whether KRA's involvement in social responsibility would be detrimental to the government's regulation of the economic system. Table 1(d) presents findings of the study.
The results show that, in general, 60% of the respondents (18) disagreed with the argument while 23% of them (7) agreed with it. 16.7% of the respondents could neither agree nor disagree with the argument and its perception index is -36.7 implying that KRA’s involvement in social responsibility would not in any way have impact in the government’s regulatory mechanisms.

**e) Other social institutions have failed in solving social problems, so KRA should try**

Social institutions exist for the service of society. However, their capacity to contain societal demands is inadequate. Whether it is failure on their side or not is debatable. The study intended to establish whether KRA could perceive this as one of the drivers to get it involved in social responsibility. The findings of the study are presented in Table 1(e).
Generally, the results show that 26.7% of the respondents (8) disagreed with the argument while 53.4% of them (16) agreed with the argument. 20% of the respondents could neither agree nor disagree with it. Its perception index is 26.7 implying that a fairly large proportion of the respondents agree that social institutions have failed and it is high time gets involved in solving social problems. It is expected that KRA will work with these institutions to solve the society’s economic problems.

KRA has a substantial share of society’s management and financial resources so it should be expected to solve social problems

Some of KRA’s strengths are well-qualified and experienced board, management and staff and monopoly in tax collection. It recognizes the human resource base as its most valuable asset. Consequently, management and staff development would be important for the realization of the corporate objectives. It also retains 1.5% of collected revenue, which is its main source of income. The study findings are presented in Table 1(f) on how KRA management perceives this argument.

<table>
<thead>
<tr>
<th>Perception</th>
<th>Frequency</th>
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<th>Valid Percent</th>
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</table>

Table 1(f): Perception index = -30.1

The findings reveal that, in general, 56.7% of the respondents (18) disagreed with the argument while 26.6% of them (8) agreed with the argument. 16.7% of the respondents
could neither agree nor disagree with it. Its perception index is \(-30.1\) implying a negative perception of this aspect by the management. While Scott (1994) points out that society has become more enlightened hence aware of its problems, rights, and the role an organization can play in social welfare, the results contrasted with this view. It could be expected that KRA would use its resources to play a more significant role in helping combat society’s problems.

g) KRA’s involvement in improving the quality of life will also improve long run profitability

KRA’s vision of becoming a leading Revenue Authority respected for professionalism, integrity, and fairness describes its version of long run profitability. Its stated commitment to quality service delivery to all stakeholders the effort to help the government reduce poverty and tax burden on Kenyans among other things define its involvement in improving the quality of life. Whether the Authority social responsibility on these lines is a question of its legal mandate. The study intended to establish management’s perception on whether all these are intended to improve KRA’s long run profitability. The results are as shown in table 1(g).

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<th>Frequency</th>
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<td>Total</td>
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Table 1(g): Perception index = 63.4
Results show that, in general, 13.3% of the respondents (4) disagreed with the argument while 76.7% agreed with it. 10% of them could neither agree nor disagree. Its perception index is 63.4 implying that KRA is involved in social responsibility so as to improve its long run profitability. Advocates for increased participation in social responsibility by organizations emphasize an increased involvement in philanthropy in areas of education, employment and training of poor classes; and provision of direct financial or personal support to charity. It could then be expected that KRA should broaden is social responsibility to this extent if these findings are worthy to go by.

h) Responsible corporate behavior can be in the best interest of stakeholders

In its Corporate Plan (2003/2004-2005/2006), KRA has made reference to the taxpayer, the government, and the general public as its stakeholders. Incorporating social responsibility in its mission statement would mean that it recognizes and acknowledges the legitimate responsibilities to all the stakeholders. Responsible corporate behavior means taking care of all stakeholders’ interests and findings of the study are presented in Table 1(h).

<table>
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Table 1(h): Perception index = 86.7
Results of the study reveal that, in general, one respondent (3.3%) disagreed with the argument while 27 of them (90%) agreed with the argument. Two of them (6.7%) could neither agree nor disagree with the argument. Its perception index is 86.7 implying that a great proportion of respondents perceive this argument as important. What becomes paramount in this aspect is the identification of stakeholders, understanding their specific demands, reconciling their claims, and coordinating responsibilities with other elements of the mission. It could be expected that responsible corporate behavior stretches further than what the law requires of KRA.

i) It is better to start now and prevent further social problems

The argument is based on a calling to be proactive and operate on the sayings that “prevention is better than cure” and “a stitch in time saves nine”. The intended to establish KRA management’s perception of the argument with respect to social responsibility and findings of the study are presented below.

<table>
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<tr>
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<td>Disagree</td>
<td>5</td>
<td>16.7</td>
<td>16.7</td>
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<tr>
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<td>16.7</td>
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</table>

Table 1(i): Perception index = 9.9

Generally, the results show that 36.7% disagreed with the argument while 46.6% disagreed with it. 16.7% could neither agree nor disagree with the argument. Its perception index positive (9.9) however low. It implies that though the perception is...
generally positive, a considerable proportion of the respondents disagreed with the argument. This is against the majority expectation that efforts to initiate social responsibility programs earlier enough would eventually and drastically reduce social problems in future.

j) Corporate social action programs will help preserve KRA's integrity as a viable institution in society

KRA states vehemently that to uphold its integrity, it is committed to treating people fairly and applying the law fairly through honesty and openness. Whether the statement concerns KRA’s core business or extends further was what the study intended to establish. The findings are presented in Table 1(j) below.

<table>
<thead>
<tr>
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<th>Percent</th>
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Table 1(j): Perception index = 56.6

With a perception index of 56.6, results show that 16.7% of the respondents (5) disagreed with the argument while 73.3% of them (22) agreed with it. 10% (3) could neither agree nor disagree with the argument. The results are in agreement with an assertion that an organization would preserve its integrity if the society sees it as a corporate citizen. Other than what the organization claims to uphold, it matters a great deal on what the society perceives of it.
k) Making at least a token effort on social policies is wiser than holding out on principle

The argument is based on the organization’s ability to translate its plans into action.

Stating it down as a matter of policy is of little importance if execution of the policy is not consummated. The study intended to find out KRA’s perception of this argument and the findings were as follows.

<table>
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</table>

Table 1(k): Perception index = 36.6

The results show that a considerable proportion of the respondents (43.3%) could neither agree nor disagree with the argument with 46.6% and 10% of them agreeing and disagreeing with the argument respectively. It is argued by Gantt (1989) that many social problems stem from economic deprivation of fairly large segments of our society and attacking this could be the greatest social effort of organizations. Porter (1980) points out that taking their social responsibility seriously. The results support the view that turning plans into actions is more challenging than developing the plans.

l) Social responsibility balances corporate power and discourage irresponsible behavior

This argument rests on the basis that huge corporations possess the power to control and influence the quality of life of employees, customer, shareholders, and residents of local
communities in which they operate. Power necessary entails responsibility. Social power is a concept that cannot be overlooked in the contribution to ensuring that organizations behave responsibility. The findings of the study show that the proportion of respondents who agreed with the argument is equal to that which could neither agree nor disagree with the argument while 10.3% of the respondents disagreed with it as shown below.

<table>
<thead>
<tr>
<th>Perception index</th>
<th>Frequency</th>
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Table 11: Perception index =40

The results show that managers in public corporations recognize the fact that power should be exercised responsibly and towards enhancing social well-being of the public. It has a positive perception index of 40 implying that KRA management positively perceive the use of power responsibly.

m) Managers should be held accountable for social effects of their organizations

This argument is hinged on the premise that managers in organizations make decisions that determine their organizations' operations. Thus, whatever the effects of these organizations, they are as a result of the managers' decisions. The findings of the study reveal that managers would not want to be held responsible for the effects of their organizations as shown in Table 1(m).
Table 1(m): Perception index = -6.6

Results show that, in general, 40% of the respondents disagreed with the argument while 33.4% agreed with it. 26.7% of them could neither agree nor disagree with the argument. Its perception index is –6.6 implying management at KRA perceived this argument as unimportant. While it is argued organizations’ activities have both direct and indirect socio-economic impact on society, the results show that individual managers more so those in public organizations would not want to be held accountable for such effects especially when they impact negatively on the well-being of the society. It is against the moral expectation that they ought to be accountable.

n) KRA has resources and should use its talented managers to solve some of society’s problems

Organizations, both private and public, have resources at their disposal that they control. The resources are obtainable upon transacting with the society on their offerings (products and services). There are economic gains that organizations get out of their operations within societies in which they operate some of whose problems the organizations have a hand in creating. The study intended to establish KRA management perception of the contention that organizations should use the resource they control to solve some of society’s problems. The findings are presented below.
<table>
<thead>
<tr>
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Table 1(n): Perception index = 13.3

Results show that, in general, 46.6% of the respondents agreed with the argument while 33.3% disagreed with it. 20% of the respondents could neither agree nor disagree with the argument. Its perception index is 13.3 implying a positive perception. It is imperative from the literature that organizations should strive to achieve a dynamic equilibrium with societal demands so as to achieve stability for survival and growth. It is expected that an organization as big as KRA whose operations touch on every aspect of society, should use resources at its disposal to liberate society from the enormous problems it is facing.

4.3.3 Management Perception of Arguments Against Social Responsibility

As with arguments in favor of social responsibility, the arguments considered under this section are those commonly recited against the concept of social responsibility majorly by its opponents. They were contextualized to reflect KRA’s operational context. Findings on each argument are presented and discussed as follows.

a) KRA is most socially responsible when it attends to its statutory role and leaves social activities to social institutions

The argument rests on the fact that KRA is a corporate body formed by an Act of Parliament for the assessment and collection of revenue, for the administration and
enforcement of the laws relating to revenue and to provide for the connected purposes.

Given this statutory role, the study sought to establish KRA management’s perception of issues over and above this statutory role. Findings are as shown in Table 2(a) below.

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Table 2(a): Perception index: = -66.7

Results show that 76.7% of the respondents disagreed with the argument while 10% of them agreed with it. 13.3% could neither agree nor disagree with the argument. Its perception index is –66.7. The general implication is that KRA management and those of other public corporations not only would not only attend to statutory roles of their organizations but would also engage in activities outside these roles. This supports the view that managers, in pursuing their primary goal of increasing shareholders’ value, have social responsibilities beyond meeting the minimal requirements of the law.

b) KRA strategic managers are trained to manage economic institutions and not work effectively on social issues

Managers in public organizations are managing for the government and not for profit. It is on this basis that this argument was raised for the study to establish what KRA perceive of it. Findings show that 76.3% of the respondents opposed the claim against 13.3% who agreed with the argument. 20% of the respondents could neither agree nor disagreed with the argument. Table 2(b) summarizes the findings of the study.
The results show that, in general, managers' perception is negative (perception index = -53.3) with 33.3% agreement, 26.7% neither agree nor disagree, and 40.0% disagreement. The table below presents the data:

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</table>

Table 2(b): Perception index = -53.3

Its perception index is -53.3 implying that KRA’s strategic managers and those in other public organizations can as well work effectively to champion for the interests of society. This is against the widely held notion that public organizations’ managers could only handle matters that fall only on their areas of statutory responsibility.

c) KRA’s social programs costs will make its statutory role less efficient

The contention by Sawyer (1979) that no true profits can be claimed until business costs are paid forms the basis of this argument. The costs include among them social costs as determined by detailed analysis of the social balance between the firm and the society. If KRA gets involved in social programs, would the management perceive it as making the Authority less efficient? The findings are presented below:

<table>
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Table 2(c): Perception index: -33.3
The results show that, in general, managers’ perception is negative (perception index – 33.3) with 53.3% of the respondents disagreeing with the argument and 20% agreeing with it. 26.7% of the respondents would neither agree nor disagree with the argument. The results are in support of the view that getting involved in social responsibility indicates operational efficiency. A poorly performing organization could not be involved in social responsibility.

**d) KRA will pass its social costs to taxpayers and the general public through the tax structure**

The argument echoes the contention by Friedman (1990) that the social responsibility of an organization is to increase profits. Drucker (1986) also vies social responsibility as being costly and that such costs will eventually be passed on to the society by way of hiked prices. Management perception of this aspect at KRA shows negative results meaning that KRA will not pass social costs along to the society through the tax structure and the findings are presented in Table 2(d).

<table>
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Table 2(d): Perception index = -70.6

Results show that 76.7% of the respondents disagreed with this argument while 6.6% of them agreed with it. 16.7% of them were indifferent about it. The negative perception
index of 70.6 indicates an overwhelming opposition of the argument, hence against the expectation that KRA’s social responsibility involvement could add costs to the taxpayer.

e) KRA is not held accountable to an electorate the way politicians are and therefore shouldn't try to transform society

Scott (1994) observes that society is impatient and feels that something must be done. This argument draws from the premise that due to such increasing pressure, organizations could not be expected to just sit and wait. Should KRA not transform society for example, just because it is not held accountable? Findings on management’s perception of this aspect are presented in Table 2(e) below.

<table>
<thead>
<tr>
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<th>Cumulative Percent</th>
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Table 2(e): Perception index = -70

Results show a negative perception with an index of 70. 80% of the respondents disagreed with the argument while 10% agreed with it and the remaining 10% were indifferent on the argument. The results are in support of expectation that KRA should try to transform society because by a mere fact that it exists for the people not that it should transform society only when held accountable.
f) The government should levy more taxes if society wants to get KRA involved in solving its ills

The argument draws from the observation that society has become more enlightened and it is putting too much pressure on organizations to be socially responsible so much that organizations could be forced to ask for counter action from regulating bodies. KRA perceives this argument as shown in Table 2(f).

<table>
<thead>
<tr>
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Table 2(f): Perception index = -76.7

80% of the respondents disagreed with the argument while 3.3% of them agreed generating a negative perception index of 76.7 and an indifferent proportion of 16.7%. This implies that for KRA, society need not bear costs to get KRA involved in solving its ills.

g) Government should merely pass the laws it wants followed, not expect KRA to go beyond the law in solving society’s problems

The argument is pegged on the notion that the government can regulate public corporations and private firms through legislation to mandate them undertake social responsibility. Already such laws exist e.g employment of women, young persons and children’s Act (Cap 227) and workman’s compensation Act (Cap 236) among others. However, the study intended to establish KRA’s perception of the possibility of the
government legislating on every aspect of social responsibility. The findings below show a negative perception index of 60 implying that the government cannot legislate on every aspect of social responsibility.

<table>
<thead>
<tr>
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Table 2(g): Perception index = -60

The expectation is that organizations could seek to aid both the government agencies and voluntary agencies in their social efforts up to and including technical and managerial as well as monetary support. 70% of the respondents disagreed with the argument while 10% agreed with it leaving the rest 20% in an indifferent situation.

h) Society should only ask that KRA maximize its efficiency and tax revenue

The argument is on the basis that by maximizing efficiency and tax revenue, KRA shall have played its role as a corporate citizen. Could this be the only demand that society could be expected to ask from KRA? Findings on management perception of this claim are presented in Table 2 (h).
<table>
<thead>
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<tr>
<td>Disagree</td>
<td>13</td>
<td>43.3</td>
<td>43.3</td>
<td>56.7</td>
</tr>
<tr>
<td>Neither agree or disagree</td>
<td>8</td>
<td>26.7</td>
<td>26.7</td>
<td>83.3</td>
</tr>
<tr>
<td>Agree</td>
<td>4</td>
<td>13.3</td>
<td>13.3</td>
<td>96.7</td>
</tr>
<tr>
<td>Strongly agree</td>
<td>1</td>
<td>3.3</td>
<td>3.3</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>30</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Table 2(h): Perception index = -37.3

The findings show that 56.6% of the respondents disagreed with the argument while 16.6% of them agreed with it. 26.7% could neither agree nor disagree with the argument.

The negative perception index of 37.3 imply that even if KRA aspires to achieve efficiency in performing its core business, it would go an extra mile to be involved in social issues.

i) KRA will be criticized no matter what it does

It would be recognized that societal demands are as diverse as there are diverse KRA’s stakeholders. Further, most of them could be in conflict with one another requiring KRA to carry out a comprehensive stakeholder analysis and mapping in order to understand each group’s demands. Given the diversity, it is obvious that not all stakeholders’ interests could be addressed by KRA and thus criticism ensues. KRA’s perception of this criticism show that 50% of the respondents disagreed with the argument while 13.3% agreed with it. 36.7% neither agreed nor disagreed with the argument. The argument has a negative perception index of 36.7 as shown in Table 2(i).
Table 2(i): Perception index = -36.7

The results imply that KRA would engage in social activities that it could deem fit no matter the criticism it might receive. It has to be noted that criticism is an automatic expectation to an organization the like of KRA whose operations impact on every taxpayer and the society at large.

j) KRA will participate more actively in social responsibility in prosperous times than in recession

Prosperous times are times when the economy is performing well while recession times are when it is performing poorly. Each of these phenomena comes with features and consequences that would dictate the conduct of business in the country. Findings on management perception of these phenomena with respect to conduct of social responsibility are presented in Table 2(j).

Table 2(j): Perception index = -33.3
53.3% of the respondents disagreed with the argument while 20% agreed with it. 26.7% could neither agree nor disagree with the argument. Its perception index is -33.3 implying that no matter the condition, KRA could participate in social responsibility. The expectation could be that KRA participates more in social responsibility during recession than during prosperity because social problems get worse during the recession.

k) Social responsibility activities should be determined by law

Organizations' involvement in social responsibility is voluntary. On this understanding, organizations might decide not to get involved unless law is instituted to compel them be involved in social responsibility. As noted earlier, existing law has catered for some aspects of social responsibility. Making laws to determine every other aspect of social responsibility had perception results presented in Table 2(k).

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly disagree</td>
<td>4</td>
<td>13.3</td>
<td>13.3</td>
</tr>
<tr>
<td>Disagree</td>
<td>12</td>
<td>40.0</td>
<td>40.0</td>
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<tr>
<td>Neither agree or disagree</td>
<td>11</td>
<td>36.7</td>
<td>36.7</td>
</tr>
<tr>
<td>Agree</td>
<td>3</td>
<td>10.0</td>
<td>10.0</td>
</tr>
<tr>
<td>Total</td>
<td>30</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Table 2(k): Perception index = -43.3

Results show that 53.3% of the respondents disagreed with the argument while 10% of them agreed with it. 36.7% of the respondents were indifferent. Its perception index is -43.3 implying that some organizations' social responsibility programs cannot be determined by law. If KRA was to abide by what the law requires of it, then it could not be seen getting involved in some social responsibility activities. Every organization that
uses society’s resources and depends on society for its survival and growth cannot wait until law is instituted to guide on the social responsibility programs that it should undertake.

I) Money spent on social activities is money wasted

This argument is based on an assertion by Drucker (1986) that if an organization uses its resources in other social issues, it means its profits will decrease and less returns given to the shareholders. It also rests on the notion that an organization can only measure the costs of social responsibility but not the benefits. Does it imply that money spent on social responsibility is money wasted? Findings of the study show an overwhelming opposition to this argument with a perception index of -93.3 as shown in Table 2(1). None of the respondent agreed with this argument while 6.7% could neither agree nor disagree on this argument.

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly disagree</td>
<td>19</td>
<td>63.3</td>
<td>63.3</td>
<td>63.3</td>
</tr>
<tr>
<td>Disagree</td>
<td>9</td>
<td>30.0</td>
<td>30.0</td>
<td>93.3</td>
</tr>
<tr>
<td>Neither agree or disagree</td>
<td>2</td>
<td>6.7</td>
<td>6.7</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>30</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Table 2(1): Perception index = -93.3

The results imply that money spent on social activities is money well spent. Society gives organizations a charter to exist and their involvement in social issues makes them to be recognized as corporate citizens which grants them survival and growth.

Frequency Tables, Source: Research Primary Data
4.3.4 Conclusion on Management Perception of Social Responsibility

Although there were differences of opinion and perceptions toward and of different arguments for and against social responsibility, it was however, clear that managers at KRA were more sympathetic towards arguments for the concept of social responsibility than towards arguments against it. It was noted that the computed indices for twelve of the fourteen arguments in favor of the concept were largely positive. This meant that managers agreed with 86% of the arguments in favor of social responsibility. 64% of the arguments had perception indices ranging between 30 and 90. On the side of arguments against the concept, all of them had negative perception indices. This means that in general managers disagreed with all the arguments.
CHAPTER FIVE: SUMMARY AND CONCLUSIONS

5.1 Introduction

In this chapter the findings of the study are summarized and discussed in relation to the objective of the study. Also included in this chapter are the conclusions, limitations of the study and recommendations for further research.

5.2. Summary

This study sought to answer one question. It sought to establish the nature of management perception of social responsibility at KRA. The issue of social responsibility is a corporate level strategic issue and the study looked at the extent to which the practice of social responsibility is reflected in KRA’s strategic planning.

The study established that the aspect of social responsibility is reflected in the plan to a limited extent though it was evident that the Authority participates in social activities and it has plans to carry out further activities around the country later during the year. In regard to management perception of social responsibility at KRA, it was found that, in general, managers at KRA agreed with most arguments in favor of social responsibility and disagreed with all arguments against it. Twelve of the arguments in favor of social responsibility (86%) were perceived as important by managers. 64% of the arguments had perception indices ranging between 30 and 90. On the other hand, 100% of the arguments against social responsibility were perceived as unimportant.
5.3 Conclusions

The findings of this research have brought to light a number of issues regarding management perception of social responsibility at KRA. Generally, managers in a public corporation are largely in favor of the arguments supporting the concept. However it appears that the main managerial goal is to maximize revenue and achieve efficiency in tax administration as mandated by the government. This may explain the reason why most managers felt that the pursuance of personnel related issues of social responsibility was more of significance to overall organizational performance than the pursuance of society related issues. Nevertheless, the Authority has of late started taking social responsibility more seriously as evidenced by the rate of participation in social activities. Although it was found that managers support the idealistic views supporting social responsibility and react to calls for involvement in various ways, adoption of social policies on a large scale may prove difficult.

5.4 Limitations of the Study

In evaluating the results of the study, the following limitations ought to be borne in mind. The study was constrained first and foremost with time. The time period for the study was too short and this limited the scope and depth of the study. Owing to this factor, the managers had to find time within their tight schedules to fill the questionnaires. Due to these two aspects, it was not possible to get all the managers of the Authority to participate in the study.
Secondly, there are limitations of measurement which are common to social researches. Beliefs and feelings that are used in the study of perceptions may change over time and across different personalities. Also respondents may give biased or dishonest answers.

Thirdly, the study was limited to only one public corporation and may not apply to all public corporations and firms in the private sector in various types of businesses.

5.5 Recommendations For Further Research

Due to limitations in time, opinions and perceptions of managers from other public corporations were not investigated. Therefore, in connection with further research, possible areas can be recommended.

First since this study adopted a case study design, a cross-sectional study could be done to compare the results across the board and come up with valid and authentic conclusions.

Secondly, other dimensions of the concept of social responsibility could be investigated in the public corporations. For instance, one might be interested in investigating the relationship between social performance and economic performance of public corporations.
Thirdly, the study concentrated on the top and middle levels of management perceptions of social responsibility. Perhaps one might be interested in studying the same but from the employees’ standpoint.


REFERENCES


Info Business Conference (On-line) Available:


Steiner, G. (1975), Business and Society, Random House, NY.

Appendix 1. Questionnaire

Section A:

Respondent’s managerial position

Managerial Level

Key Decision Making Role(s)

Section B:

1. How would you describe the practice of strategic planning at KRA in terms of formality and its importance to long term success of KRA?

2. How does the aspect of social responsibility reflected in the strategic planning practice at KRA?
3. What initial preparations and analysis do you do before undertaking your plans?

________________________________________________________________________________________

________________________________________________________________________________________

4. What benefit do you offer your employees?
   i.
   ii.
   iii.
   iv.
   v.

5. How does KRA deal with the HIV/AIDS pandemic?

________________________________________________________________________________________

________________________________________________________________________________________

________________________________________________________________________________________

________________________________________________________________________________________
6. Which factors, in your opinion drive KRA to adopt social responsibility? Please indicate below.
   i.
   ii.
   iii.
   iv.
   v.

7. What regulatory/policy changes, in your opinion, are necessary to facilitate the success of KRA's social responsibility goals?

Section C:
I. In your opinion, how strongly do you agree or disagree on the following arguments in favor of Corporate Social Responsibility at KRA? Please circle the appropriate response as follows:

5. Strongly agree
4. Agree
3. Neither agree nor disagree
2. Disagree
1. Strongly disagree

1. It is the long run self-interest of KRA to get directly involved in social issues.
2. Efficient delivery of service is no longer the only thing society expects for KRA

3. If KRA wishes to capture a favorable public image, it will have to show that it is socially responsible

4. If KRA is socially more socially responsible, it will discourage additional regulation of the economic system by the government.

5. Other social institutions have failed in solving social problems, so KRA should try.

6. Since KRA has such a substantial share of society’s management and financial resources, it should be expected to solve social problems.

7. Involvement by KRA in improving the quality of life will also improve long run profitability

8. Responsible corporate behavior can be in the best interest of stakeholders

9. It is better to start now and prevent further social problems.
10. Corporate social action programs will help preserve KRA’s integrity as a viable institution in society.

11. Making at least a token effort on social policies is wiser than holding out on principle.

12. The idea of social responsibility is needed to balance corporate power and discourage irresponsible behavior.

13. Managers should be held accountable for social effects of their organizations.

14. KRA has resources and should use its talented managers to solve some of the society’s problems.
II. In your opinion, how strongly do you agree or disagree on the following arguments against Corporate Social Responsibility policies and programs at KRA? Please circle the appropriate answer as in part I above.

1. KRA is most socially responsible when it attends strictly to its statutory role and leaves social activities to social institutions.
   
   5 4 3 2 1

2. KRA will become less efficient if it commits many economic resources to social responsibility.
   
   5 4 3 2 1

3. KRA strategic managers are trained to manage economic institutions and not work effectively on social issues.
   
   5 4 3 2 1

4. If social programs add to KRA costs, they will make KRA’s statutory role less efficient.
   
   5 4 3 2 1

5. Taxpayers and the general public will bear the costs of KRA social involvement because it will pass these costs along through the tax structure.
   
   5 4 3 2 1

6. KRA is not held accountable to an electorate the way politicians are and therefore shouldn’t try to transform society.
   
   5 4 3 2 1

7. If society wants to get KRA involved in solving its ills, the government should levy more taxes to make it happen.
   
   5 4 3 2 1
8. Government should merely pass the laws it wants followed, not expect KRA to go beyond the law in solving society’s problems.

9. Society is better advised to ask only that KRA maximize its efficiency and tax revenue.

10. Since there is considerable disagreement among the public as to what should be done, KRA will be criticized no matter what they do.

11. KRA will participate more actively in social responsibility in prosperous times than in recession.

12. Social responsibility activities such as social improvement programs should be determined by law.

13. Money spent on social activities is money wasted.
Section D:

1. a) What are KRA’s business goals?

b) Is business social responsibility an objective in your business?

c) If yes, what constitutes social responsibility at KRA?

2. Which of the following statements explain the obstacles to implementation of corporate social responsibility at KRA? Please tick one or more.

   a) A manager in a public corporation is not obliged to implement social responsibility

   b) The chief problem with social responsibility programs is that you can measure only the cost, never the benefits.

   c) Most public corporations managers are only too busy to worry about social objectives.
d) Unless a reward and punishment system for managers that is based on social criteria rather than economic criteria is devised, managers will not pursue social objectives on their own.

e) If a manager knows that he/she will be moving on to another position, he/she is unlikely to make expenditures towards long-term social goals.

f) In difficult economic times KRA is compelled to cut back on corporate social responsibility issues.

Others(Specify)


3. a) To whom is KRA accountable?

b) Rank KRA’s beneficiaries in order of importance

4. a) Who formulates business policies and decisions?
b) Are the beneficiaries in 4 (b) above represented during decision making?

c) What reasons would you give for their representation or otherwise?

Thank you for your cooperation.