MANAGEMENT PERCEPTION OF AND COMPANY IMPLEMENTATION OF CORPORATE SOCIAL RESPONSIBILITY: A STUDY OF FIRMS LISTED IN THE NAIROBI STOCK EXCHANGE

BY:

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DECLARATION

This project is my original work and has not been submitted for a degree in any other university.

Signed.. Date...10th November 2005

Erick Kibet Too

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

Signed.. Date...17th November 2005

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DEDICATION

To my dear parents.

Mr. Mark Bor.

Mrs. Rael Bor.

For their wise counsel and love of education.

ACKNOWLEDGEMENT.

I wish to extend my sincere thanks to my supervisor Dr. Martin Ogutu for his constructive criticism, guidance and advice.

My thanks go to my family for their support throughout the course.

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ABSTRACT

The difficulties facing the society today have necessitated the firms to play a role in corporate social responsibility. Involvement in corporate social responsibility by the firms listed in the Nairobi Stock Exchange will alleviate the various social, technological, economic and environmental difficulties facing the society

The study sought to establish the management perception of corporate social responsibility of firms listed in the Nairobi Stock Exchange. It also sought to establish company implementation of corporate social responsibility of firms listed in the Nairobi Stock Exchange.

The population of the study was all the companies listed in the Nairobi Stock Exchange. There were 48 companies at the time of this study. Out of the 48 questionnaires distributed, 31 of them were collected in good time for data analysis.

The outcome of the study showed that the management had a positive perception towards corporate social responsibility in the firms listed in the Nairobi Stock Exchange. The companies listed in the Nairobi Stock Exchange have successfully implemented various corporate social responsibility programs.

CHAPTER ONE: INTRODUCTION

1.1 Background

1.1.1 Corporate Social responsibility.

"Humanity does not live on Gross National Product (GNP) alone. Better a smaller social pie divided equitably among the populace, many ethical observers would 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 is despoliation of our environment and in the end the non-attainment of happiness and serenity?" (Samuelson, 1980)

Bowen (1953), defines social responsibility as 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. Firms should engage in corporate social responsibility (CSR) for their own good and for the good of the society as well.

Corporate social responsibility is concerned with ways in which an organization exceeds the minimum obligations to stakeholders specified through regulation and corporate governance. This includes consideration as to how conflicting demand of different stakeholders can be reconciled. (Johnson & Scholes, 2002)

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).

Corporate social responsibility involves giving back to the society. This is as an appreciation of the role that the society plays in the business. The Nairobi Stock Exchange comprises various firms whose day-to-day activities involve the provision of goods and services to the people. The firms do depend on their customers for their existence. The firms therefore have a duty to give back to the community in which they exist. The firms can do these through corporate social responsibility.

"Corporate social responsibility dates back to 17th century when it was common for prominent business leaders to make significant donations. In the past legal restrictions made it difficult for firms to become involved in such affairs. However a Supreme Court ruling in 1950's put an end to regulations and as a result corporations began creating their own organizations. It became common for large organizations to give up to 5% of their pre-tax income to charities as a means of improving public image." (Pearce & Robinson, 1997).

The general public expects the firms existence to improve their quality of life. A firm therefore should identify its stakeholders, understand the stakeholders claims and co-ordinate these claims with the other elements of the company mission. Businesses therefore have to be flexible in order to accommodate corporate social responsibility.

Johnson and Scholes (2002), classifies aspects of social responsibility into internal and external aspects. Internal aspects include employee welfare working conditions and job design. External aspects include environmental activities, employment, products, services and community activity. Community activity could be in the form of scholarship and charity. Employee welfare could in the form of provision of housing and medical services, children education and staff training.

All firms want to have a good reputation. It is difficult to imagine a situation in which a good reputation would not be of commercial benefit. Reputation can be a source of competitive advantage. The concept of corporate social responsibility 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. The concept of CSR has gained focus in the global economy. There is need for more socially responsible firms in the developing nations. The results that an organization seek over a multi-year period are its long-term objectives which often include profitability, productivity, employee relations, competitive positioning and social responsibility. Social responsibility could therefore emerge as a strategy for the success of the organization in the future. (Kay, 1993).

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 mould them into meaningful experience, influence behaviour and form attitudes. The way a manager sees a situation often has much greater meaning for understanding behaviour than does the situation itself. Perceptual process are relevant for managers as these make them to behave based on how they see the environment and play an important role in the decision managers make concerning various issues in organizations, among them corporate social responsibility. (Gibson et al, 1994).

The management perception of CSR will determine the importance to be attached to CSR. Management do develop long-term plans and influence resource allocation in organizations. Perception of CSR will have an effect on company implementation of CSR Perception of CSR will determine importance to be attached to CSR, resources to be allocated and the company implementation of corporate social responsibility.

1.1.2 Companies listed in the Nairobi Stock Exchange

There are forty-eight firms that are listed in the Nairobi Stock Exchange (NSE). These firms are large firms. The firms are owned by shareholders, both local and foreign shareholders. The firms are listed in NSE so that they can access cheap financing. The financing of these companies comes from the shareholders. Shareholders do consider profitability and growth potential of the firms when investing.

The firms listed in NSE are managed on behalf of the shareholders by the directors. There is a separation of ownership and control. The firms are headed by Chief Executive Officers (CEO). The NSE is regulated by the Capital Markets Authority (CMA). CMA issues guidelines on corporate governance for public listed companies. The firms in NSE has a wide sectoral representation which includes Agricultural, Commercial and Services, Finance and Investment, Industrial and Allied and Alternative Investment. The firms listed in NSE is a representative of various corporations in Kenya. That is why companies listed in NSE were chosen for the study.

The firms listed in NSE are providers of goods and services. They provide goods and services to the public at large. They source their funds and labour from the society at large. The firms do not operate in isolation from the environment. The firms do receive a lot from the community they exist in, they should therefore give back to the society. This can be done through corporate social responsibility. The firms involvement in corporate social responsibility will improve the welfare of the community in which they do exist.

1.2 Research problem

The management perception of corporate social responsibility will determine the importance to be attached to corporate social responsibility. The importance attached to CSR will determine the amount of resources to be allocated towards CSR. Management perception of corporate social responsibility will have an effect on implementation of CSR. The social, technological, economic and environmental difficulties facing the society will be reduced if importance is attached to corporate social responsibility. Allocation of resources towards CSR will also help to reduce the problems facing the society.

There are various political, social, technological, economic and environmental difficulties facing the society in Kenya. These difficulties have led to poverty, diseases, insecurity and environmental degradation. The business needs a good environment to conduct its activities. It needs good infrastructure and security in the country. Business can therefore give back to the society by conserving the environment, alleviating poverty, development and maintenance of the infrastructure.

Corporate social responsibility has been studied in the past, studies in the field have been done by various people including (Kamau, 2001, Kiarie 1997, Kweyu, 1993). No study was found to have been done to determine the role perception plays in giving back to the society, and company implementation of corporate social responsibility, hence the need for this study. This study is likely to fill the knowledge gap that exists concerning the perception of corporate social responsibility and its implementation. It is also likely to trigger more involvement by corporations in CSR and likely to lead to the improvement in quality of life of the public at large.

1.3 Objectives of the study

- To establish management perception of corporate social responsibility of firms listed in the Nairobi Stock Exchange.
- To establish company implementation of corporate social responsibility of firms listed in the Nairobi Stock Exchange.

1.4 Importance of the study.

- The study is likely to enlighten corporate leaders on corporate social responsibility hence leading to less resistance towards CSR and success in implementation of CSR.
- The study is likely to enable corporate leaders to think about corporate social responsibility and incorporate it in the firms mission statement.
- The study is likely to lead to a more positive perception of corporate social responsibility by corporate leaders.
- The study will broaden the knowledge base on corporate social responsibility and provide basis for further research on corporate social responsibility.

CHAPTER TWO: LITERATURE REVIEW

2.1 The concept of corporate social responsibility.

Corporate social responsibility has aroused a lot of interest in the past four decades. It has been a subject of debate in the business world and has led to a lot of controversy. Several scholars have come up with different views of corporate social responsibility. Corporate Social responsibility entails incurring responsibilities to the society beyond the government regulation and legal requirements. Corporate social responsibility leads to the improvement of the quality of life of the society at large.

Bowen (1953), defines social responsibility as "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." Firms should therefore engage in corporate social responsibility for their own good and for the good of the society as well.

Johnson & Scholes (2002), observed that corporate social responsibility is concerned with ways in which an organization exceeds the minimum obligations to stakeholders specified through regulation and corporate governance. This includes consideration as to how conflicting demands of different stakeholders can be reconciled. The stakeholders include the employees, the customers, the shareholders and the community. Keith (1960), observes that social responsibility refers to businessmen decisions and actions taken for reasons at least partially beyond the firms direct economic interest.

Reidenbach and Robin (1987), argue that the interest of the community in the behaviour of firms is expressed at the local and national levels. At the national level, the interest is manifested in concern of the government in many aspects of corporate activities such as economic health, contribution to welfare and participation in economic growth. At the local level, local authorities and bodies in both direct and indirect socioeconomic impact of activities of their corporation express this interest.

Steiner (1975), observed 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. The corporations have a role to play in the modern society.

2.2 Corporate social responsibility arguments.

Various arguments on corporate social responsibility have been brought forward by scholars. There are those who argue for and those who argue against corporate social responsibility.

2.2.1 Arguments for corporate social responsibility

The concept of social power is one of the arguments for corporate social responsibility. Davis (1974), observed that social power exist because businesses have vast economic resources. He called this the 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 tend to lose it.

Bashaija (1977), argues that corporate social responsibility has the effect of prolonging the business lifetime particularly when there is a strong public support. Corporate social responsibility ensures that a firm becomes popular with the general public
The general public would like to be associated with socially responsible organizations because their activities will not negatively affect them. Good relationship between the business and the general public tends to prolong the life of the business.

Anderson and Frankle (1980), observed that social responsibility could improve the value of a firm. Companies that report their activities to the public have an increase in the value of their shares. The shares of companies who perform social disclosure experience higher increases than for those companies who do not engage in social disclosure.

Bowman and Haire (1975), found that there is a positive correlation between social disclosure and economic performance. They observed that the market is efficient and the public can detect those companies that are reporting wrong information and discriminate between firms that undertake social responsibility and those that do not undertake CSR. Social responsibility attracts capital and employees to a firm. Social responsibility boosts the performance of a firm and shapes the image of the firm.

Social responsibility enables a firm to meet the expectations of the society. It enables a firm to give back to the society. Bateman & Zeithaml (1993), observes that environment is not only on the cutting edge of social reforms but perhaps it is the most important issue for business today. Engagement in social activities such as environmental conservation leads to the betterment of the society.

2.2.2 Arguments against corporate social responsibility.

Friedman (1963), argues that the purpose of a business is profit maximization, therefore a business should use its resources in activities designed to increase profits, engagement in corporate social responsibility leads to reduction of profits. He observed that if managers reduce the returns of shareholders through corporate social responsibility activities, they are in effect levying taxes on the corporation which has already paid taxes to the government.

Hayek (1960), on the same line of thought observed that corporations exist for one reason, which is to make profits. When it is deflected from that purpose the results are bad for the corporation and the community at large in that the resources incurred on social responsibility will be loaded to the consumers. This is through increase in the price of goods and services.

Bartol and Martin (1991), observes that there is a difficulty in measuring social responsibility of one firm compared to another. They further argued that there is no clear relationship between a corporations degree of social responsibility and its performance.

Hayek(1960), argues that involvement in social responsibility may invite government regulation hence government control the business. Government control of the business is likely to affect the business negatively.

Levitt (1968), argues that involvement in social activities by business can create a weakened international balance of payment. This is because the cost of social responsibility will be added to the price of goods. This will make the goods to be relatively expensive.

Friedman (1963), argued that involvement in social responsibility is a self imposed tax. This is because it leads to use of resources. He was therefore concerned about how this self-imposed taxes will be spent. He argues that when managers determine the usage of the self-imposed taxes, they undermine market mechanism for allocating resources and appoint themselves as non-elected public policy makers. He observed that market mechanism helps to allocate resources effectively in areas with high returns to owners.

2.3 Perception of corporate social responsibility

Perception is the selection and organization of environmental stimuli to provide meaningful experiences for the perceiver. Perception represents psychological processes where people extract information from the environment and make sense of their world. Perception involves searching for, obtaining and processing information about the world. Perception varies considerably depending on the circumstances and state of mind of the perceiver, perceptual differences help to explain why people behave differently even though faced with the same situation. (Steers, 1981).

Sensation is what comes into a person through the senses. Organizational behaviour is primarily interested in vision and hearing. The brain organizes, interprets and selects these sensory data. The complex process of determining meaningful sensory input is what we call perception. Perception can mirror the real world, but it does not do so exactly. To varying degrees perception can produce a personally created world, influenced by aspects of personality. The senses provide the raw data for perception, but what actually influences a person's behaviour is more complex. In the process of registering and interpreting sensory data, human beings can come up with a variety of perceptions. The consequence can sometimes be perceptual distortion, possibly with a negative impact on performance (Miner, 1988).

Perceptual congruence is an aspect of perception. This refers to the degree to which people see things the same way. In general high congruence would be expected to mean more valid perception. Greater perceptual congruence has positive consequences in an organization (Miner, 1988).

2.4 Measures of Corporate Social Responsibility.

Corporate social responsibility is a concept with many dimensions, which do not behave similarly in all industries and therefore have their own characteristics in every single industry. In some cases, social disclosure has been applied as a substitute for the CSR. CSR is associated with four broad measurement strategies. First there is the CSR disclosures which consists of content analysis of annual reports, letters to share holders and a number of other corporate disclosures. Content analysis includes any statement of social responsibility or any major litigation, which a firm had been involved in which affects stakeholders. Social measures are analyzed on how the company influences customers, employees, community, environment and minority groups and includes among others firms profitability, code of ethics, pay and benefits to staff, product recalls, false advertising, pollution, recycling and use of recycled products, corporate philanthropy and direct involvement in community programmes (Miner, 1988).

The second approach is the use of reputation indices such as the Fortune magazine ratings of corporations responsibility to the community and environment. The fortune surveys are generated based on the opinions of the financial analysts, senior executives and outside managers and rate the ten biggest companies in their own industry on eight attributes of reputation. These eight fortune attributes are: quality of management, quality of product and service, innovativeness, long term investment value, financial soundness, employee talent, use of corporate assets and responsibility to the environment. These ratings are combined in order to get general corporate reputation index. (Mahon, 1997).

The third approach is the social audits, CSR processes and observable outcomes. Social audits consist of systematic third party effort to assess a firm objective CSR behaviour such as community service, environmental programs and corporate philanthropy. The indices used in social audits are the Toxics Release Inventory and Corporate Philanthropy. These measures are based on hard data. Corporate philanthropy assesses the charitable activities of large companies and compares companies against one another. The fourth and last measurement category of CSR is the use of managerial CSR principles and values. These assess the values and principles inherent in firms culture like economic, legal, ethical and discretionary responsibilities by using triple bottom line reporting Triple-bottom line reports are quantitative summaries of economic environmental and social performance of the company during the preceding year. The trends reveal the shifts towards standardization of social responsibility reporting. When a company reports on triple bottom line, it demonstrates that it has nothing to hide which contributes positively to its public image and companies can better understand the impacts of their social responsibility on the society. It also helps employees to realize the perspective of the company in the longer term (Mahon, 1997).

2.5 Corporate social responsibility practices.

Corporations do aim to achieve their objectives. The objectives of corporations are clearly stated and known to the staff of the organization. The organizations are expected to be responsible citizens. Sawyer (1979), outlined guidelines for a socially responsible firm. It includes that the purpose of the business is to make profit hence managers should aim to optimize their profits in the long run.

Sawyer (1979), observes that if there are social costs in areas where no objective standards for correction exists, managers should generate corrective standards. The 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 where competitive pressures of economic necessity precludes socially responsible actions, the business should recognize that its operations is depleting social capital and therefore represents a loss. It should attempt to restore profitable operation through better management if the problem is internal or by advocating corrective legislation if the society is suffering as a result of the way that the rules for business competition have been made.

Corporate social responsibility can be in various forms. It could be in form of employee welfare and environmental conservation. The nature of social responsibility activities that a corporation involves itself is determined by the location of the business, the environmental pressures, the public pressure, the country and the expectations of the society (Pearce & Robinson, 2002).

There are three main approaches of incorporating social responsibility in corporations. 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 responds to legal requirement by maintaining minimum compliance. The strategy is normally adopted 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.

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 favour of the firms benefit and thus this approach has been criticized for being selfish. The interactive mode entails the firm interacting with the environment as much as possible in social activities for purposes of mutual gain. Both the society and the firm do benefit. This approach is viewed as a bargaining response because the corporation bargains with the groups demanding social responsiveness. The corporation has to understand their needs and expectations and be responsive to those needs and expectations.

In defining or redefining the company mission, managers must recognize and acknowledge the rcsponsibilities to all stakeholders. The organization therefore has to know all its stakeholders. The stakeholders include the customers, suppliers, shareholders, employees, the government and the community at large. Customers want value for their money, suppliers want reliable clients, shareholders want return on their investment, employees want good working conditions, good remuneration and job satisfaction. The government wants compliance with law and order, the community at large wants the firms existence to improve their quality of life and the firms to be responsible citizens.

The organization should identify the stakeholders need and expectations. The firm therefore needs to ensure that it achieves its performance objectives and at the same time meet the stakeholders expectation. Corporate social responsibility should be made one of the various objectives of the organization. This is because it is beneficial to both the organization and the various stakeholders.

Kelly (1992), observes that an organizations self concept should be incorporated in company's mission and communicated to both the insiders and outsiders. However, when an organization tries to incorporate social responsibility in its mission, there arises a lot of controversy and conflicts in the organization. To avoid this organization has to undertake some actions. The organization has to identify its stakeholders. It must identify all groups and weigh their importance and influence on the business. The stakeholders of a business vary in number, importance and it varies with business. Hence the business should know its stakeholders well in defining its mission.

The organization needs to understand the demands of each group of stakeholders. This enables the organization appreciate the demands. It should then appropriate the resources to the various demands in order of their priorities. The social responsibilities should be co-ordinated with other elements of the company mission. The perception of the managers on corporate social responsibility will largely affect the ease with which CSR can be incorporated in the mission statement. Managers perception therefore has an effect in co-ordination of social responsibility with other elements of the mission statement.

The corporations philosophy is based on the premise that their performance objectives can be achieved in a manner that is responsive to the needs of the people. The selection of highly skilled and motivated workforce is essential. The work environment must be safe, healthy and provide opportunity for improvement. The needs of the communities in which the firms have their presence must be addressed (Pearce & Robinson, 2002).

Corporate social responsibility is gaining recognition and popularity hence organizations desire to be involved in socially responsible actions. Social audits are being conducted and reported hence corporations would like to be reflected as socially responsible firms. They therefore engage in various corporate social responsibility activities.

2.6 Aspects of corporate social responsibility

Corporate social responsibility is very wide. It touches on various issues of different nature and addresses several areas of concern. Johnson & Scholes (2002), came up with two aspects of social responsibility. That is the internal and the external aspects of CSR.

Internal aspects address concern of people within the organization. They include employee welfare which relates to medical facilities, housing, children's education and employee training. Job design which relates to designing jobs to fit the workers requirement, to increase efficiency and to enhance job satisfaction. Intellectual property is also an internal aspect of CSR. This involves respecting private knowledge of individuals and not claiming corporate ownership of private knowledge. Working conditions is an internal aspcct of CSR. It relates to enhancement of safety in the workplace and providing a conducive environment for working.

External aspects addresses concern of people outside the organization. They include green issues which relates to environmental concerns such as reduction of pollution and conservation of environment. Products is also an external aspect, it relates to the quality of the products, fitness for consumption and danger arising from the careless use of the product by consumers. Employment is another aspect and it addresses issues of fair recruitment practices. Suppliers, which relates to dealing with ethical suppliers. Markets and marketing is also an external aspect, this includes discrimination of markets such as deciding not to sell alcohol to persons under eighteen years.

2.7 Obstacles to implementation of corporate social responsibility

Bashaija (1977), points out that the execution of corporate social responsibility may be derailed by organization behaviour. Implementation of corporate social responsibility programs depends largely on the commitment of the people involved. Organizational behaviour can therefore be an obstacle to CSR. If people in the organization are not committed to CSR, then implementation might not succeed.

Kweyu (1993), observes that reward-penalty system is an impediment to CSR. In large organizations, where managers of various centres are appraised and rewarded on quantitative results, implementation of social programs may be hindered. Managers will continue to be more sensitive to the quantitative measures where rewards are distributed according to economic accomplishments.

The reward-penalty system will therefore have a negative effect on corporate social responsibility. This is because there will be concern for tangible factors which are quantitative. Concern for aspects like CSR will not be of priority to the managers. Hence organizations will only strive to maximize profits at the expense of other aspects such as CSR.

Rue (1992), observes that the biggest obstacle to organizations in assuming social responsibility is pressure by the financial analysts and stockholders. They push for a steady increase in earnings per share on a quarterly basis. Concern about immediate profits make it difficult to invest in areas that cannot be accurately measured and still have returns that are long-run in nature. Pressure for short term earnings affects corporate social behaviour as most companies are geared to short term profit goals.

Managers who sacrifice profits to seek corporate social goals may find stockholders unsympathetic. Budgets, objectives and performance evaluation are often based on short-run consideration. Managers who sacrifice profits may find it hard to justify these actions to stockholders on basis of corporate social goals. They therefore might lose their jobs, hence most of them will be very cautious when it comes to expenditure on social responsibility goals.

Role of business is another obstacle to implementation of corporate social responsibility. Businessmen view corporate social responsibility in terms of economic issues. That is business are established to satisfy the society by offering goods and services. This is the traditional objective of the business. In response to the accusation of non involvement in corporate social responsibility, businessmen have been pointing at the way they have indulged in social affairs by promoting economic growth (Kweyu, 1993).

2.8 Actions necessary to implement corporate social responsibility.

According to Gantt (1989), for organizations to implement social responsibility, the following actions are necessary.

Organizations should carefully examine their cherished values such as short term profits and ensure that these values are in line with the values held by the society. This should be done regularly because the values held by the society are ever changing. Organizations should evaluate their long-range planning and decision making processes to ensure that they fully understand the potential social consequences. Plant location decisions are no longer merely economic matters. Environmental impact and job opportunities for the disadvantaged should be considered. Organizations should seek to aid both government agencies and voluntary agencies in their social efforts. This should include technical, managerial and monetary support. Technological knowledge, organizational skills and managerial competence can all be applied to solving social problems.

Organizations should look at ways to help solve problems through their own businesses. Many social problems stem from economic deprivation of fairly large segments of our society. Addressing this issue could be the greatest social effort of organizations.

Scott (1994), observes that businesses are increasingly experiencing pressure form the society to be socially responsible. This is due to the fact that society has become more enlightened. A more educated society is more aware of its problems, rights and the role business can play in social welfare. The problems in the society are ever increasing, hence business should try and alleviate these problems. Business should strive to improve the living standards of the community.

Porter (1980), observes that the best companies take corporate social responsibility seriously. This is because they know that a socially responsible business is more competitive, fast moving and stronger business. Corporate social responsibility is crucial to winning that trust and therefore keeping customers and winning more business.

CHAPTER THREE: RESEARCH METHODOLOGY.

This chapter comprises the research design, the population to be studied, data collection and data analysis.

3.1 Research design

The study was conducted through a census survey design. All elements of the population were studied. This method was found to be more suitable for this study because the number of firms was not so large and it was able to cover the various sectors of the Kenyan economy.

3.2 Population

The population of this study comprised all companies listed in the Nairobi Stock Exchange. These companies were chosen because they represent the main sectors of the Kenyan economy. This includes Agricultural, Finance &Investment, Industrial & Allied, Commercial & Services and Alternative Investments. The companies are therefore considered to be adequate representation of corporations in Kenya.

The study covered all the forty eight companies listed in the Nairobi stock exchange. A list of companies in the Nairobi Stock Exchange was obtained as at 6th October 2005 from the NSE.

3.3 Data collection

The data for this study was primary data. The data was collected by way of a questionnaire. (See appendix 1). The questionnaire comprised both open-ended and closed ended questions. It comprised four sections, Section A. obtained information about the company. Section B established the management perception of corporate social responsibility. Section C established company implementation of CSR of firms listed in the NSE. Section D determined the barriers to the implementation of corporate social responsibility programmes.

The questionnaire was developed in line with the objectives of the study. The questionnaire was filled by the top managers of the companies. The drop and pick later method was used for this study.

3.4 Data analysis

The data obtained was edited and coded. The data was analyzed using descriptive statistics particularly frequencies and percentages. Tables were used to show the weight of the Likert scale used in the questionnaire and for determination of the perception of corporate social responsibility. The statistical package for social sciences (SPSS) was used for this analysis. This established the management perception of corporate social responsibility and company implementation of corporate social responsibility. It was presented through tables, pie charts and bar graphs.

CHAPTER FOUR: DATA ANALYSIS AND FINDINGS

4.1 Introduction

The following is an analysis of the data collected from the companies comprising the population of the study. This is primary data that was collected by way of questionnaire. The questionnaires was of drop and pick later type whereby the researcher called on the company to be surveyed, and after familiarizing the respondent with the structure of the questionnaire and also conducting a quick background interview left the respondent to fill out at his/her own time.

4.2: Demographic Data

4.2.1 Company trading category

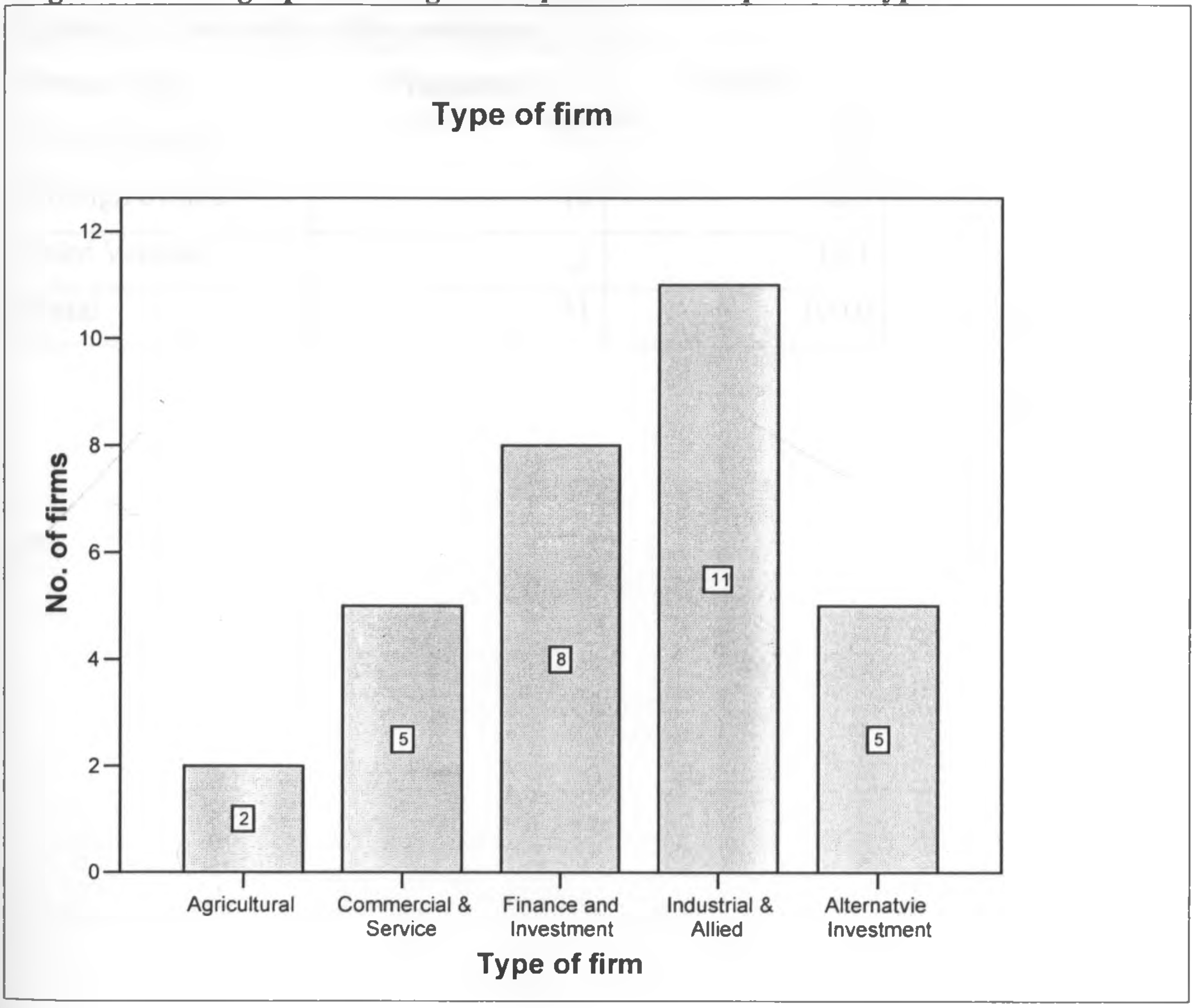
The companies surveyed in this study are all listed in the Nairobi Stock Exchange (NSE). Out of a total of 48 listed companies 31 firms responded with fully completed questionnaires, and these represented a 65% response rate. Furthermore, majority of the firms were from industrial and allied, i.e. eleven firms representing 35.5% of the firms; while agricultural segment were the least with only two firms representing only 6.5% as shown in Table 4.1 below and exemplified further by the bar graph that follows.

Table 4.1: Type of firm

Type of firm	Frequency	Percent
Agricultural	2	6.5
Commercial & Service	5	16.1
Finance and Investment	8	25.8
Industrial & Allied	11	35.5
Alternative Investment	5	16.1
Total	31	100.0

The bar graph clearly indicates the distribution of firms according to their trading categories as listed in the Nairobi Stock Exchange. The Industrial and Allied has the highest frequency of 11 firms , followed closely with finance and investment with 8 firms as commercial & services and alternative investment tie with five each and agricultural trails with only two.

Figure 4.1: Bar graph showing the response of firms per their types.



4.2.2 Form of Company ownership

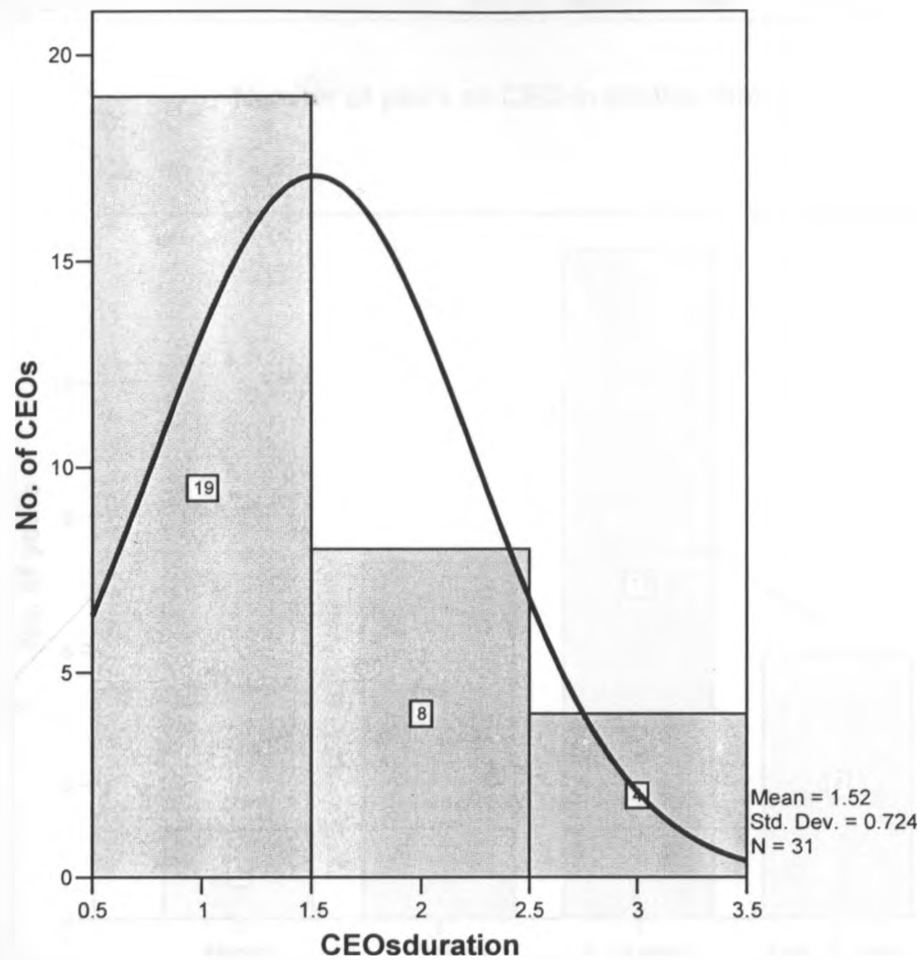
Furthermore, the companies were asked to indicate whether they are locally or foreign owned or is it a joint venture between foreigners and the local investors. From the survey majority of the firms are owned locally i.e. 16 firms while ten are foreign owned and five are joint ventures.

Table 4.2: Ownership of the company

Ownership	Frequency	Percent
Locally owned	16	51.6
Foreign owned	10	32.3
Joint Venture	5	16.1
Total	31	100.0

4.2.3. Duration CEOs have stayed in their current firms.

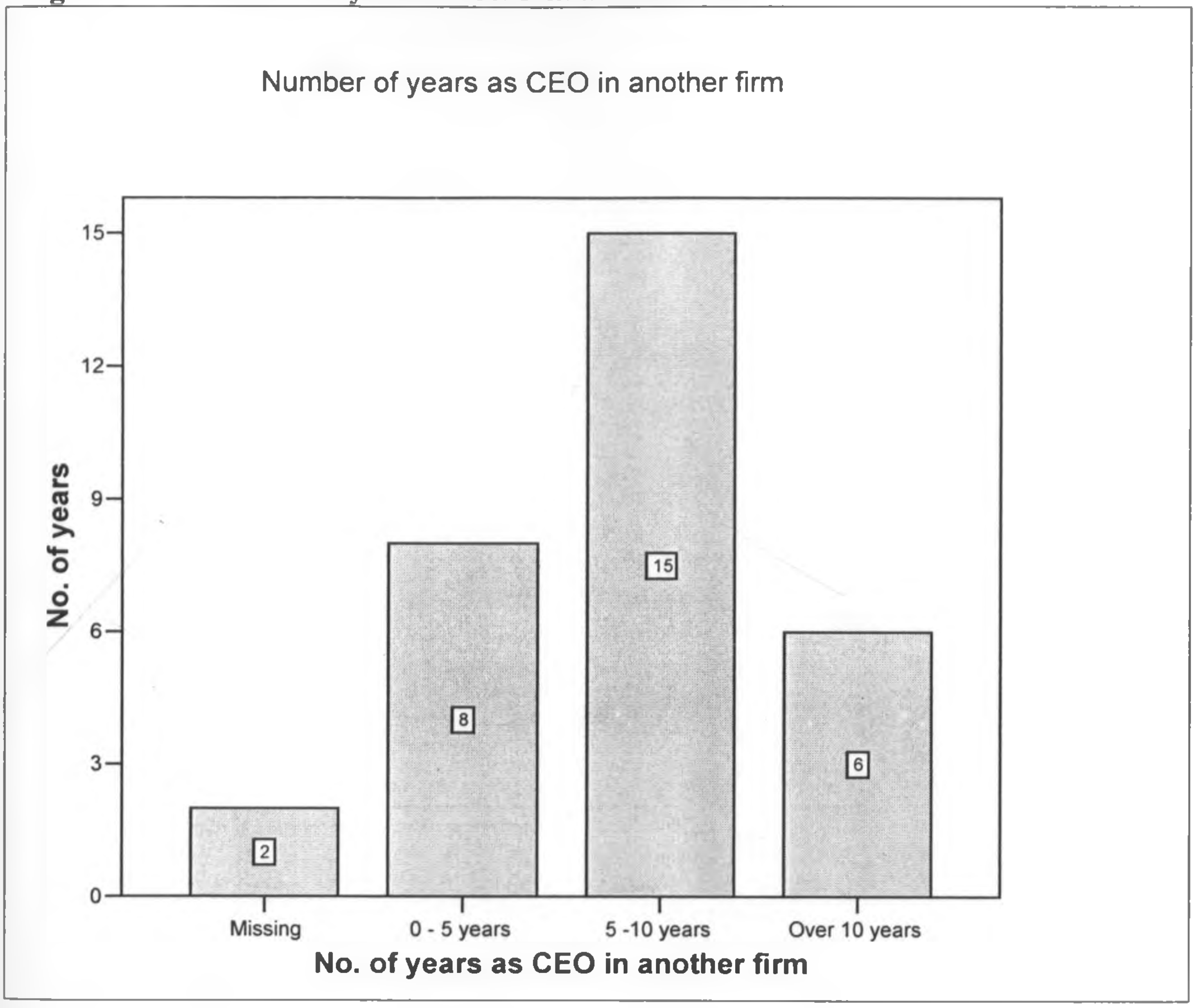
Figure 4.2.: Duration of CEO in the firm



From the histogram above it is evident that majority of the Chief Executive Officers (CEOs) have stayed for a duration of less than five years which represents 64.5%. While for those who have stayed for over ten years are just but only three representing 9.7%.

This shows that there is a very high rate of CEO turnover in the firms in that there is a very low possibility of a firm having the same CEO for over ten years.

Figure 4.3 Number of years as CEO in another firm



In addition the respondents were asked to indicate the number of years they have been CEOs in another firm and it was clear that majority of them had been in the same capacity for 5 – 10 years i.e. 15 of them which represents 48.4%

From the Figure above, majority of the CEOs have vast experience in managerial issues given that they have been CEOs in other firms for over ten years (19.4%), 5 – 10 years (48.4%) and 0 -5 years (25.8%).

4.3 Perception of companies

Table 4.3: Perception of firms towards Corporate Social Responsibility (Positive)

Positive Perception statements	NAA		LE		ME		GE		VG.E	
	F	%	F	%	F	%	F t	%	F	%
1.Provision of medical facilities to employees	0	0%	4	13%	10	32%	11	35%	6	19%
2. Guidance and counseling of employees	21	68%	5	16%	5	16%	0	0%	0	0%
4. Provision of consumer complains channels	5	16%	10	32%	11	35%	5	16%	0	0%
5. Provision of security in the work place.	0	0%	0	0%	5	16%	26	84%	0	0%
6.Fair marketing and advertising of products	0	0%	7	23%	5	16%	14	45%	5	16%
7. Provision of housing facilities to staff	13	46%	10	36%	5	18%	0	0%	0	0%
8. Provision of recreational facilities.	0	0%	12	39%	14	45%	5	16%	0	0%
10.Undertaking measures of proper disposal of litter	0	0%	5	16%	5	16%	11	35%	10	32%
12. Undertaking measures to prevent air pollution	0	0%	8	26%	8	26%	12	39%	3	10%
13. Undertaking measures to prevent water pollution	0	0%	5	16%	13	42%	10	32%	3	10%
14. Undertaking measures to prevent sound pollution	5	16%	0	0%	18	58%	5	16%	3	10%
15. Putting in place policies against corrupt practices	2	6%	7	23%	6	19%	14	45%	2	6%
16. Offering scholarships to the needy in the society	5	18%	4	14%	13	46%	3	11%	3	11%
17. Provision of transport to and from work	7	23%	15	48%	6	19%	3	10%	0	0%
18. Conducting HIV/AIDS awareness programs	8	26%	10	32%	8	26%	5	16%	0	0%
19. Conducting pre-retirement training	18	58%	13	42%	0	0%	0	0%	0	0%
20. Assisting in community projects.	0	0%	13	42%	7	23%	3	10%	8	26%

From the above Table it is evident that there is a positive perception of corporate social responsibility by firms listed in the Nairobi Stock Exchange. This is supported by the fact that they put in place measures of proper disposal of litter, prevention of air, water, and sound pollution.

Table 4.4: Perception of firms towards Corporate Social Responsibility (Negative)

Negative perception statements	N A A		L E		M E		G E		V G.E	
	F	%	F	%	F	%	F t	%	F	%
3. Exploitation of the employees	7	23%	12	39%	9	29%	3	10%	0	0%
9. Retrenching employees without notice.	2	6%	17	55%	4	13%	8	26%	0	0%
11.Exploitation of natural resources	5	16%	10	32%	11	35%	2	6%	3	10%

On the other hand when it came to negative statements like exploitation of employees, retrenching employees without notice and exploitation of natural resources this is confirmed by the fact that 62%, 61% and 48% do not exploit employees and natural resources.

Table 4.5: Means and standard deviation of perception (positive).

Statements on the perception of companies on CSR	Mean	Std Deviation
1.Provision of medical facilities to employees	4	1
2. Guidance and counseling of employees	2	1
4. Provision of consumer complains channels	3	1
5. Provision of security in the work place.	4	1
6.Fair marketing and advertising of products	4	1
7. Provision of housing facilities to staff	2	1
8. Provision of recreational facilities.	3	1
10.Undertaking measures of proper disposal of litter	4	1
12. Undertaking measures to prevent air pollution	3	1
13. Undertaking measures to prevent water pollution	3	1
14. Undertaking measures to prevent sound pollution	3	1
15. Putting in place policies against corrupt practices	3	1
16. Offering scholarships to the needy in the society	3	1
17. Provision of transport to and from work	3	1
18. Conducting HIV/AIDS awareness programs	2	1
19. Conducting pre-retirement training	2	1
20. Assisting in community projects.	3	1

From the above Table most statements received a strong mean of more than 2.5 i.e. the median. This indicates that there is a positive perception towards corporate social responsibility by firms.

Table 4.6: Means and standard deviation of perception (negative)

Statements on the perception of companies on CSR	Mean	Std Deviation
3. Exploitation of the employees	1	1
9. Retrenching employees without notice.	2	1
11.Exploitation of natural resources	2	1

On the other hand, when it comes to negative statements like exploitation of employees and natural resources their means were very low i.e. less than 2, this shows that firms do not exploit employees and natural resources.

4.4 Employees

Table 4.7: Response as to whether firms have carried out retrenchment or downsizing

Response	Frequency	Percent	Cumulative Percent
Yes	13	41.9	41.9
NO	18	58.1	100.0
Total	31	100.0	

When firms were asked as to whether they have retrenched employees 13 firms confirmed that they have retrenched employees this represents 41.9%, while 18 firms indicated that they have not retrenched employees, representing 58.1%.

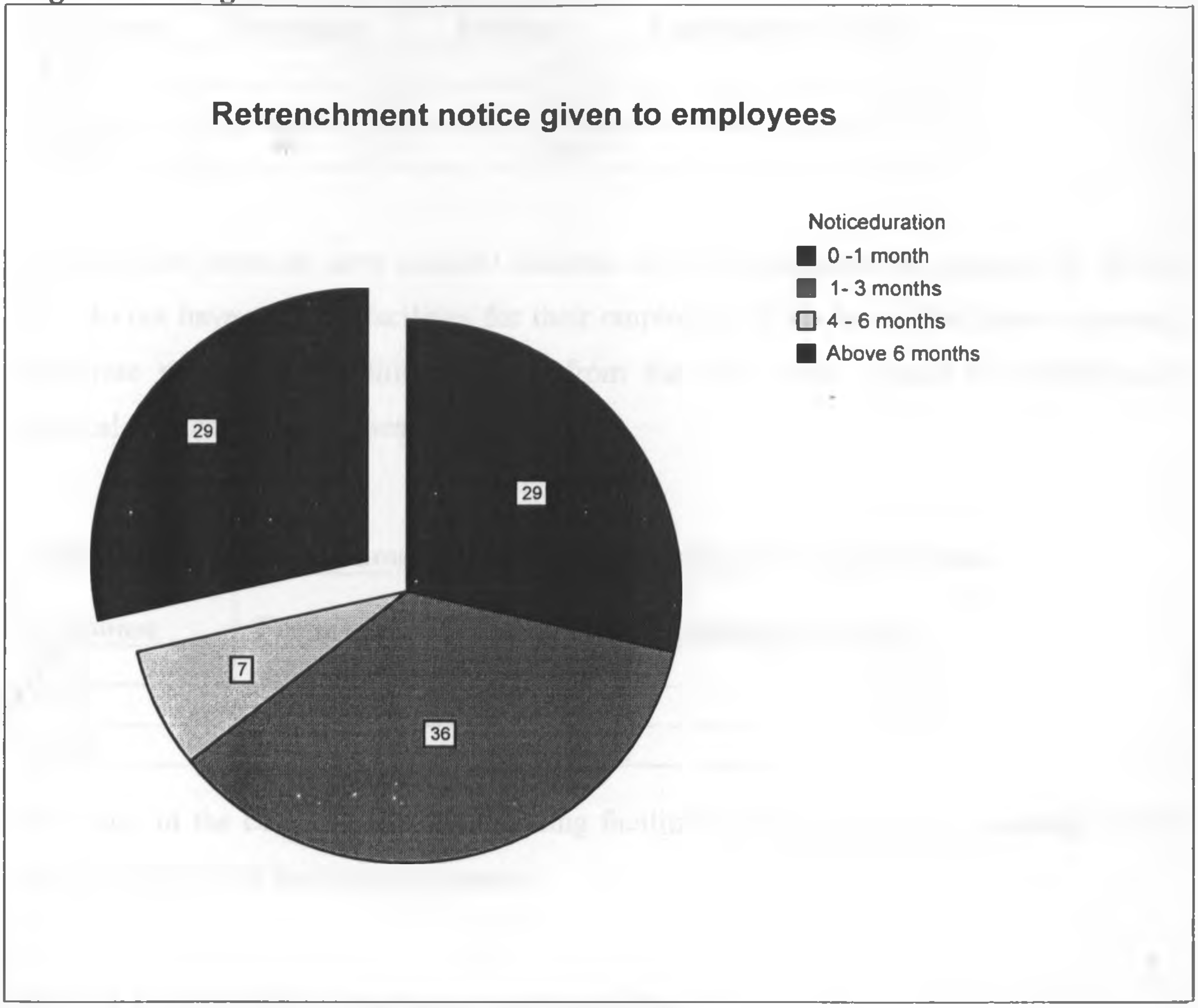
Table 4.8: Duration of retrenchment notice

Duration	Frequency	Percent	Cumulative Percent
0 -1 month	4	12.9	12.9
1- 3 months	5	16.1	29
4 - 6 months	1	3.2	32.3
Above 6 months	3	9.7	42
No answer	18	58.0	100
Total	31	100.0	

Despite the fact that those firms which have carried out retrenchment are few, it is ironical that majority of these firms do not give adequate retrenchment notification so that the employees can be prepared psychologically. 12.9% of the firms gave less than a one-month notice while 16.1% gave 1 – 3 months notice which is still very short.

As clearly indicated further by the pie chart below this gives a total of 65% for those who are given three months notice and below.

Figure 4.4: length of retrenchment notice



Internal corporate social responsibility indicators in firms

Firms were asked to indicate whether they offer the following benefits to employees in their organization:-

a) Medical facilities
b) Housing benefit
c) Guidance and counseling
d) Education for their children
e) Transport to and from work
f) Pre-retirement training
g) Recreational facilities

Their responses are summarized as shown in the tables below.

Table 4.9: Provision of medical benefit to employees in the organization

Response	Frequency	Percent	Cumulative Percent
YES	21	67.7	67.7
NO	10	32.3	100.0
Total	31	100.0	

67.7% of the firms do have medical facilities for their employees as opposed to 32.3% who do not have medical facilities for their employees. This shows that there is internal corporate social responsibility concern from the firms with respect to provision of medical services and facilities.

Table 4.10: Provision of housing facilities to employees by organization

Response	Frequency	Percent	Cumulative Percent
YES	10	32.3	32.3
NO	21	67.7	100.0
Total	31	100.0	

However, in the case of providing housing facilities only ten firms representing 32.3% have such facilities for their employees.

Table 4.11: provision of guidance and counseling

Response	Frequency	Percent	Cumulative Percent
YES	2	6.5	6.5
NO	29	93.5	100.0
Total	31	100.0	

From the above Table it is evident that majority of the firms do not provide guidance and counseling services. 93.5% of the firms indicated that they do not provide guidance and counseling while only 6.5% do provide guidance and counseling.

Table 4.12: Provision of education for employees children

Response	Frequency	Percent	Cumulative Percent
YES	12	39.0	39.0
NO	19	61.0	100.0
Total	31	100.0	

The above Table state that 12 firms provide education for the employees children, this represents 39% while 19 firms representing 61% do not provide education for employees children.

Table 4.13: Provision of transport to and from work

Response	Frequency	Percent	Cumulative Percent
YES	15	48.4	48.4
NO	16	51.6	100.0
Total	31	100.0	

When it comes to provision of transport to and from work 15 firms responded yes while 16 indicated that they do not provide transport to and from work.

Table 4.14: Provision of pre- retirement training

Response	Frequency	Percent	Cumulative Percent
YES	8	25.8	25.8
NO	23	74.2	100.0
Total	31	100.0	

Majority of the firms do not provide pre retirement training to their employees 74.2% compared to only 25.8% who provide pre retirement training.

Table 4.15: Provision of Recreational facilities

Response	Frequency	Percent	Cumulative Percent
YES	24	77.4	77.4
NO	7	22.6	100.0
Total	31	100.0	

It is clear from the Table above that majority of the firms provide recreational facilities to their employees 77.4%, while only 22.6% responded that they do not provide recreational facilities.

Table 4.16: Firm's Expenditure on corporate social responsibility (CSR)

Expenditure in Kshs	Frequency	Percent
0 - 50,000	5	16.1
50,001 - 100;000	1	3.2
100,001 - 250,000	8	25.8
250,001 - 500,000	3	9.7
500,001 - 1,000,000	5	16.1
1,000,001 - 5,000,000	5	16.1
Above 5,000,000	3	9.7
No answer	1	3.2
Total	31	100.0

From the above Table and supported by the bar graph below majority of the firms 26.67% spends between 100,001 – 250, 000, followed by firms which spend 0 -50,000; 500,001 – 1,000,000; and 1,000,001 – 5,000,000 each with 16.67%

Figure 4.5: CSR Expenditure

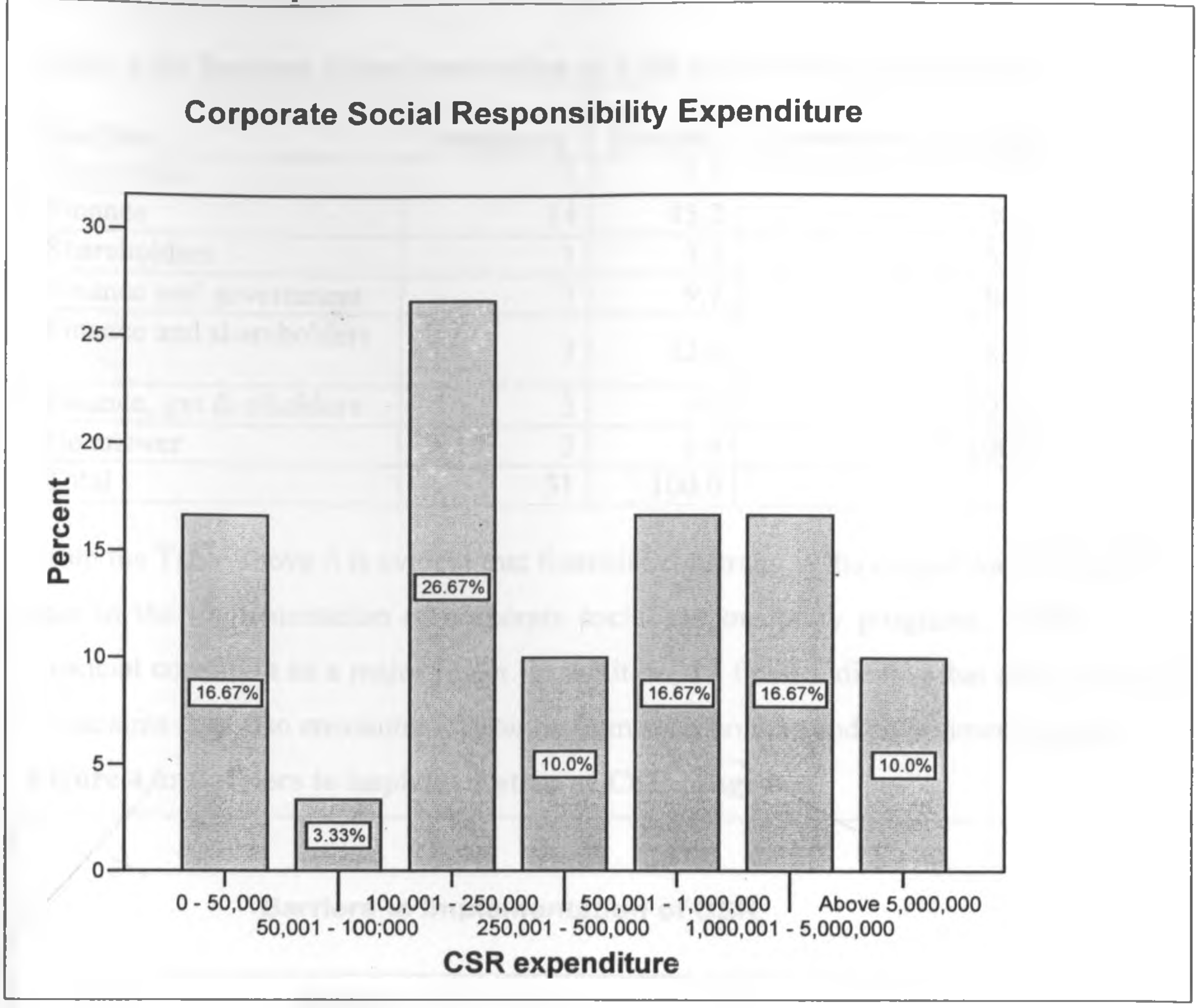


Table 4.17: Whether firms offer scholarships to the needy

Response	Frequency	Percent	Cumulative Percent
YES	17	54.8	54.8
NO	14	45.2	100.0
Total	31	100.0	

When asked as to whether they offer scholarships to needy students in the society, 17 firms responded that they do and 14 firms responded that they do not offer scholarships to needy students.

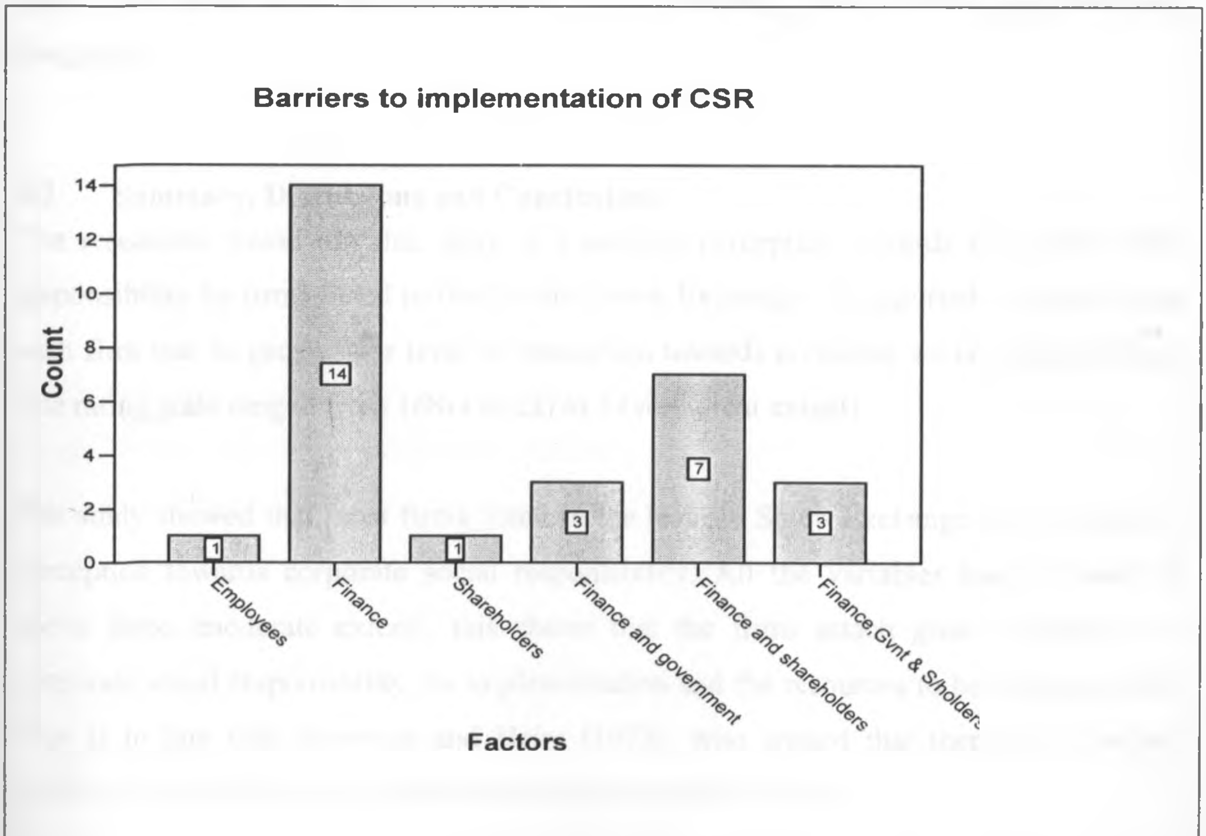
4.5 Barriers to implementation of CSR

Table 4.18: Barriers to implementation of CSR programs in organizations.

Barriers	Frequency	Percent	Cumulative Percent
Employees	1	3.2	3.2
Finance	14	45.2	48.4
Shareholders	1	3.2	51.6
Finance and government	3	9.7	61.3
Finance and shareholders	7	22.6	83.9
Finance, gvt & s/holders	3	9.7	93.6
No answer	2	6.4	100.0
Total	31	100.0	

From the Table above it is evident that financial constraint is the biggest barrier that firms face in the implementation of corporate social responsibility programs. 14 firms cited financial constraint as a major factor. In addition, 13 firms indicated that along financial constraints they also encounter resistance from shareholders and government regulation.

Figure 4.6: Barriers to implementation of CSR programs



CHAPTER FIVE: SUMMARY, DISCUSSIONS AND CONCLUSIONS

5.1 Introduction

In this chapter, we discuss the main findings, draw conclusions and make recommendations emanating from the research findings covered in chapter four.

The study established management perception of corporate social responsibility of firms listed in the Nairobi Stock Exchange. The study also established company implementation of corporate social responsibility of firms listed in the Nairobi Stock Exchange.

A questionnaire with both structured and unstructured questions was used to collect data. A total of 31 firms out of the 48 listed in the Nairobi Stock Exchange filled the questionnaire in time for data analysis. Data was analyzed using descriptive statistics particularly frequencies and percentages. It was presented through tables, pie charts and bar graphs.

5.2 Summary, Discussions and Conclusions

The researcher found out that there is a positive perception towards corporate social responsibility by firms listed in the Nairobi Stock Exchange. As reported in chapter four each firm was to gauge their level of perception towards corporate social responsibility. The rating scale ranged from 1(Not at all) to 5 (very great extent).

The study showed that most firms listed in the Nairobi Stock Exchange have a positive perception towards corporate social responsibility. All the variables have a mean of above three (moderate extent), this shows that the firms attach great importance to corporate social responsibility, its implementation and the resources to be allocated to it. This is in line with Bowman and Haire (1975), who argued that there is a positive correlation between social disclosure and economic performance.

In the case of negative statements like exploitation of the employees, retrenching employees without notice, exploitation of natural resources. There was a clear indication that these statements negates corporate social responsibility and this is confirmed by the fact that they received means of 2(little extent) or 1 (not at all).

From the research findings most of the organizations provide medical facilities to employees, 67.7% do provide medical facilities whereas 32.3% do not provide medical facilities. 84% of the firms provide security in the work place. Proper disposal of litter and prevention of water pollution is undertaken by 84% of the firms. 75% of the firms undertake measures to prevent air pollution. 58% of the firms do assist in community projects.

However, the activities of various firms especially those in the industrial and allied sector have a negative impact on the environment i.e. due to air, noise and water pollution. Despite all these, there is clear indication that there is a deliberate and concerted effort by the firms to put in place necessary measures to address these factors. These includes: treatment of water, minimize noise/sound pollution and proper disposal of litter.

Furthermore, most of these firms are involved in various community projects and services like provision of water to the needy through drilling boreholes for them, donation of food stuffs to the poor, provision of scholarships to needy bright students, participating in charity walks like freedom from hunger walk and planting trees.

In addition most firms have in place policies against corrupt practices.

These include firing and prosecuting the employees involved in corrupt practices and discouraging employees from engaging in corrupt practices.

Given that most corporate social responsibility activities require financial outlay and firms are out to make profits there is always bound to be a conflict of interest. Hence most firms cited limited financial resources 93.2% as one of the greatest impediment in the implementation of corporate social responsibility, government regulation and shareholders desire to maximize their returns on capital and sometimes resistance from employees also do form barriers to the implementation of corporate social responsibilities programs

From the study, the following conclusions were arrived at. First is that there is a positive perception of corporate social responsibility by firms listed in Nairobi stock exchange. Moreover, this is supported by the literature, which says that there is a positive correlation between social disclosure and economic performance.

Secondly, there is a strong commitment among firms to implement as many and varied corporate social responsibility projects as possible. This is indicated by the number of community projects they support or undertake. Furthermore, firms have shown willingness to committing a big proportion of their annual budgets to meeting corporate social responsibility activities.

5.3 Limitations of the study

This study is limited to firms listed in the Nairobi stock Exchange only. Hence, despite the fact that it represents all categories of companies it cannot be generalized beyond its confines.

Some respondents did not respond to certain questions, while it is also possible that some respondents may have withheld some important information especially non disclosure of the exact amount they allocate to corporate social responsibilities annually. This may have introduced some bias in the study.

5.4 Recommendations for further research

A comparative survey should be conducted to establish the perception and implementation of corporate social responsibility in firms that are not listed in the Nairobi Stock Exchange but their turnover is high enough to qualify for listing. This will establish whether listing of a firm in the Nairobi Stock Exchange has effect on its participation in corporate social responsibility.

A study can also be done to establish the factors that motivate firms to be involved in corporate social responsibility.

A study can also be done to establish whether involvement in corporate social responsibility plays a role in improving the public image of the company.

5.5 Recommendations for policy and practice

From the findings, the following recommendations can be made:-

There is need for firms to focus on internal corporate social responsibility activities like employee welfare i.e. provision of housing, medical services, children education and staff training. This is because it evident from the findings that most firms have concentrated their efforts on external corporate social responsibility activities at the expense of internal corporate social responsibility activities.

Furthermore, there is need for firms to contribute a certain percentage of their pre-tax income towards corporate social responsibility instead of contributing how much they feel like. A system should be put in place by the regulatory authorities to ensure that firms contribute a certain percentage which may be set by legislation or by the regulatory authority.

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APPENDIX 1

QUESTIONNAIRE

SECTION A

1. What is the name of your company?

----

2. Please indicate the type of your firm. Tick the appropriate answer.

Agricultural	[ ]
Commercial & Services	[ ]
Finance and Investments	[ ]
Industrial & Allied	[ ]
Alternative Investment	[ ]

3. Please indicate the ownership of your company. Tick the appropriate answer.

Locally owned	[ ]
Foreign owned	[ ]
Joint venture	[ ]

Other's (please specify) ---

----

4. C.E.O's Name ---

5. Number of years as CEO in the firm.

0-5 years	[ ]
5 – 10 yrs	[ ]
Over 10 years	[ ]

6. Number of years as CEO in another firm.

0-5 years	[ ]
5 – 10 years	[ ]
Over 10 years	[ ]

SECTION B

Please indicate the extent to which you consider firms quoted in the Nairobi Stock Exchange to be playing the following roles. Indicate by circling the number which best represents the extent.

1 = Not at all

2 = Little Extent

3 = Moderate Extent

4 = Great Extent

5 = Very great Extent

1.	Provision of medical facilities to employees.	1	2	3	4	5
2.	Guidance and Counseling of employees	1	2	3	4	5
3.	Exploitation of the employees.	1	2	3	4	5
4.	Provision of consumer complaints channels.	1	2	3	4	5
5.	Provision of security in the work place.	1	2	3	4	5
6.	Fair marketing and advertising of products.	1	2	3	4	5
7.	Provision of housing facilities to staff.	1	2	3	4	5
8.	Provision of recreational facilities.	1	2	3	4	5
9.	Retrenching employees without notice.	1	2	3	4	5
10.	Undertaking measures of proper disposal of litter.	1	2	3	4	5
11.	Exploitation of natural resources.	1	2	3	4	5
12.	Undertaking measures to prevent air pollution.	1	2	3	4	5
13.	Undertaking measures to prevent water pollution.	1	2	3	4	5
14.	Undertaking measures to prevent sound pollution.	1	2	3	4	5
15.	Putting in place policies against corrupt practices.	1	2	3	4	5
16.	Offering scholarships to the needy in the society.	1	2	3	4	5

17.	Provision of transport to and from work.	1	2	3	4	5
18.	Conducting HIV/ADS Awareness programs.	1	2	3	4	5
19.	Conducting pre-retirement training.	1	2	3	4	5
20.	Assisting in community projects.	1	2	3	4	5

SECTION C

ENVIRONMENTAL ISSUES

1. How does your activities affect the following?

a) Air--

b) Water--

c) Noise ---

d) Litter ---

e) Others (specify) ---

----

2. What measures have your company put in place to address these factors?

a) Air--

b) Water--

c) Noise ---

d) Litter ---

e) Others (specify) ---

EMPLOYEES

3. Has your firm recently carried out retrenchment or downsizing? Tick the appropriate answer.

Yes [ ] No [ ]

4. If the answer in 3 is yes, what was the duration of notice given to the affected employees? Tick the appropriate answer

0 – 1 month	[ ]
1-3 months	[ ]
4-6 months	[ ]
Above 6 months	[ ]

5. Do you have the following benefits for the employees in the organization? Please indicate Yes or No

a) Medical facilities -------
b) Housing facilities -------
c) Guidance and counseling ------
d) Education for their children ------
e) Transport to and from work -------
f) Pre retirement training -------
g) Recreational facilities -------

COMMUNITY

6. What are some of the community services your firm gets involved in?

a) --
b) --
c) --
d) --
e) --

7. What policies do you have in place against corrupt practices?

a) --
b) --
c) --

8. Where would you fit your firm's expenditure on corporate social responsibilities in Kshs per year? Tick the appropriate answer

0-50,000	[ ]
50,001 – 100,000	[ ]
100,001- 250-000	[ ]
250,001 – 500,000	[ ]
500,001- 1,000,000	[ ]
1,000,001 -5,000,000	[ ]
Above 5,000,000	[ ]

9. What is the total budget of company in Kshs? ---

10. Do you engage in the following? Please indicate Yes or No.

a) Offer scholarships to the needy -----
b) Sponsor HIV/AIDS awareness campaigns -----
c) Support any charitable institution -----
d) Participate in freedom from hunger walk -----
e) Assist in community projects -----

SECTION D

1. What are the barriers to the implementation of corporate social responsibility programs in your organization?

a) Employees

----

b) Finance

----

c) Government

----

d) Shareholders

----

e) Others
