

**STRATEGIC DETERMINANTS OF ADOPTION OF CORPORATE SOCIAL  
RESPONSIBILITY PROGRAMMES BY LARGE MANUFACTURING FIRMS  
IN NAIROBI CITY COUNTY**

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## **DECLARATION**

I declare that this research project is my original work and has not been presented for academic purposes in the University of Nairobi or any other institution of higher learning.

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## **DEDICATION**

I dedicate this research project to my family members. To my mum Edith Nungari, you are my source of motivation. To my sisters Ruth and Eva your love gave me the strength to move on.

## **ACKNOWLEDGEMENTS**

My sincere gratitude to God Almighty for his never ending grace throughout the academic journey.

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## ABSTRACT

Corporate Social Responsibility (CSR) refers to the self-regulating culture of businesses in accordance with ethical and sustainability values of the organizational and business activities and is implemented in form of programs aimed at addressing the environmental, social, economic, ethical, and resource effects of a business on its surrounding communities and geographical space. The research objective was to determine the strategic determinants of adoption of CSR programmes by large manufacturing firms in Nairobi. This study was guided by stakeholder hypothesis and social contract hypothesis. The study adopted a descriptive cross sectional survey. The target population for this study comprised of Large Manufacturing Firms in Nairobi, Kenya. A sample of 41 firms was selected using stratified random sampling method from a total population of 328 of Large Manufacturing Firms operating in Nairobi. This study utilized primary and secondary data. The primary information was gathered through the use of questionnaires that were distributed to the target large manufacturing firms. The questionnaires comprised of semi structured questions. Secondary data was obtained from the firms' publications, financial reports, policies and manuals. All the completed questionnaires were edited for consistency and coded to enable classification of the responses into the varied categories. Statistical Package for Social Science (SPSS) was utilized to analyze quantitative data. Descriptive statistics analysis such as frequency distribution and percentages were used to analyze the data. The data collected was presented in tables, frequency charts and bar charts. The study revealed that large manufacturing firms in Nairobi were found to have a corporate social responsibility policy in place and always review the CSR activities and initiatives. It was also clear that large manufacturing firms' participation in corporate social responsibility is much influenced by stakeholders' relationships, corporate pressure, long term profitability and company size. The study established that benefits realized due to adoption of CSR were sustainable competitive advantage and improved operational efficiency. The study concluded that there is much influence on large manufacturing firm's participation in CSR activities by stakeholders' relationships, corporate pressure, long term profitability and company size. The study recommends that the firms should engage more in CSR to conform to regulations and forestall possible losses from litigation or rejection by communities and that firms should adopt CSR so as to increase customer awareness of the core function and products offered, improve the level of customer loyalty, improve the firm's product marketability, diversification, reduce the marketing costs and operational cost as well as promotion of the image of the firm.

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## **ABBREVIATIONS AND ACRONYMS**

<b>CSR</b>	Corporate Social Responsibility
<b>KAM</b>	Kenya Association of Manufacturers
<b>KNBS</b>	Kenya National Bureau of Statistics
<b>NEMA</b>	National Environmental Management Authority
<b>NSE</b>	Nairobi Stock Exchange

# CHAPTER ONE: INTRODUCTION

## 1.1 Background

Corporate Social Responsibility commonly initialized as CSR refers to the self-regulating culture of businesses in accordance with ethical and sustainability values of the organizational and business activities and is implemented in form of programs aimed at addressing the environmental, social, economic, ethical, and resource effects of a business on its surrounding communities and geographical space (Aguinis & Glavas, 2012). The programs may target the environment or human communities, among other entities, surrounding the business organization or those being directly or indirectly affected by its production, distribution and other business activities. Strategic management encompasses developing and operationalizing goals, objectives and targets decided upon by the firm's top management. Wanjala (2011) established that the motivating factors towards practicing CSR are importance of building good rapport with all stakeholders, fundamental changes in their approaches, changes in customers' needs and interests and increased pressure from investors.

This study is anchored in the stakeholder and social contract theories. The stakeholder approach holds that firms are not only accountable to equity owners but also to other stakeholders (Freeman, 1984). The organization has both clear cut and implied contracts with different stakeholders and is accountable for all contracts. Consequently, an organization earns a reputation that gives it leverage against its competitors. While shareholders invest their capital in the business, customers invest their loyalty, employees their skills and the society invests infrastructure that facilitates smooth operations. Wearing (2005) asserted that this approach identifies the significance of all subjects who may be affected by the organizations' activities.

Under the social contract approach, Donaldson (1982) argued that there is an implied social contract between the organizations and the community. This contract hints at indirect responsibilities that businesses of all sizes owe the community members where they operate. Consumers on the other hand, not only expect organizations to obey rules and regulations, but also to give back to the community.

Large manufacturing firms have a responsibility to their customers of ensuring that they produce quality goods and also maintain reasonable prices. To their employees, they should remunerate them fairly, assure them of equal opportunities and provide a conducive working environment. Manufacturing firms also owe the community a responsibility of protecting the environment through safe disposal of waste. Large manufacturing firms are known to provide different products to their different customers and the community at large. Firms in return rely on these customers and the resources provided by the community to enable them achieve their set objectives.

### **1.1.1 Corporate Social Responsibility**

Carroll (2008) outlined that CSR is the social obligation that firms have which comprise the various expectations e.g. legal and ethical values of the communities from them at any particular time. Osterman (2014) proclaimed CSR as voluntary and social activities undertaken by business firms that go beyond its legal requirements. CSR represents the organizations' voluntary and self-driven effort to reduce the environmental, social and other costs of its business activities among all the stakeholders and the geographical, industrial or organizational place within which it is placed.

The major beneficiaries of the CSR programs are the stakeholders to the organizations involved, including the employees, investors, surrounding communities and

shareholders, among others, as well as the bigger society from which the organizations derive their regional or industrial identity. CSR aid companies to demonstrate to both the consumers and other stakeholders that it is not only interested in activities that generate profit (Bueble, 2009). Whereas CSR programs may serve to address the environmental and organizational costs of conducting business, they also play a significant role in enhancing and strengthening the reputation of the organizations among their stakeholders (O’Riordan and Fairbrass, 2014). Other important aspects of CSR to a company include but not limited to; gains attributed to legitimacy and access to markets, improved public image, reputation and brand value and improved customer loyalty. CSR has boosted and changed the way of life and habits of communities. Some companies develop and strengthen the skills, abilities and processes as part of their CSR activities and this has created wealth and employment opportunities within the local communities and societies (Baker, 2010).

The modern business environment and organizational culture necessitates that business practice yields value to not only its owners and investors, but also to the human societies surrounding them. It is from this argument that the CSR concept is increasingly gaining prominence in the contemporary business environment. Mwangi and Onyenje (2013) concluded that most CSR initiatives carried out by firms in the manufacturing, construction and allied sector are directed at improving society’s well-being, employees’ interests and the environment. They also established that most firms in this sector take part in various categories of CSR activities. CSR initiatives aimed at employees, the society and environment were being carried out by all organizations studied in this sector though at different levels.

There are different approaches to corporate social responsibility. The first approach focuses on the provision of funds and resources for social causes considered

worthwhile. Donation of money and giving employee time to charities fall under this category of corporate social responsibility. A second type of CSR initiative involves companies committing to manufacture goods and provision of services that take care of the well-being of the society. This also includes use of safe manufacturing raw materials, environmental conservation and economic development. Another approach is based on improving the social well-being of the society members and attaining organizational success. A business requires educated and healthy workforce and adequate resources to be able to be competitive. To improve social welfare, communities require businesses to create wealth and growth opportunities.

### **1.1.2 Strategic Determinants of Adoption of Corporate Social Responsibility**

Corporations and societies are interdependent as the activities of a firm have an impact on the society where they operate (Porter & Kramer, 2006). A firm can improve its competitiveness and also creates a better operating environment through engaging in CSR initiatives. Participation in CSR activities also earns a firm competitive advantage over its rivals. By addressing the various needs of the different stakeholders, the firm earns customer loyalty, motivating employees and also improved profitability. CSR can be operationalized by firms as a product differentiation strategy. This gives the firm's products a social trait that is valued by other stakeholders. Therefore, CSR can be viewed as a strategic investment by firms to build and maintain their reputation. Industry and organizational peer pressure are effectual ways of enhancing social responsibility amongst companies. This is implemented by regulatory mechanism set by the industry so that various factors such as market practices, safe and quality products and better working environments are adhered to (Martin, 2003).

Stakeholders influence adoption of CSR programs in the Kenyan manufacturing companies since they determine the type and nature of policies that organizations adopt and the approach they take in regard to CSR (Cherono, 2016). If the stakeholders value profitability over environmental welfare, for instance, it is possible that the organization will neglect the environmental costs of its business to maximize on productivity. One of the key measures of the financial performance of an organization is profitability. Therefore firms engage in activities that will enhance their brand image, reach their target customers. Simon (2014) established that CSR has a positive impact on the financial performance of small and medium sized enterprises. Muma (2016) concluded that a strong and positive correlation exists between profitability and CSR in Commercial Banks in Kenya. Gichohi (2016) found out that CSR has a positive though minimal impact on the financial performance of the firms listed in the Nairobi Stock Exchange.

Business growth is a key objective that most commercial firms seek to attain through the use of different strategies. CSR may be used to support a firm's growth opportunities through market expansion, sales increase and introduction of new products (Okeyo, 2004). Chege (2013) studied the relationship between CSR and competitive advantage amongst Kenyan commercial banks and concluded that banks use CSR as a strategy to enable them drive overall goodwill in the society, attract new customers, new investors and also motivate employees. The identified components were critical in driving business growth. Large firms in terms of sales and total assets are perceived to be more profitable, powerful and successful by their customers and other stakeholders (Heinz et. al., 1999). Therefore the large size may encourage such firms to engage in CSR activities to be able to foster positive relationship and also win the support of the community to avert any rejection and hostility towards them.



### **1.1.3 Manufacturing Industry in Kenya**

Kenya's manufacturing industry is one of the most robust and sophisticated in the East and Central regions of Africa. The industry has grown tremendously since the country gained independence in 1963. The industry grew by 3.6% in 2016 compared to 3.5% in 2015. This was attributed to reduced production costs arising from lower petroleum costs and electricity inputs (KNBS Economic Survey Highlights, 2017). The most prominent industries in Kenya concentrate on food processing, vehicle assembly, building and mining, publishing, pharmaceutical & medical equipment, production of textile products, metal products, plastics, chemicals, timber and furniture. Most of them are located in Nairobi due to its proximity to key markets and developed infrastructure (Gituro & Awino, 2011). The Kenyan manufacturing industry has played a significant role in enhancing economic empowerment and creating job opportunities among the Kenyans. The industry experienced employment growth by 2.7% in 2016.

### **1.1.4 Large Manufacturing Industry in Kenya**

In order to determine the size of an organization, various factors are utilized such as the number of staff (Kirkpatrick, 1994); employed capital (Sawyer, 1985) and level of sales (Vera & Crossan, 2005). Aosa (1992) integrated the number of employees and the sales turnover to determine the size of a firm. Firms with employees from eleven to fifty are considered as small; those with fifty to ninety-nine employees are considered as medium whereas firms with over one hundred employees are considered as large (KAM Directory, 2013). There are approximately 328 large manufacturing firms operating within Nairobi, Kenya which are broadly classified into twelve sectors (KAM, 2016). There is need to be socially responsible and

adoption of environmental friendly CSR initiatives by the firms operating in this industry owing to the wastes emitted when manufacturing.

## **1.2 Research Problem**

Johnson and Greening (1999), explained that small, medium and large manufacturing enterprises have a major role in CSR practices. The need to examine stakeholder's interests and relationships has been observed to be a driving force towards engaging in CSR activities. The need for the firm to co-exist harmoniously with the society has also been seen to motivate firms to be socially responsible. Numerous studies have attempted to identify if there exists any relationship between corporate financial performance and corporate social performance. Ndungu (2015) focused to establish the relationship between CSR and the performance of large motor vehicle companies in Nairobi and deduced that there exists a positive correlation between the performance of motor vehicle companies and CSR. Studies have been done on CSR as a topical issue, the practices in relation to financial performance and policy making. What has been accepted upon is that companies need to do more in society.

Large manufacturing firms are faced with very stiff competition and the management has to continually keep looking for strategies that will offer them an edge over their competitors. Different manufacturing firms engage in different social activities such as sponsorship of sports, health, renovation of schools, environmental conservation, helping the disabled in the community, scholarships to bright and needy students amongst other activities. Despite this, not all large manufacturing firms Kenyan are involved in CSR and therefore they do not enjoy the returns of the same.

Bayoud, Kavanagh & Slaughter (2012) conducted a study to evaluate factors influencing CSR disclosures in Libyan companies and concluded that there exists a

positive correlation between the age of the company, company size and CSR disclosure levels in Libyan companies. Darus, Mad & Nehati (2015) examined what role internal and external pressures play in motivating CSR disclosures amongst financial institutions in Malaysia. The findings of the study indicated that external pressure such as customers' pressure and concentrated ownership can hinder or encourage the quality of CSR disclosures while internal pressure doesn't have significant effect on CSR disclosures. Mathenge (2010) evaluated factors influencing involvement of insurance companies in CSR and established that environmental, organizational and community factors drive organizations to CSR adoption. Wanjala (2011) evaluated factors that influence commercial banks in Kenya to engage in CSR activities and concluded that the major motivating forces are profitability, shifting paradigms, increased customer interests amongst others. Chege (2013) found out that commercial banks in Kenya that are involved in CSR enjoy competitive and sustainable advantage.

Whereas several studies have been conducted on CSR in general, there is none that has been conducted to ascertain what drives large manufacturing companies in Nairobi to engage in CSR. This study therefore aimed at filling in the gap and answering the research question what are the strategic determinants of adoption of CSR programmes by large manufacturing firms in Nairobi?

### **1.3 Research Objective**

To determine strategic determinants of adoption of CSR programmes by large manufacturing firms in Nairobi.

#### **1.4 Value of the Study**

The findings of this research report may be used by top management in the Kenyan manufacturing companies to aid in making resource allocation decisions, and designing the company's policies and practices. Moreover, the findings would help Kenyan manufacturers and other organizations understand the need for CSR.

The findings would also enrich the existing CSR theories like social contract theory and stakeholder's theory. It would affirm that organizations have an implied social contract with the community where they operate. It would also provide a better understanding of the stakeholders' theory that business firms aren't accountable to equity owners only but also to other stakeholders. The findings would also add to the existing literature on CSR. This would serve as a future reference point to other researchers in this area of study. Most importantly, this research paper would encourage increased acceptance of sustainability, ethics and legal values that promote CSR in Kenya.

The findings of this study might be utilized by the government and firms' policy makers in developing new policies that encourage environmental protection through quality and safe products, consumer protection, hygienic working places and safe disposal of waste.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

This section gives a detailed literature review. It includes theories and studies carried out in the past in the same area of study by other researchers. The chapter starts with the theoretical framework, empirical review and finally a summary of the chapter.

### **2.2 Theoretical Framework**

This study was guided by stakeholder hypothesis by (Freeman, 2004) and social contract hypothesis by Donaldson and Dunfee (1999).

#### **2.2.1 Stakeholder Theory**

This theory was propagated by Freeman (1984), which state that instead of starting with the business first then looking for what the ethical requirement is, the stakeholders' theory will start looking at the world first before the business. A stakeholder of an organization is any individual or group that affects or is affected by the realization of an organization's purpose (Freeman and David, 1983). According to the theory, it propagates that manufacturing and service companies should be socially responsible for all their stakeholders, failure to which, can result to the stakeholders to take actions and seek to find the legitimate claims and rights against the company actions. Stakeholder's theory ascertains that individuals or parties whose lives are affected by the corporations have a right in participating in affairs of the company. A simple example by Freeman (1984), factory owners have a social responsibility of disposing industrial waste emitted safely. This theory also that support companies should be used as a vehicle for coordinating stakeholders' interest instead of maximizing shareholders wealth.

Stakeholders' theory focus on the stakeholders of the company which include suppliers, employees, community, customers, shareholders and other persons who contribute to the company directly or indirectly. Stakeholders of manufacturing companies want to see the company participate in CSR programs while shareholders of manufacturing companies would want the company to improve financially so that the CSR activities may continue to take place. This theory suggests that the interests of the non-financial stakeholders should be considered when making corporate decisions on CSR activities to engage in as their support to the organization is vital and therefore lack of it may have financial implications on the firm (Donaldson and Preston, 1995). Their interests impact on the firm's decisions. Though they hold no shares in the organization, they have a right to be involved in the process of decision making (Freeman, 1984).

According to the partner hypothesis, companies have both unequivocal and verifiable contracts with different stakeholders, and are in charge of regarding all agreements (Freeman, 1984). Freeman (1994) stated that the partner is based on two questions. Firstly, "what is the motivation behind the firm?" This encourages management to make a common feeling of the esteem they make, hence uniting its partners/stakeholders. Secondly, "what duty does administration need to partners?" The firm is obliged to outline how they need to work together with partners and how they will identify with their partners in accomplishing their business objectives.

### **2.2.2 Social Contract Theory**

Social contract theory emanates from the recognizable work of Hobbes (1985), Rousseau (1987), and Locke (1986). It started with a preconception of legitimate political power, campaign for equality and freedom laws (Neidleman, 2012). The

social contract of Thomas Hobbes was the creation of moral rules that dictated how people relate (Addison, 2011). Browne (n.d) feels that Hobbes thought that without this contract, society would be nasty, dangerous, unbounded, criminal, and disgusting. Rousseau (1987) stated that no one in the society was above the rules. Consequently, people could not pass bad laws against themselves and the government. The construct stipulates that morality is a set of values and principles that govern the people's behavior towards each other.

The social contract theory of Thomas Hobbes centered on morality among people. This meant that people had to exercise their freedom and be reciprocated by those in power by giving it to them also (Addison, 2011). On the other hand, John Locke's theory argued that when a social contract entered into, people transfer their rights to the government. Therefore, the government is obligated to provide certain basic rights to the people. Organizations obtain their power from the people. This theory greatly focuses on corporate social responsibility programs as social contracts of business in manufacturing industries and the society. Therefore, the theory supports CSR programs as a tool that affects the financial performance of business and its ethical standards.

### **2.3 Strategic determinants of adoption of Corporate Social Responsibility**

Every organization regardless of the size must make a decision on how to meet its perceived social responsibility. Some of the main drivers encouraging firms to adopt CSR programs and activities as a tool for achieving social responsibility and survival are as discussed below.

Financial performance is an indicator of how good or bad, an organization utilizes its resources to generate revenue (Damodaran, 2005). Profitability is one key measures

of the financial performance of an organization. According to Aupperle, Carroll and Hatfield (2005) profitability refers to the ability of an entity to provide goods and services in the immediate future. Profitability refers to the amount of an entity can generate with the resources available to it (Niresh & Velnampy, 2014). Friedman (1962) indicated profit making to be the sole responsibility of an organization. Firms with higher profits allocate more resources to CSR activities than those with lower profits Waddock and Graves (1997) as cited in Campell (2007). Therefore, profitability or unprofitability aspects of the company determine the magnitude and nature of resources available for investing in CSR programs. Strong social performance improves an entity's relationship with its stakeholders. This reduces costs in areas like litigation and marketing. According to Johanson, Karlsson and Hagberg (2015) CSR has no significant relationship with financial performance. Chege (2013) concluded that CSR as a strategy drives overall goodwill in the society and also brings new clients and investors.

The size of an organization refers to the range or quantity of production capacities, type of services offered to their target customers (Niresh & Velnampy, 2014). The size of an organization is a crucial determinant of an organization's profitability as large firms enjoy economies of scale and also greater and wider visibility. The large size of an entity may make it participate in CSR programs to be able to win the support and also create a positive relationship with the society. Large firms have more resources that can be utilized in CSR programs and activities hence attract attention from different stakeholders whose interests are critical to the organization (Waddock & Graves, 1997). Gordon and Deegan (1996) found out that the size of the firm was particularly pronounced in sensitive industries. Their findings indicated that large oil



and gas companies were likely to practice socially responsible environmental behaviors than small firms in the same industry.

Freeman (2004) re-defined stakeholders as parties that determine the growth and survival of a business. Friedman (2006) further stated that an entity should be deemed a grouping of stakeholders and all entities should strive to satisfy the needs of their stakeholders. Stakeholders can be classified into two categories i.e. primary and secondary stakeholders. Primary are those that have a direct link to the organization and they include shareholders, customers, potential investors, suppliers, employees and society members where the organization operates from. On the other hand, secondary stakeholders are those that have an indirect effect on the organization's activities and they include media, unions and watch dog groups.

Kibera (1996) stated that the public needs have led to the changing expectations of business and therefore businesses are expected to respond to them. According to the World Bank Report (2002) it was argued that corporations, consumers, investors and governments based in developed countries shape the CSR agenda. Osemene (2012) concluded that customers and regulatory requirements are influencers of CSR. Demands for CSR come from stakeholders. This reveals the interests or general expectations of the various stakeholders in an entity. Stakeholder's participation is critical in the progression of an organization. An organization may fail due to lack of its stakeholders support (Nuguti, 2009). Therefore organizations must identify ways of involving all the stakeholders in their operations. According to Hill and Jones (2001) organizations must take social consequences of their operations into consideration during strategy formulation to retain the support of their stakeholders. The community members should hold an organization accountable for its actions as they contribute to the social and economic status of a society (Steiner, 1988).

Industry factors e.g. laws, the type of industry, customers are a major influence in an organization's performance. Different industries have different reasons for CSR disclosures (Osterman, 2014). They also have unique environmental, social, financial concerns and different stakeholder needs. The level of CSR disclosures differ between industries (Richardson, Welker & Hutchinson, 1999). This is because certain industries' activities cause more harm to the society and environment than others. Such industries may feel compelled to act in a manner that will reduce such negative notion, perceived or real, by engaging in CSR activities. Heinz, Sibary and Sikula (1999) stated that, it is clear that socially responsible activities can vary from industry to industry. Heinz et al (1999) cited Dedan and Gordon (1996) found that certain industries for example oil and gas, mining and chemical production have strict monitoring and evaluation systems in place for environmental performance than other industries. Other industries such as tobacco and alcohol companies are held responsible for their social impact of their products (Richardson, et al. 1999). Heinz et al (1999) established that companies within industry groups such as chemical production, cosmetics, paper products and electronics had a very strong correlation between CSR and industry sector, while companies in groups such as petroleum refineries, computers and mining exhibited a weak relation between CSR and Industry sector.

#### **2.4 Empirical Studies and Research Gaps**

Most of the empirical studies that have been conducted before focused on other industries without consideration of the manufacturing sector. Adeyemo, Oyebamiji and Alimi (2013) evaluated the factors influencing CSR in the Nigerian Manufacturing companies in Ibadan where they found out that the demands of employees, corporate competition, government policies, organizational culture and

customer needs and interests influenced CSR practices. Osterman (2014) studied why companies engage in CSR and concluded that Board of Directors or top management, reputation; moral and attracting employees are the influencers of CSR.

Auka (2006) conducted a study that focused on determining factors influencing the financial institutions in Kenya to practice CSR. The study established that the major influencers of CSR are corporate image, moral obligations and the need to solve societal problems. In addition, the study also found out that company policy, profitability and publicity moderately influenced CSR. Mathenge (2010) studied the factors influencing involvement of insurance companies in CSR and concluded that organizational and community factors affected the involvement of insurance companies in CSR.

Another study by Wanjala (2011) examined the forces that motivate commercial banks in Kenya to adopt CSR. Using descriptive survey to study 43 commercial banks, the study revealed that the drivers towards CSR are importance of building good rapport with all stakeholders, fundamental changes in their approaches, changes in customers' needs and interests and increased pressure from investors. In addition, Amara (2013) highlighted that commercial banks are majorly influenced by financial capability, corporate pressure, market competition, company objectives, ethical consideration and organization culture towards engaging in CSR activities. Mwangi and Oyenje (2013) examined the correlation between financial performance and CSR of the companies listed in the NSE, manufacturing, construction and allied sector and revealed an insignificant correlation between financial performance and CSR. Letangule (2013) evaluated the factors affecting CSR at Equity Bank and reported that aspects of leadership such as innovation vision, charismatic leadership style and empowering employees to innovate influence CSR adoption.

The limitation of these empirical studies is that none of them focused on the factors influencing adoption of CSR programs by Large Manufacturing Companies in Nairobi, Kenya. Despite the availability of various studies explaining the strategic factors influencing CSR adoption in financial institutions, the factors influencing corporate social responsibility in the large manufacturing industry is still not fully understood. Therefore, the main objective of this study is to evaluate what factors influence involvement of large manufacturing companies in Nairobi, Kenya in corporate social activities and programs.

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

This chapter describes the proposed research design, population, the sampling design, data collection and data analysis methods.

### **3.2 Research Design**

The study adopted a descriptive cross sectional survey. Descriptive studies describe the various aspects or characteristics of a phenomenon regarding the subject population. Cross sectional studies measures the subject population at a single point in time. This method is regarded as the most apt research approach since it seeks to ascertain and profile the factors associated with certain occurrences, outcomes and conditions of behaviors through data collection and analysis of the variables' frequencies and connection (Cooper & Schindler, 2011).

This research method was preferred because it offers an opportunity to collect large amounts of data within a short time hence regarded as efficient. Descriptive research was used to amplify an accurate and reliable systematic description regarding the responses on strategic factors influencing adoption of CSR programs by large manufacturing companies. In addition, Wanjala (2011) used this research design to survey the factors that influence the practice of CSR by Kenyan commercial banks.

### **3.3 Population of the Study**

Population refers to a group of individuals or objects with at least one common characteristic that differentiates the various groups of individuals or objects (Best & Kahn, 2006). Mugenda and Mugenda (2003) described population as a group of objects or set of individuals with similar traits or characteristics to be studied. The

target population for this study comprised of Large Manufacturing Firms in Nairobi, Kenya. There are approximately 328 Large Manufacturing Firms operating within Nairobi, Kenya as listed in the Kenya Association of Manufacturers (KAM) directory 2016. The area was chosen since it is where most large scale manufacturing firms operate from thereby giving a large population to sample from and also convenient.

### 3.4 Sampling Design

The sample frame of this study is comprised of 328 large manufacturing firms in Nairobi. According to Stanley and Gregory, (2001) and Mugenda and Mugenda, (2003) at least 10 percent of the entire target population is generally regarded as a suitable method for selecting samples in such a study. Twelve percent of the total population was chosen for this study. The total sample frame was (12% of 328) approximately 41 firms which were more than thirty making 12% a sufficient sample for the entire population of Large Manufacturing Firms operating in Nairobi. To select a sample size from the heterogeneous population of large manufacturing firms, stratified random sampling method was utilized in this study.

<b>Sector</b>	<b>No. of Firms</b>	<b>%</b>	<b>Sample Size</b>
Building, Mining & Construction	13	4.0	2
Chemical & Allied	37	11.3	5
Energy, Electrical & Electronics	23	7.0	3
Food & Beverages	66	20.1	8
Leather & Footwear	1	0.3	1
Metal & Allied	44	13.4	5
Motor Vehicle Assemblers & Accessories	23	7.0	3
Paper & Board	38	11.6	5
Pharmaceutical & Medical Equipment	11	3.4	1

Plastics & Rubber	41	12.5	5
Textiles & Apparel	15	4.6	2
Timber, Wood & Furniture	16	4.9	2
<b>Total</b>	<b>328</b>	<b>100</b>	<b>41</b>

Source: Author 2017

### 3.5 Data Collection and Respondents

This study utilized primary and secondary data. The primary information was gathered through the use of questionnaires that were distributed to the target large manufacturing firms. The questionnaires comprised of semi structured questions. Close-ended questions enabled responses to be limited to stated alternatives while open-ended questions enabled respondents to express their views and attitudes freely in an unbiased manner. Section one composed of questions on the firm's background. Section two composed of questions on CSR information and management. Section three sought to obtain information about the factors influencing adoption of CSR programs. Secondary data was obtained from the firms' publications, financial reports, policies and manuals. The target respondents were the senior managers and the Chief Executive Officers of the firms. The target respondents were considered since they are involved in strategic planning and execution in the firms.

### 3.6 Data Analysis

All the completed questionnaires were edited for consistency and coded to enable classification of the responses in to the varied categories. Statistical Package for Social Science (SPSS) was utilized to analyze quantitative data. Descriptive statistics analysis methods such as frequency distribution and percentages were used to analyze the data. Mean scores, standard deviations and factor analyses were used to analyze data to determine the strategic factors influencing adoption of CSR programs by large

manufacturing companies. The data collected was presented in tables, frequency charts and bar charts.



## **CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION**

### **4.1 Introduction**

This chapter presents the findings of the study. It provides data analysis of strategic determinants of adoption of CSR programmes by large manufacturing firms in Nairobi. The researcher provided tables and figures that summarize the collective reactions of the respondents.

### **4.2 Response Rate**

The researcher administered 41 questionnaires out of which a total of 36 filled questionnaires were returned. This gave a response rate of 87.8% which was considered adequate for analysis. Mugenda and Mugenda (2003) indicated a response rate of 50% is adequate for analysis and reporting, a response rate of 60% is good and a response rate of 70% and over is excellent.

### **4.3 Background Information**

This section presents the background information which includes area of operations, ownership structure of the organization, length of time the firm has been in operation since incorporation and which sector the firm operates in.

#### **4.3.1 Area of Operations**

The respondents were asked to indicate the area of operations. Their responses were as shown in table 4.1.

**Table 4.1: Area of Operations**

	<b>Frequency</b>	<b>Percent</b>
Kenya only	15	41.7
Kenya and other East African Countries	10	27.8
Kenya and Other African Countries	7	19.4
International	4	11.1
<b>Total</b>	<b>36</b>	<b>100.0</b>

The respondents indicated that their area of operations is Kenya only as shown by 41.7%, Kenya and other East African countries as shown by 27.8%, Kenya and other African countries as shown by 19.4% and international as shown by 11.1%. This shows that Kenya is the area of operations for most of the firms considered. This implies that most of the firms considered in this study majorly operate in Kenya.

#### **4.3.2 Ownership Structure of the Organization**

The respondents were further asked about the ownership structure of the organization. Their responses were as shown in table 4.2.

**Table 4.2: Ownership Structure of the Organization**

	<b>Frequency</b>	<b>Percent</b>
Local	17	47.2
Foreign	11	30.6
Joint	8	22.2
<b>Total</b>	<b>36</b>	<b>100.0</b>

From the findings, the respondents indicated that the ownership structure of the organization is local as shown by 47.2%, foreign as shown by 30.6% and joint as shown by 22.2%. This shows that the ownership structure for most of the firms considered in this study was local.

### 4.3.3 Length of time in Operation since Incorporation

The respondents were also asked to indicate the length of time their firm has been in operation since incorporation. Their responses were as shown in table 4.3.

**Table 4.3: Length of time in Operation since Incorporation**

	Frequency	Percent
One year and below	1	2.8
Between 1 – 5 years	14	38.9
Between 6 – 10 years	8	22.2
Between 11 – 15 years	6	16.7
Over 16 years	7	19.4
<b>Total</b>	<b>36</b>	<b>100.0</b>

Majority of the respondents indicated that their firms have been in operation for 1-5 years since incorporation (38.9%), for between 6 – 10 years as shown by 22.2%, for over 16 years as shown by 19.4% and for between 11 – 15 years as shown by 16.7%. This implies that reliable information could be obtained from these firms.

### 4.3.4 Sector in which the Firm Operates in

The respondents were asked to indicate the sector in which their firm operates in. Their responses were as shown in table 4.4.

**Table 4.4: Sector in which the Firm Operates in**

	Frequency	Percent
Building, Mining & Construction	1	2.8
Motor Vehicle Assemblers & Accessories	2	5.6
Chemical & Allied	5	13.9
Energy, Electrical & Electronics	2	5.6
Pharmaceutical & Medical Equipment	1	2.8
Food & Beverages	8	22.2
Metal & Allied	5	13.9
Plastics & Rubber	5	13.9

Paper & Board	5	13.9
Textile & Apparels	2	5.6
<b>Total</b>	<b>36</b>	<b>100.0</b>

From the findings, the respondents indicated that their firms operates in sector of food & beverages as shown by 22.2%, metal & allied, plastics & rubber, paper & board and chemical & allied as shown by 13.9%, motor vehicle & accessories, energy, electrical & electronics and textile & apparels as shown by 5.6% while building, mining & construction and pharmaceutical & medical equipment was 2.8%. This shows that the researcher considered all the firms interested in to obtain reliable information.

#### 4.4 CSR Information & Management

The respondents were asked to indicate whether their firm has a corporate social responsibility policy in place. Their responses were as shown in table 4.5.

**Table 4.5: Whether the Firm has a Corporate Social Responsibility Policy in place**

	<b>Frequency</b>	<b>Percent</b>
Yes	26	72.2
No	10	27.8
<b>Total</b>	<b>36</b>	<b>100.0</b>

From the findings, majority of the respondents indicated that their large manufacturing firms in Nairobi have a corporate social responsibility policy in place as shown by 72.2% while 27.8% of the respondents indicated their large manufacturing firms in Nairobi doesn't have a corporate social responsibility policy in place.

#### 4.4.1 Review of CSR Activities and Initiatives

The respondents were further asked to indicate whether there is a review of the CSR activities and initiatives. Their responses were as shown in table 4.6.

**Table 4.6: Review of CSR Activities and Initiatives**

	<b>Frequency</b>	<b>Percent</b>
Yes	24	66.7
No	12	33.3
<b>Total</b>	<b>36</b>	<b>100.0</b>

From the findings, the respondents indicated that there is a review of the CSR activities and initiatives as shown by 66.7% while the 33.3% indicated there is no review of their CSR activities and initiatives. This shows that there is a review of the CSR activities and initiatives by most firms.

#### 4.4.2 Frequency of Review

Those who indicated that there is a review of the CSR activities and initiatives in their firms were asked to indicate the frequency of review. Their responses were as shown in table 4.7.

**Table 4.7: Frequency of Review**

	<b>Frequency</b>	<b>Percent</b>
Semi-annual	8	33.3
Annual	9	37.5
On needs basis	7	29.2
<b>Total</b>	<b>24</b>	<b>100.</b>

From the findings, the respondents indicated that review of the CSR activities and initiatives was done annually as shown by 37.5%, semi-annually as shown by 33.3% and on need basis as shown by 29.2%. This shows that most of the large

manufacturing firms in Nairobi did annual review of the CSR activities and initiatives.

#### **4.4.3 Whether the Large Manufacturing Firms in Nairobi have a Specific CSR Department**

The researcher asked the respondents to indicate whether the large manufacturing firms in Nairobi have a specific department / section that coordinate corporate social responsibility practices. Their responses were as shown in table 4.8.

**Table 4.8: Whether the Large Manufacturing Firms in Nairobi have Specific CSR Department**

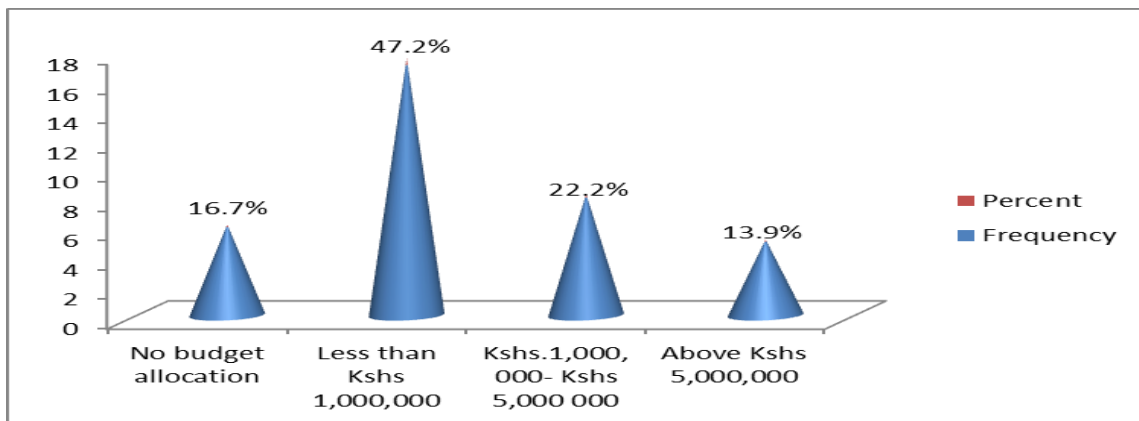
	<b>Frequency</b>	<b>Percent</b>
Yes	19	52.8
No	17	47.2
<b>Total</b>	<b>36</b>	<b>100.0</b>

As per the findings, the respondents indicated that large manufacturing firms in Nairobi have a specific CSR department that coordinate corporate social responsibility activities as shown by 52.8% while 47.2% of the respondents indicated that large manufacturing firms in Nairobi don't have a specific department that coordinates corporate social responsibility practices. This implies that large manufacturing firms in Nairobi have specific department to coordinate corporate social responsibility practices.

#### **4.4.4 Budget Allocation for CSR Programs or Activities**

The respondents were asked to indicate whether the large manufacturing firms in Nairobi have a budget allocation for corporate social responsibility programs or

activities and the amount allocated for CSR in their company. Their responses were as shown in figure 4.1.



**Figure 4.1: Budget Allocation for CSR Programs or Activities**

The respondents indicated that the amount allocated for CSR in their company was less than Kshs 1, 000,000 as shown by 47.2%, between Kshs 1,000,000 and Kshs 5,000,000 as shown by 22.2%, 16.7% of the respondents indicated no budget while 13.9% indicated above Kshs 5,000,000. This implies that most large manufacturing firms in Nairobi have a budget allocation for CSR activities.

#### 4.5 Strategic Factors Influencing Adoption of CSR Programs

The researcher was asked to indicate the extent to which each of the factors influences large manufacturing firms in Nairobi participation in corporate social responsibility. Their responses were as shown in table 4.9.

**Table 4.9: Strategic Factors Influencing Adoption of CSR Programs**

	Mean	Std. Dev.
Parent company requirement (in case of foreign company)	3.8611	1.15022
Long term profitability	4.1944	.78629
Solving societal problems	2.4722	1.08196
Environmental concerns	3.8611	.59295

Corporate image	3.2222	1.07201
Corporate pressure	4.3889	.64488
Attracting & retaining quality employees	4.0278	.81015
Moral obligation & Ethics	3.8333	1.02817
Company size	4.0000	.82808
Company policy	3.0556	.75383
Criticality of Stakeholders relationships	4.5000	.73679

From the findings, the respondents indicated that criticality of stakeholders' relationships as shown by a mean of 4.5000 influences large manufacturing firms in Nairobi participation in corporate social responsibility very much. The respondents also indicated that corporate pressure as shown by a mean of 4.3889, long term profitability as shown by a mean of 4.1944, attracting & retaining quality employees as shown by a mean of 4.0278 and company size as shown by a mean of 4.0000 much influences large manufacturing firms in Nairobi participation in corporate social responsibility.

The respondents also indicated that environmental concerns as shown by a mean of 3.8611, parent company requirement (in case of foreign company) as shown by a mean of 3.8611 and that moral obligation & ethics as shown by a mean of 3.8333 much influences large manufacturing firms in Nairobi participation in corporate social responsibility.

The respondents also indicated that corporate image as shown by a mean of 3.2222 and company policy as shown by a mean of 3.0556 somehow influences large manufacturing firms in Nairobi participation in corporate social responsibility. The respondents also indicated that solving societal problems as shown by a mean of 2.4722 neutrally influences large manufacturing firms in Nairobi participation in corporate social responsibility.



#### **4.6 Extent to which Large Manufacturing Firms in Nairobi have benefited**

The respondents were asked to indicate the extent to which their large manufacturing firms in Nairobi have benefited by participating in corporate social responsibility programs / activities. Their responses were as shown in table 4.10.

**Table 4.10: Extent to which Large Manufacturing Firms in Nairobi have benefited**

	<b>Mean</b>	<b>Std. Dev.</b>
Improving corporate reputation	3.4722	.90982
Attracting & retaining quality employees	2.8333	.69693
Improved operational efficiency	4.3056	.57666
Sustainable competitive advantage	4.3889	.64488
Enhanced customer loyalty	3.3056	1.00909
Strong brand reputation and trust	4.1667	.60945
New business opportunities	3.5556	1.02663
Managing and mitigating risk	3.9722	.69636
Safe and clean operating environment	3.6111	.76636

From the findings, the respondents agreed that benefits realized by participating in corporate social responsibility programs / activities were sustainable competitive advantage as expressed by a mean score of 4.3889 and improved operational efficiency as expressed by a mean score of 4.3056.

#### **4.7 Which Corporate Social Responsibility Subject Matter is Paramount**

The respondents were asked that to indicate which corporate social responsibility subject matter their large manufacturing firms in Nairobi consider being paramount in its operations. The responses were as shown in table 4.11.

**Table 4.11: Which Corporate Social Responsibility Subject Matter is Paramount**

	<b>Frequency</b>	<b>Percent</b>
Environmental care	2	5.6
Education	12	33.3
Community participation	8	22.2
Co-operation with learning institutions	6	16.7
Government relations	2	5.6
Corporate giving, Donations, Financial or material support	2	5.6
Corporate Trust foundation	2	5.6
Co-operation with learning institutions	2	5.6
<b>Total</b>	<b>36</b>	<b>100.0</b>

As per the results, the respondents indicated that the corporate social responsibility subject matter their firm consider as paramount in their operations was education as shown by 33.3% and community participation as shown by 22.2%.

The respondents were further asked whether in the near future their large manufacturing firms in Nairobi plan to expand their corporate social responsibility programs / activities. Their responses were as shown in table 4.12.

**Table 4.12: Expansion of Corporate Social Responsibility Programs / Activities**

	<b>Frequency</b>	<b>Percent</b>
Yes	26	72.2
No	10	27.8
<b>Total</b>	<b>36</b>	<b>100.0</b>

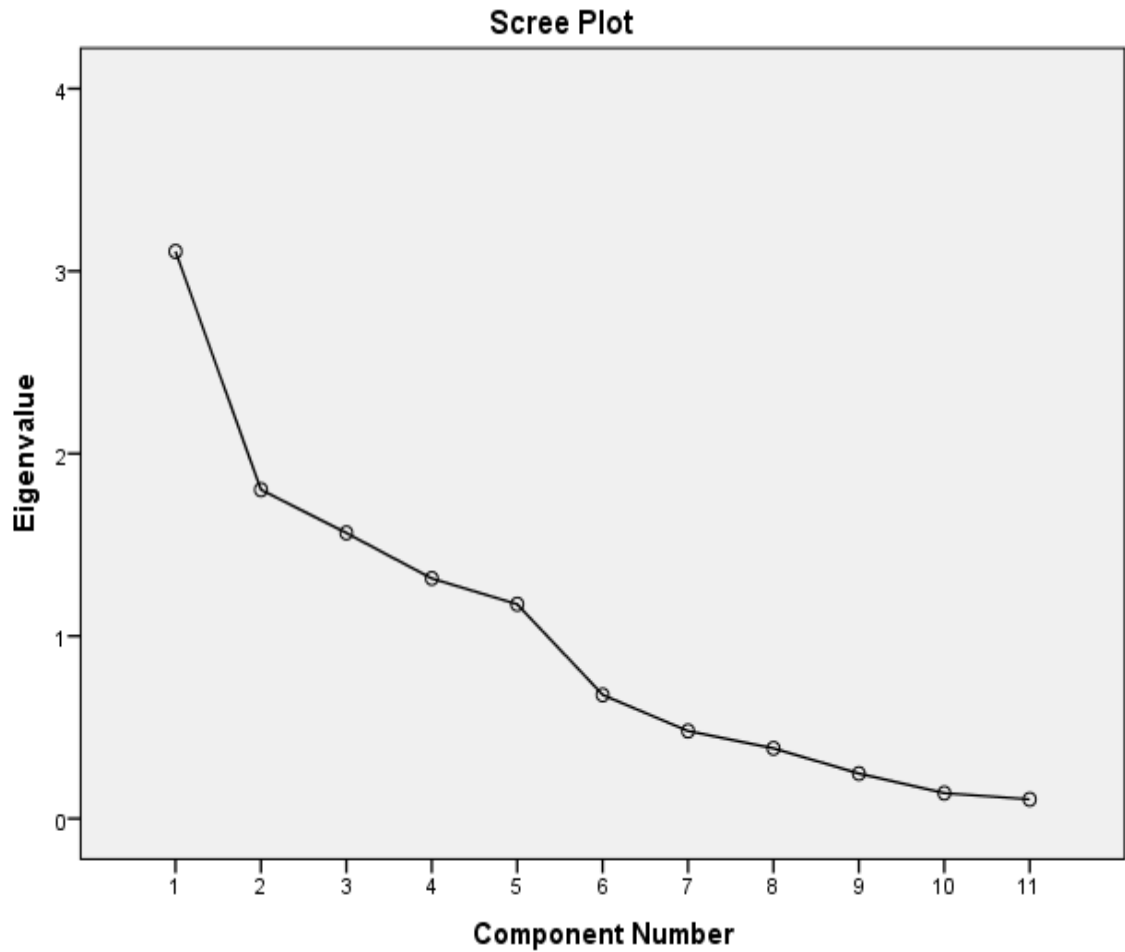
The respondents indicated that in the near future their large manufacturing firms in Nairobi plan to expand their corporate social responsibility programs or activities as shown by 72.2% while 27.8% of the respondents indicate that in the near future their large manufacturing firms in Nairobi doesn't plan to expand its corporate social

responsibility programs or activities. This infers that most of firms have a plan for expansion of their corporate social responsibility programs or activities.

#### **4.8 Factor Analysis**

Factor analysis is a systematic, statistical procedure used to uncover relationships amongst several variables. This procedure enables numerous correlated variables to be condensed into fewer dimensions known as factors. The purpose of factor analysis is to discover simple patterns in the pattern of relationships among variables (Best & Kahn, 2006). In the context of this research, the variables are the degree of agreement with various specific perception statements while the factors are the general underlying constructs. In its procedure, rotation is applied to identify meaningful factor names or descriptions.

A rotation, which requires that the factors remain uncorrelated, is an orthogonal rotation, while a rotation, which requires the factors to be correlated, is called oblique rotation. In this study, oblique rotation using Promax was carried out because the proposed framework indicates that the underlying constructs and variables are inter-correlated. Factor rotation was used to re-orient the factor loadings so that the factors are more interpretable. Use of oblique rotation allows for correlations between factors since many attitudinal dimensions are in fact likely to be correlated. For easier interpretation of the factors, only the pattern matrix is examined (Cooper & Schindler, 2011). This method of rotation was chosen because it helps reduce data to a smaller set of underlying variables.



**Figure 4.2: Scree Plot**

In order to determine the number of factors to retain, the factors with eigenvalue greater or equal to one were retained. This was further illustrated by using the scree plot which indicates that the screens started to tee-off after factor 11 showing that only all the factors explain the corporate social responsibility programs (Figure 4.2).

**Table 4.13: Component Matrix**

	Component				
	1	2	3	4	5
Parent company requirement (in case of foreign company)	.155	.537	.111	.361	<b>.538</b>
Long term profitability	.023	.549	<b>.667</b>	.155	.180
Solving societal problems	.447	.234	<b>.552</b>	.440	.114
Environmental concerns	.056	.388	<b>.480</b>	.243	.161
Corporate image	.259	.133	.077	<b>.827</b>	.387
Corporate pressure	<b>.518</b>	.141	.742	.044	.037
Attracting & retaining quality employees	<b>.695</b>	.583	.030	.117	.055
Moral obligation & Ethics	.119	<b>.573</b>	.265	.559	.396
Company size	.135	.491	.085	.157	<b>.737</b>
Company policy	.479	.053	.028	<b>.792</b>	.138
Criticality of Stakeholders relationships	.236	<b>.710</b>	.063	.360	.102

The initial component matrix was rotated using Varimax (Variance Maximization) with Kaiser Normalization. The above results allowed for the identification of which variables fall under each of the 5 major extracted factors. A variable is said to belong to a factor to which it explains more variation than any other factor. All items except one in the 5 factors identified had factor loadings above the *cut-off* value (0.4) impressing their importance and meaningfulness to the factors in the light of recommendations by Cooper and Schindler (2011).

From the table 4.13, the individual variables constituting the five factors extracted are summarized and identified.

For **Factor one (External and Internal drives)** it included parameters such as Corporate pressure (.518) and attracting & retaining quality employees (.695).

In **Factor two (Relationship Management)** the aspects included were moral obligation & ethics (.573) and criticality of stake holder's relationships (.710).

Further the **Factor three (Sustainability Concerns)** comprised of aspects such as long term profitability (.667), solving societal problems (.552) and environmental concerns (.480).

In **Factor four (Value Orientation)** the aspects included were corporate image (.827) and company policy (.792).

Finally **Factor five (Resource Capacity)** comprised of company size (.737) and parent company requirement (in case of foreign company) (.538).

#### **4.9 Discussion of the Findings**

The study established that large manufacturing firms in Nairobi have a corporate social responsibility policy in place and that there is there a review of the CSR activities and initiatives. It was clear that most of the large manufacturing firms in Nairobi did review of the CSR activities and initiatives annually and most large manufacturing firms in Nairobi have a specific department / section that coordinate corporate social responsibility practices. The study deduced that large manufacturing firms in Nairobi allocated budget for CSR in their company. These agree with Chege (2013) who concluded that CSR as a strategy drives overall goodwill in the society and also brings new clients and investors

The study revealed that criticality of stakeholder's relationships influences large manufacturing firms in Nairobi participation in corporate social responsibility very much. It was established that corporate pressure, long term profitability, company size, parent company requirement (in case of foreign company), attracting & retaining

quality employees, moral obligation & ethics and environmental concerns much influences large manufacturing firms in Nairobi participation in corporate social responsibility. The study indicated that corporate image and company policy somehow influences large manufacturing firms in Nairobi participation in corporate social responsibility. The study made it clear that solving societal problems neutrally influences large manufacturing firms in Nairobi participation in corporate social responsibility. These findings are in line with Friedman (2006) who further stated that an entity should be deemed a grouping of stakeholders and all entities should strive to satisfy the needs of their stakeholders.

The study revealed that that benefits realized were sustainable competitive advantage and improved operational efficiency, strong brand reputation and trust and managing and mitigating risk. It was clear that benefits realized were safe and clean operating environment and new business opportunities. The study also indicated that benefits realized were improving corporate reputation, enhanced customer loyalty and attracting & retaining quality employees. These findings concur with Kibera (1996) who stated that the public needs have led to the changing expectations of business and therefore businesses are expected to respond to them.

The study indicated that corporate social responsibility subject matter that large manufacturing firms in Nairobi consider as paramount in their operations was education, community participation and co-operation with learning institutions. The study established that in the near future the large manufacturing firms in Nairobi plan to expand their corporate social responsibility programs or activities. These results conform to Heinz et al (1999) who established that companies within industry groups such as chemical production, cosmetics, paper products and electronics had a very

strong correlation between CSR and industry sector, while companies in groups such as petroleum refineries, computers and mining exhibited a weak relation between CSR and Industry sector.



# **CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

## **5.1 Introduction**

This chapter presents the summary of findings, conclusions drawn from the findings highlighted and recommendation made there-to. The conclusions and recommendations drawn are focused on addressing the objective of the study.

## **5.2 Summary of Findings**

It was clear that large manufacturing firms in Nairobi were found to have a corporate social responsibility policy in place and they annually review the CSR activities and initiatives. The study also established that most of the large manufacturing firms in Nairobi usually have a specific department or section that coordinates corporate social responsibility practices. The firms also have an allocated budget for CSR programs and activities.

The study found that criticality of stakeholders' relationships influences large manufacturing firms participation in corporate social responsibility very much. Further it was indicated that respondents also indicated that corporate pressure, long term profitability, company size as well as attracting and retaining quality employees have much influence on large manufacturing firms participation in corporate social responsibility. The study also revealed that environmental concerns, parent company requirement and that moral obligation and ethics also have much influence on large manufacturing firm's participation in corporate social responsibility. Corporate image and policy were found to somehow influence large manufacturing firms' participation in corporate social responsibility.

The study established that benefits realized due to adoption of CSR were sustainable competitive advantage and improved operational efficiency. There was an indication that the corporate social responsibility subject matter considered by large manufacturing firms in Nairobi as being paramount in their operations was education, community participation and co-operation with learning institutions. It was further established that in the near future, large manufacturing firms in Nairobi plan to expand their corporate social responsibility programs or activities.

### **5.3 Conclusion of the Study**

The study concluded that corporate social responsibility policy is in place in most large manufacturing firms in Nairobi and CSR activities and initiatives are usually reviewed annually. It was established that large manufacturing firms in Nairobi have budgetary allocations for CSR programs.

The study further concluded that most large manufacturing firms in Nairobi engage in CSR activities. They do this as a requirement by the parent company, to enable them to attract and retain quality employees and also to be able to address societal and environmental concerns. It was also concluded that other strategic factors that influence large manufacturing firms in Nairobi to engage in CSR activities were long term profitability, corporate pressure, company size and criticality of stakeholder's relationships to enable them gain competitive advantage hence growing their market share.

The study also concluded that the benefits realized from CSR programs in large manufacturing firms in Nairobi were sustainable competitive advantage and improved operational efficiency.

#### **5.4 Recommendations**

The study found that large manufacturing firms in Nairobi have specific department to coordinate corporate social responsibility practices. The study therefore recommends that the large manufacturing firms that are not engaging in CSR are losing out and should therefore take up CSR in order to enjoy these benefits. Some other rationale types that were not among the top four should however not be ignored. Use of CSR as a marketing tool was rated high and therefore can contribute immensely towards achieving large manufacturing firms in Nairobi marketing objective.

The study further found that community participation was a corporate social responsibility subject matter that large manufacturing firms consider as paramount in their operations. It is therefore recommended that the large manufacturing firms in Nairobi should engage more in CSR to conform to regulations and forestall possible losses from litigation or rejection by communities.

The study revealed that large manufacturing firms in Nairobi could realize benefits like high employee morale and increased productivity since attracting & retaining quality employees' influences participation in corporate social responsibility. These factors should therefore be studied carefully by large manufacturing firms in Nairobi to facilitate their informed choice and decision making when selecting the CSR activities to engage in. Large manufacturing firms in Nairobi should also establish CSR audit procedures to evaluate and determine whether the CSR activities they engage in help them achieve their intended objectives.

Since adoption of CSR had improves operational efficiency, the study recommends that the large manufacturing firms in Nairobi should adopt CSR so as to increase customer awareness of the core function and products offered, improve the level of

customer loyalty, improve the large manufacturing firms in Nairobi product marketability, diversification, reduce the marketing costs and operational cost as well as promotion of the image of the large manufacturing firms in Nairobi. The study established that CSR had affected the competitiveness of the large manufacturing firms in Nairobi to a great extent.

### **5.5 Limitations of the Study**

The management of firms was not willing to disclose confidential information about factors influencing adoption of CSR programs in their firms. The researcher had to clarify to them that the study was strictly meant for academic purposes and that the information they provide was treated with utmost confidentiality.

The senior managers and the chief executive officers of the firms considered to provide required data, feared to respond to the questions asked by the researcher for fear of being victimized by their employer or the owner of the firms. The researcher had to create a rapport with the respondent, introducing herself first to the respondent made the conversation friendlier. The researcher also made an arrangement with the management to ensure this exercise is carried out effectively.

### **5.6 Suggestions for Further Research**

This study focused on the strategic determinants of adoption of CSR programmes by large manufacturing large manufacturing firms in Nairobi. More research needs to be carried out on other small and large manufacturing firms in Nairobi.

Another similar study should be done in other major towns in Kenya to determine the strategic determinants of adoption of CSR programmes by large manufacturing

operating in those towns since this study only focused on large manufacturing firms in Nairobi only.

The next area is additional explanatory variables for CSR. The results of this study have pointed to average profitability, industry sector and management style as the explanatory variables which show some association with CSR. Variables like asset age, physical location of large manufacturing firms, capital structure and others should be investigated.

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## APPENDICES

### Appendix I: Research Questionnaire

#### SECTION A: BACKGROUND INFORMATION

1. Rank/Position of the respondent in organization
2. Area of operations (Tick () as appropriate)
  - a) Kenya [  ]
  - b) East Africa [  ]
  - c) Africa [  ]
  - d) International [  ]
3. Ownership Structure of the Organization
  - a) Local [  ]
  - b) Foreign [  ]
  - c) Joint [  ]
4. Length of time your firm has been in operation since incorporation
  - a) One year and below
  - b) Between 1 – 5 years
  - c) Between 6 – 10 years
  - d) Between 11 – 15 years
  - e) Over 16 years
5. Which sector does your firm operate in
  - a) Leather & Foot wear [  ]
  - b) Building, Mining & Construction [  ]
  - c) Motor Vehicle & Accessories [  ]
  - d) Chemical & Allied [  ]

- e) Pharmaceutical & Medical [ ]
- f) Energy, Electrical & Electronics [ ]
- g) Food & Beverages [ ]
- h) Timber, Wood & Furniture [ ]
- i) Metal & Allied [ ]
- j) Plastics & Rubber [ ]
- k) Paper & Board [ ]
- l) Textile & Apparels [ ]

**SECTION B: CSR INFORMATION & MANAGEMENT**

- 6. Does your firm have a corporate social responsibility policy in place?
- 7. Is there a review of the CSR activities and initiatives?
  - a) Yes
  - b) No
- 8. If yes, how frequent is the review done?
  - a) semi - annual
  - b) Annual
  - c) bi- annual
  - d) On need basis
- 9. Does the firm have a specific department / section that coordinate corporate social responsibility practices?
- 10. The firm has a budget allocation for corporate social responsibility programs / activities. Please indicate the amount allocated for CSR in your company.
  - a) No budget allocation
  - b) Less than Kshs 1,000,000
  - c) Kshs.1,000, 000- Kshs 5,000 000

d) Above Kshs 5,000,000

**SECTION C: STRATEGIC FACTORS INFLUENCING ADOPTION OF CSR PROGRAMS**

11. To what extent do the following factors influence the practice of corporate social responsibility in your firm? Indicate the extent to which each of the factors influences firm’s participation in corporate social responsibility. Where: Not at all = (1); Neutral = (2); Somehow = (3); Much = (4); Very much = (5)

	<b>Factors</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
1	Parent company requirement (in case of foreign company)					
2	Long term profitability					
3	Solving societal problems					
4	Environmental concerns					
5	Corporate image					
6	Corporate pressure					
7	Attracting & retaining quality employees					
8	Moral obligation & Ethics					
9	Company size					
10	Company policy					
11	Criticality of Stakeholders relationships					

12. Kindly list specific corporate social responsibility programs / activities that your firm has carried out in the past one year that benefited the society at large.



Indicate the extent to which your firm has benefited by participating in corporate social responsibility programs / activities Where: Strongly disagree = (1); Disagree = (2); Somehow agree = (3); Agree = (4); Strongly agree = (5)

	<b>Benefits Realized</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
1	Improving corporate reputation					
2	Attracting & retaining quality employees					
3	Improved operational efficiency					
4	Sustainable competitive advantage					
5	Enhanced customer loyalty					
6	Strong brand reputation and trust					
7	New business opportunities					
8	Managing and mitigating risk					
9	Safe and clean operating environment					

13. Which corporate social responsibility subject matter does your firm consider to be paramount in its operations (Please tick appropriately)

	<b>Subject Matter</b>	<b>Tick Appropriately</b>
1	Environmental care	
2	Employee welfare	
3	Education	
4	Sports	
5	Community participation	
6	Co-operation with learning institutions	
7	Government relations	

8	Corporate giving, Donations, Financial or material support	
9	Corporate Trust foundation	

14. Indicate possible recommendations that could be employed by your firm to enhance effectiveness of the corporate social responsibility programs / activities they undertake.

15. In the near future does your firm plan to expand its corporate social responsibility programs / activities.

a) Yes       b) No       c) Not applicable

16. If yes, kindly list specific target areas.

## Appendix II: List of Firms

### Sector: Building, Mining & Construction (13)

Deluxe Inks Ltd	Tana River Quarrying Ltd
Flamingo Tiles (Kenya) Limited	Tile & Carpet Centre
Glenn Investments Ltd C/O The Mehta Group Ltd	Kenya Builders & Concrete Ltd
International Green Structures	Koto Housing Kenya Ltd
Manufacturing Kenya Limited	Orbit Enterprises Ltd Pearl Industries Ltd
Sandblasting & Coating	
Savannah Cement Ltd	
Space and Style Ltd	

### Sector: Chemical & Allied (37)

Crop Nutrition Laboratory Services Ltd	MEA Limited
Crown Paints (Kenya) Ltd	Mekan (Kenya) Limited
Desbro Kenya Limited	Metoxide Africa Ltd
Diversey Eastern & Central Africa Ltd.	Norbrook Kenya Limited
Evonik East Africa	Odex Chemicals Ltd
Galaxy Paints Coating Co. Ltd.	Orbit Products Africa Limited (Formerly Orbit Chemicals)
H.B. Fuller Kenya Limited (Formerly Continental Products Ltd)	Osho Chemicals Industries Ltd
Haco Tigerbrands East Africa Ltd	PolyChem East Africa Ltd
Henkel Polymer Company Ltd	Procter & Gamble East Africa Ltd
Highchem East Africa Ltd	Protea Chemicals Kenya Ltd
IMCD Kenya Ltd (Formerly Chemicals and Solvents (EA) Ltd)	PZ Cussons EA Ltd
Interconsumer Products Ltd.	Reckitt Benckiser (E.A.) Ltd
Kel Chemicals Limited	Rok Industries Ltd
Ken Nat Ink & Chemicals Ltd	Sadolin Paints (E.A.) Ltd
L'Oreal East Africa Ltd	Sanergy Ltd
Maroo Polymers Ltd	Style Industries Ltd (Previously Strategic)
	Syngenta East Africa Ltd

Synresins Ltd

Tropikal Brand (Afrika) Ltd

Twiga Chemical Industries Limited

Unilever Kenya Ltd

**Sector: Energy, Electrical & Electronics (23)**

East African Cables Ltd.

Holman Brothers (E.A) Ltd

Ibera Africa Power EA Africa

Kenwest Cables Ltd

Kenya Power Co. Ltd

Libya Oil Kenya Limited

Manufacturers & Suppliers (K) Ltd

Metlex International Ltd

Metsec Cables Ltd

Muhoroni Briquette Co. Limited

Nationwide Electrical Industries Ltd

Oilzone (East Africa)

Optimum Lubricants Ltd

Patronics Services Limited

Philips East Africa Limited

Powerex Lubricants Limited

Protel Studios

Repelectric (K) Ltd

Siera Cables

Socabelec (EA) Ltd

Steam Plant Ltd

Synergy Lubricant Solutions Ltd

Vivo Energy

**Sector: Food & Beverages (66)**

Africa Spirits Ltd

Afrimac Nut Company

Danone Baby Nutrition Africa and  
Overseas

DPL Festive Ltd.

East African Breweries Ltd.

East African Sea Food Ltd.

Eastern Produce Kenya Ltd (Kakuzi)

Elekea Ltd.

Elle Kenya Ltd.

Erdermann Co. (K) Ltd.

Europack Industries Limited

Excel Chemicals Ltd

Farmers Choice Ltd

Frigoken Ltd

Giloil Company Ltd.

Global Fresh Ltd

Gonas Best Ltd.

Green Forest Foods Ltd.

Honey Care Africa

Jambo Biscuits (K) Ltd

Kamili Packers Ltd

Kapa Oil Refineries Ltd

Kenafic Industries Limited

Kenya Nut Company Ltd

Kenya Sweets Ltd

Kenya Tea Development Agency

Kenya Wine Agencies Limited

Kevian Kenya Ltd

Kuguru Food Complex Ltd

Kwality Candies & Sweets Ltd

Landeco Ltd

Luma Stores & Supplies Enter. Ltd	Rafiki Millers Ltd.
Manji Food Industries Ltd	Razco Limited
Melvin Marsh International	Sahara Venture Capital Company Ltd
Mini Bakeries (Nbi) Ltd	Sameer Agriculture & Livestock (Kenya) LTD
Mjengo Limited	SBC Kenya Limited
Monwalk Investment Ltd	Sigma Supplies Ltd
Mzuri Sweets Ltd	Simply Foods Ltd
Nairobi Bottlers Ltd	Spice World Ltd
Nairobi Flour Mills Ltd	Stawi Foods and Fruits Limited
NAS Airport Services Ltd	Trufoods Ltd
Nestle Kenya Ltd	Unga Group Ltd
Norda Industries Ltd	Valuepak foods
Olivado EPZ Limited	Vava Coffee Ltd
Palmhouse Diaries Ltd	W. E. Tilley (Muthaiga) Ltd
Patco Industries Limited	Winnie's Pure Health
Pembe Flour Mills Ltd	Wrigley Company (E.A.) Ltd
Premier Food Industries Limited	Zheng Hong (K) Limited
Promasidor (Kenya) Ltd	

**Sector: Metal & Allied (44)**

Crystal Industries Ltd	Kens Metal Industries Ltd
Devki Steel Mills Ltd	Kenyon Limited
East Africa Spectre Ltd.	Khetshi Dharamshi & Co. Ltd
East African Foundry Works (K) Ltd.	Mecol Limited
Easy Clean Africa Ltd.	Metal Crowns Limited
Elite Tools Ltd.	Mitsubishi Corporation Nairobi Liaison Office
Fine Engineering Works Limited	Modulec Engineering Systems Ltd
Friendship Container Manufacturers Ltd	Nails & Steel Products Ltd
GZI Kenya Ltd	Napro Industries Limited
Heavy Engineering Ltd.	Orbit Engineering Ltd
Insteel Limited	Palak International Limited
Iron Art Ltd	Prime Steel Limited
Kab Kam Enterprises Ltd	Red Oak Limited

Sheffield Steel Systems Ltd  
Southern Engineering Co. Ltd  
St Theresa Industries Kenya Limited  
Steel structures Ltd  
Steelmakers Ltd  
Steelwool (Africa) Ltd  
Sufuria World Limited  
Tensiles EA Ltd  
Tononoka Rolling Mills Ltd

Tononoka Steel Ltd  
Top Steel Kenya Limited  
Towertech Africa Limited  
Varomotech Limited  
Vivek Investments Ltd  
Warren Enterprises Ltd  
Welding Alloys Ltd  
Wire Products Limited  
Zenith Steel Fabricators Ltd

**Sector: Motor Vehicle Assemblers & Accessories (23)**

Alamdar Trading Company Ltd  
Dalcom Kenya  
Dodi Autotech  
General Motors East Africa Ltd.  
Honda Motorcycle Kenya Ltd  
Kibo Africa Ltd (formerly Koneksie Ltd)  
King Finn Kenya Ltd  
Labh Singh Harnam Singh Ltd  
Load Trailers  
Master Fabricators Ltd  
Megh Cushion Industries Ltd  
Mobius Motors Kenya Ltd

Passion Profit Limited  
Pipe Manufacturers Ltd  
R.T. (East Africa) Limited  
Ruidu (Kenya) Company Limited  
Scania East Africa Limited (Merged with Kenya Grange Vehicles)  
Simba Caetano Formula Limited  
Sohansons Ltd  
Theevan Enterprises Ltd  
Toyota Kenya Ltd  
Toyota Tshusho East africa Limited  
Varsani Brakelinings Ltd

**Sector: Paper & Board (38)**

ASL Packaging Limited  
Avery Dennison Kenya Limited  
D. L. Patel Press (Kenya) Limited  
Digital Hub Ltd.  
Dodhia Packaging Ltd.  
Economic Industries  
Elite Offset  
Ellams Products

English Press Ltd.  
Euro Packaging Ltd  
General Printers Ltd.  
Green Pencils Ltd.  
International Paper & Board Supplies Ltd  
Kartasi Industries Ltd  
Kenafric Diaries Manufacturers Ltd

Kenya Stationers Ltd	Ramco Printing Works Ltd
Manipal International Printing Press Ltd	Regal Press Kenya Ltd
Mega Pack (K) Ltd	Rodwell Press Ltd
Modern Lithographic (K) Ltd	Sintel Security Print Solutions Limited
Nation Media Group Ltd	Skanem Interlabels Nairobi Limited
Ndalex Digital Technology	Standard Group Ltd
Paperbags Limited	Statpack Industries Ltd
Pressmaster Ltd	Taws Limited
Printing Services Ltd	Tetra Pak Ltd
Printpak Multi Packaging Ltd	The Print Exchange Ltd.
Punchlines Ltd	Twiga Stationers & Printers Ltd
	United Bags Manufacturers Ltd

**Sector: Pharmaceutical & Medical Equipment (11)**

Cosmos Pharmaceutical Ltd.	Medivet Products Ltd
Dawa Limited	Pharm Access Africa Ltd
Elys Chemicals Industries Ltd.	Questa Care Ltd
Glaxo Smithkline Kenya Ltd.	Regal Pharmaceuticals Ltd
KAM Industries Limited	Vetcare Kenya Limited
Medisel Kenya Ltd	

**Sector: Plastics & Rubber (41)**

ACME Containers Ltd.	Kenpoly Manufacturers Ltd
Afro Plastics (K) Ltd	Kentainers Ltd
Coninx Industries Ltd.	King Plastic Industries
Dune Packaging Ltd.	L.G. Harris & Co. Ltd
Elgon Kenya Ltd.	Laneeb Plastic Industries Ltd
Eslon Plastics of Kenya Ltd	Nairobi Plastics Ltd
Finlay Brushware Ltd	Packaging Industries Ltd
Five Star Industries Ltd	Packaging Masters limited
Flair Kenya Ltd	Plastic Electricons
General Plastics Ltd.	Plastics & Rubber Industries Ltd
Jumbo Quality Products	Polyblend Limited
Just Plastics Limited	Polyflex Industries Ltd
Kamba Manufacturing (1986) Ltd	Polythene Industries Ltd

Premier Industries Ltd	Silpack Industries Limited
Prosel Ltd	Springbox Kenya Ltd
Safepak Limited	Styroplast Limited
Sameer Africa Ltd	Super Manufacturers ltd
Sanpac Africa Ltd	Techpak Industries Ltd
Signode Packaging Systems Ltd	Treadsetters Tyres Ltd
Silafrika Kenya Ltd (Formerly Sumaria Industries)	Uni-plastics
	Vectus Kenya Ltd

**Sector: Textiles & Apparel (15)**

Dharamshi & Co. Ltd	Spinners & Spinners Ltd
Hela Intimates EPZ LTD	Sunflag Textile & Knitwear Mills Ltd
Insight Kenya	Tarpo industries
Kenya Trading EPZ Ltd	Teita Estate Ltd
Manchester Outfitters Limited	Thika Cloth Mills Ltd
Midco Textiles (EA) Ltd	United Aryan (EPZ) Ltd
Mills Industry Ltd	Vaja's Manufacturers Limited
Oriental Mills Ltd	

**Sector: Timber, Wood & Furniture (16)**

Economic Housing Group Ltd	PG Bison Ltd
Fine Wood Works Ltd	Rosewood Furniture Manufacturers Ltd
Furniture International Limited	Shah Timber Mart Ltd
GreenPot Enterprises	Shamco Industries Ltd
Kenya Wood Products Limited	Timsales Ltd.
Marvel Lifestyle Ltd	Woodmakers (K) Ltd
Match Masters Ltd	Woodtex Kenya Ltd
Newline Ltd	
Panesar's Kenya Ltd	

**Sector: Leather & Footwear (1)**

Leather Industries of Kenya Limited