A SURVEY OF THE RELATIONSHIP BETWEEN CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES AND COMPETITIVE ADVANTAGE IN THE OIL INDUSTRY IN KENYA

BY

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DECLARATION

This project report is my original work and has not been submitted to any other institution of higher learning for the award of any academic certificate.

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DECLARATION BY THE SUPERVISOR

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To my parents, Joseph and Alice, husband Humphrey and dear daughter Elsie for their love, support and encouragement.

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LIST OF ABBREVIATIONS

NGO	-	Non Governmental Organisation
UN	-	United Nations
UNEP	-	United Nations Environmental Program
SOS	-	Save Our Souls (Children's Village)
HIV	-	Human Immunodeficiency virus
AIDS	-	Acquired Immune Deficiency Syndrome
VCT	-	Voluntary Counseling and Testing
KPC	-	Kenya Pipeline Corporation
KPRL	-	Kenya Petroleum Refineries Limited
LPG	-	Liquid Petroleum Gas
NEMA	-	National Environment Management Authority
CA	-	Competitive Advantage
CSR	-	Corporate Social Responsibility
WSSD	-	World Summit on Sustainable Development
ILO	-	International Labour Organisation
WBCSD	-	World Business Council for Sustainable Development
UK	-	United kingdom
SPSS	-	Statistical Package for Social Sciences
Df	-	Degree of Freedom
SOYA	-	Sportsman of the year Award
KESEP	-	Kenya Energy Sector Environment Program

TABLE OF CONTENTS

CHAPTER FIVE :– DISCUSSION OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

LIST OF FIGURES

LIST OF TABLES

ABSTRACT

This research project is a census survey to determine the relationship between corporate social responsibility activities and competitive advantage in the oil industry. Over the last 10 years, there have been many changes in the Kenyan economy. These changes have had a considerable impact on all industries and the oil industry is no exception having been liberalized in October, 1994. The study has explored various CSR activities and the relationship with competitiveness.

In order to achieve its objective, a questionnaire was dropped and picked to all oil companies in Kenya as per Appendix 1.

The study established that the industry has encountered challenges ranging from financial challenges, that is the high cost involved in undertaking the CSR activities, cut throat competition in terms of pricing of the products in the market, uncertainty of product availability, brand confidence and dumping of substandard products in the market.

Different companies have responded differently to these challenges through such strategies such as keeping low overhead costs so as to maintain competitive prices, ensuring product availability, use of exclusive distribution channels, investment in human resource development to ensure good customer care, extension of credit to ratable customers and implementation of CSR activities as a strategy to remain competitive.

The study established that the number of organizations in the oil industry in Kenya were twenty three (23) as per appendix 1. Further it established that a number of these companies have been dealing in oil business for a number of years, with the majority of them having been in the business for periods of time ranging from 30 years and above, though there are also new entrants in this business such as Mogas International Limited which has been in this business for 8 years now, Bakri International Energy for a period of 6 years, Riva Oils Company Limited and Addax Kenya Limited have been in the business of 5 years, while Jade petroleum has been in this business for the past 1 year while Kenya shell limited has been in the business for over 100 years having started business in Kenya in 1900 and Chevron has been in business for 73 years having started operations in Kenya in 1936.

Based on the study, a number of companies in the oil industry in Kenya stated they are involved in a number of CSR activities being studied. Sixteen (16) of the twenty three (23) companies responded.

This study has not been able to exhaustively investigate all the aspects that explain all the issues in play in respect to corporate social responsibility activities an organisation would undertake and the respective benefits. The following areas are therefore recommended to be carried out for further investigations or study.

An area the researcher finds has not been given consideration in respect to corporate social responsibility is the existence of regulations directly or indirectly affecting the ability of an organisation to enhance its social performance, for instance by the amount of resources an organisation allocates, or by setting up standards that can be appropriately monitored. However, the roles that legislation and public institutions play or should play in CSR development would need to studied further.

The other area of study in which further research in CSR is needed is on the conflicts between organizations upholding interests of conventional stakeholder groups and the extended stakeholders and how to reconcile them.

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

The role of business in society is a hot topic amongst public policy makers, NGOs, trade unions and the business community in general. Increasing numbers of corporations are expressing the aspiration of addressing in their policies, strategies and practices public concern and anger on businesses not taking into account the concerns of the society. In various contexts, companies today are under intense pressure to rebuild public trust and stay competitive in a global economy by generating competitive advantage Mohamed, (2000).

Recent business scandals have shaken public confidence in private corporations, increasing in turn the salient principles of accountability, transparency, and integrity in all facets of business relationships. Both the Private and Public companies seem to be facing the challenge of upholding these principles while at the same time ensuring that they remain profitable and innovative. The delivery of shareholder value while also promoting societal value has thus evolved in recent years into a complex paradox that responsible business corporations seem to be grappling with in different contexts in their strategic attempt to remain competitive and generate within their specific industry a competitive advantage Lance, (2001). The recent post election crisis has brought to the fore some fundamental weaknesses in the practice of Corporate Social Responsibility in Kenya.

1.1.1 Social Responsibility

The recent UN conference on environment held in Nairobi (UNEP, Nairobi 2007) dubbed the Earth Summit discussed, among other things, the issues of corporate scandals involving major multinationals such as Enron and the subsequent questioning of the regulatory structures and morality of global capitalism. All this suggests that the complex relationship between business, the state and civil society is undergoing change. The debate, on this occasion, is being conducted under the rubric of corporate social responsibility (CSR). The development of CSR strategies has been particularly pressing for brand-based, multi-national companies. Greater public concern over their activities has highlighted the importance of protecting the brand-image, and the need to demonstrate a corporations' socially responsible attitude in its interactions with consumers and suppliers (Nahapiet and Ghoshal, 1998).

Corporate social responsibility (Davis, 1973) refers to the firm's consideration of and response to issues beyond the narrow, economic, technical, and legal requirements of the firm in a manner that will accomplish social benefits along with the traditional economic gains which the firm seeks. Corporate Social Responsibility (CSR) has been defined as the obligation of a firm to use its resources in ways that benefits the whole society, through committed participation as a member of society, taking into account the society at large independent of direct gains to the company (Kok et al, 2001). This definition point out that the firm is obligated to contribute its resources for the good of the society in which it find itself situated. This definition further reiterates that organisations are corporate citizens with certain obligations that have to be fulfilled to the society as any other citizen without any expectations of any direct benefits in return of such activities. It points to implied, enforced or failed obligation of managers acting in their official capacity to serve or protect the interest of groups other than themselves.

Corporate Social Responsibility (CSR) is an issue that is working its way into many policy debates and corporate agendas. CSR is an evolution in the approach towards sustainable development. While the 1992 Rio Earth Summit focused on global environmental management, the 2002 World Summit on Sustainable Development (WSSD) focused on a broader set of issues, including poverty reduction and social development. As many more organizations decide that they must address the principles of CSR, there is a growing need for tools to help them define and address what CSR means and how to implement it throughout their organizations.

"Business in society" scholars have developed many theoretical frameworks intended to map and measure business organisations' roles and impacts in civil society (Meehan et al, 2006). Debates about social responsibilities of corporations are not new. However, the degree to which CSR has been embraced represents a significant development in redefining the relationship between capital and civil society (Andriof et al., 2002; Weiser and Zadek, 2000). Given the potentially wide-ranging impact of CSR, research in this field has adopted a relatively narrow focus, concentrating upon the positive and negative "business impacts" of firms deciding whether or not to instigate CSR strategies. In particular, four key themes are evident. First, in the development of "the business case", social responsibility represents an economic tool to gain competitive advantage and social capital (Nahapiet and Ghoshal, 1998). Second, CSR as a method for global companies to develop strong links with the local communities in which they operate. Thirdly, CSR is considered as a method for alleviating risk and the threat of damaging publicity (Cannon, 1994; Carroll, 1993; Solomon, 1999). Fourthly, the process of "stakeholder management" focuses in particular upon the identification and management of relationships with stakeholders beyond the traditional confines of shareholders and employees (Blair, 1998; Donaldson and Preston, 1995). But little evidence is available in the research undertaken so far to indicate the types of CSR activities that organisations can pursue in order to reap greater benefits.

CSR represents efforts by a firm to engage in strategic moves that are necessitated by the dynamism in its business environment, and to be able to respond to changes in their operating environment in order to ensure they engage in activities that ensure their survival and competitiveness (Andriof et al., 2002). These efforts may be seen as a way in which organisations attempt to improve their acceptability in the society and gain entry into areas that would otherwise remain closed or uncertain to them. Ethical business practices are once again a topic of discussion in the wake of recent scandals involving Enron, Tyco and other major corporations. While these scandals focus on some of the key decision makers, they also bring to the forefront the overall role of the corporation in society. Ethical behaviour at the organizational level is frequently referred to under the rubric of corporate social responsibility. The story of Shell in Nigeria has been well documented, (Lance Moir, 2001, Hess *et al.* 2002, Wheeler, et al 2003) from its entry in 1958 to the backlash against the organization due to its alleged destruction of thousands of acres of the Ogoni's land. This came to a head in 1995 with the hanging of environmental activist Ken Saro-Wiwa and eight of his colleagues. Although Shell's part in this event is not fully known (some protestors believe that the company had a direct involvement), most accept that this tragedy was the wretched climax to a bitter feud. Shell discovered the hard way the cost of ignoring your immediate surroundings as a business – a mistake that fewer and fewer organizations are making these days (Lance Moir, 2001).

Even before the corporate scandals that rocked the USA, companies realized that there was more to CSR than simply handing over a large check to a seemingly worthy cause. They were developing their ethical strategies in line with the rest of their business plans; an approach that has since developed into what Hess *et al.* (2002) would describe as "Corporate Social Initiatives". Hess *et al.* (2002) believe that there are a number of reasons why this trend has emerged over the past few years. Although some may question whether it was the potential boycott from socially aware investors that led Shell to initiate some sort of CSR drive in the 1990s, the company maintains that it was a result of its emerging morals and ethics. However, as far as gaining a competitive advantage through CSR was concerned, Shell was not even in the running – its problems resulted in the fact that it had ignored its stakeholders. The company was reacting to events in Nigeria in more of a damage limitation role than taking a proactive approach (Wheeler, et al 2003).

1.1.2 Drivers of corporate social initiatives

The European Commission defines CSR as the enterprises' contribution to sustainable development. Corporate social responsibility (CSR) is the ethical and legal compromises and duties of the enterprise with their groups of interest. These compromises and duties come from the impacts of the enterprise's activity over the social, labour, environmental, and human rights ambits (De la Cuesta and Valor 2003). This idea of entrepreneurial activity is in the centre of a "New Entrepreneurial Culture" (Bestratén and Pujol 2004), and it is related to the medium and long term vision of business; the ethics in all the ambits of enterprise; the consideration of people as the enterprise's most precious asset; and the necessity of innovation and evolution in all fields of entrepreneurial activity. So, it is a concept related to the voluntary integration of social and environmental matters in business administration.

The key drivers of strategy comprise of competitive advantage and emerging morals and ethics. Many executives now talk in terms of building corporate reputation assets. This is all about investing niche resources in areas of possible return. For example, right at the end of the Second World War, Merck made a bold decision to take antibiotics into Japan in order to treat tuberculosis (Merck, 2001). This created a lot of goodwill for the organization and consequently aided their subsequent entry into this market. Although some people still believe that an organization exists solely to maximize shareholder value, many more have come to the conclusion that this should not be at the expense of the environment, community or society in general. This places pressure on government and not for profit organizations to respond on a par with private companies when it comes to introducing effective corporate social initiatives. Similarly, many private organizations themselves respond to peer pressure in this respect.

Enormous pressure is increasingly and consistently being put on companies operating at both national and international level, to respect labour rights, human rights, promote environmentally friendly technologies and make contributions towards community projects as part of their Corporate Social Responsibility. The International Labour Organization's Fundamental Principles and Right at work were designed to address the above concerns and hence encourage employers' organizations to be change agents in this process of promoting the principles at the national level. The ILO's Principles have also provided a framework for the United Nations Global Compact initiative, which contains nine principles, which are clustered in three areas, namely, human rights, labour rights and environment. Milton Friedmann (1962) argues that the social responsibility of business is to use its resources and engage in activities that increase its profits. However, business enterprises whose only goal is to maximize profits and shareholders wealth are short very short term oriented. This is because they can extract a fearful cost especially in societies where ethical, legal structures and governance are weak.

1.1.3 CSR and Competitive Advantage

When a firm sustains profits that exceed the average for its industry, it is said to possess a competitive advantage over its rivals. The goal of much of business strategy is to achieve a sustainable competitive advantage. Michael Porter identifies two basic types of competitive advantage; cost advantage and differential advantage.

A competitive advantage exists when the firm is able to deliver the same benefits as competitors but at a lower cost (cost advantage), or deliver benefits that exceed those of competing products (differentiation advantage). Thus, a competitive advantage enables the firm to create superior value for its customers and superior profits for itself (Porter, 2003).

One reason why social responsibility provides a sustainable competitive advantage is that it requires a culture that can successfully execute a combination of activities. There is literature (Black and Hartel, 2004; Hamel and Prahalad, 1994; Hout, 1999) that supports the idea that social responsibility requires a combination of activities such as a deep study of the forces that are likely to shape the future of the industry. Hamel and Prahalad (1994) talked about gathering intelligence about current and potential social and political issues, involvement of stakeholders, managing stakeholder expectations, decision making, incorporating the decisions into the strategic plan and tactical activities, communicating symbols to stakeholders, and ethical business behaviour. These activities have ties to aspects of some theories of strategy that are popular today such as complex adaptive systems (Wah, 1998) and strategic fit (Porter, 2003).

When a company is truly committed to social responsibility, it will seek a unique relationship with stakeholders, one that resembles a partnership with respect to the intelligence gathering and communication activities. The stakeholder is placed on equal ground with the company in these regards (Black and Hartel, 2004) such that communication is two-way, with stakeholders being able to say whatever they want without repercussion. The stakeholders can initiate communication, decide what topics should be discussed, and decide the frequency and forum and vehicle of communication. Stakeholders and the company are honest with each other, which may mean that they do not have hidden agendas and do not hold back information from each other. This requires companies to share both failures and successes in regards to social responsibility.

For a company to have a reputation as socially responsible, they must be proactive in their efforts and not reactive to political regulations and stakeholder sanctions. If a company does not act proactively, stakeholders may respond by creating awareness among other stakeholders for counter action or even to encourage other stakeholders to withhold important resources (Bryan and Smith, 2005; Maignan and Ferrell, 2004; Smith, 2004a, b; Smith and Rupp, 2004; Smith et al., 2004). Historically, a concentration on improved operational effectiveness and overcapacity created a temporary economic advantage accompanied by increased profit and firm value. Such an advantage is short-lived; investors may be satisfied, but competing companies will eventually mimic technological and material improvements.

The socially perceived image of the company depends upon the marketing strategies like the four Es; namely, make it easy for the consumer to be green, empower the consumers with solutions, enlist the support of the customer, and establish credibility with all publics and help to avoid a backlash (Pearce and Robinson, 2005). Firms advertise their affection to public claims to enhance their corporate image. Advertisement of the adoption of CSR provides a sustainable advantage amongst competitors through improved appearance. The advantage is intangible and difficult to duplicate. Competitors seeking to match the CSR competency of a firm will find themselves slow to capture the consumer loyalty or governmental trust. The organizational impacts of a positive public image compound; not only can the firm expect increased sales and revenue, but also greater employee satisfaction, the attraction of new investors, and tax exemptions. CSR benefits manifest an enduring competitive advantage. Companies may be reluctant to develop this type of relationship with stakeholders for a couple of reasons. First, it takes significant time on the part of the company and it takes coordination with stakeholders. Secondly, Stacey (1996) points out that people – and companies are made up of people – shy away from genuine two-way honest communication because of the conflicts that eventually arise due to differences of opinion and because of the strong emotions tied to issues of the parties involved.

1.1.4 The Kenyan Oil industry

The oil industry in Kenya has more than 24 players. These are divided into two informal groups known as Major Oil Companies – each owning above 3.5% market share and Non Major Oil Companies – below 3.5% market share. This is especially after it was deregulated in 1994. This has brought about stiff competition and thin margins. Companies are competing on price, product and services offered to customers. In the 1st quarter of year 2008, the market share was as shown in appendix 1. Pipeline Coordinator - (Petroleum Insight Quarterly Magazine, the Petroleum Institute of East Africa, 2008)

A number of firms in the oil industry in Kenya employ Corporate Social Responsibility activities in their pursuit to enhance their competitive advantage. Their CSR programs focus on a variety of activities ranging from poverty eradication, health, environment, education, sanitation, safety and sports among others. Ngaari Mwaura the Kenya Shell Corporate external affairs manager says "We support specific themes which include health, education, safety, environment, and poverty eradication (The KPRL Lantern, 2007). For specific projects, Mwaura states that the industry engages their staff to make nominations as well as consider requests from Non-Governmental Organizations (NGO's) and the public in general. Once we have short listed based on our main themes, the projects are checked for sustainability, discussed at management level and approved for implementation." Kenol Kobil CSR programs are long term as opposed to short term opportunities (Petroleum Insight Quarterly Magazine, the Petroleum Institute of East Africa, 2006). This is the Company's long term strategy to ensure as many members of society benefit and that such program achieves the desired change to benefit communities. Lybia Oil Kenya's community activities have one key objective, "Making a Difference" to the lives of the people in the community.

Chevron Oil Company is active in assisting Kenyans affected by drought. In the year 2006, the employees raised Kshs 1.2 million for food, enabling a nutritious meal for approximately 550 families for one month. The company also raised Kshs 1 million to sink a borehole that helped lift the standard of living for the affected people. It also donated Kshs 100,000 to assist in the delivery of the food to North Eastern province (Petroleum Insight Quarterly Magazine, the Petroleum Institute of East Africa, 2006). Chevron's CSR program also includes support of the SOS Children's village, a home for destitute children where it sponsors two houses in Nairobi and Mombasa. Every year Chevron, gives the homes Kshs 1 million to assist in running and maintaining of the houses.

Total Oil Company, through their project Eco Challenge and following closely in the foot steps of Nobel laureate Professor Wangari Maathai, planted 60 million trees in year 2006, and in her Auto Biography, Professor Wangari Maathai writes why she decided to start planting trees. "The trees would provide a supply of wood that would enable women to cook nutritious foods, wood for fencing and fodder for cattle and goats, offer shade for humans and animals, protect water sheds and bind the soil, and if they were fruit trees, provide food. Bertrand Fontanges, the Total Oil Kenya Limited Managing Director says, "There are now 1528 projects registered in the ECO Challenge. Every Kenya is consuming wood almost daily as firewood and charcoal, for posts, poles, building materials, furniture etc. Our target for year 2007 is to plant 100 million trees as our very lives depend on this." (Total Kenya Limited in-house newsletter, July 2007).

The Mobil Oil Company CSR programs are steered at improving education standards of children with disabilities in Kenya. They support over 40 special schools. They also run an education program called Mukuru Slum Education Project where they have constructed a library, classroom and toilet facilities and provided books and computers among other things. They also run a "STOP AIDS" Program involving HIV/AIDS education programs on prevention and safe behaviour and peer counselling (Petroleum Insight Quarterly Magazine, The Magazine of the Petroleum Institute of East Africa, 2006). Mobil also run a famine relief assistance and sports sponsorship program. Most donations are made in kind and where construction is involved Mobil uses its own contractors to ensure that the quality of the construction and that the contributions are utilized for the intended purpose. Robert Paterson the Managing Director of Mobil Oil Kenya stated that "First we believe it is important to make a difference. Second we try to target those areas where we perceive there is a lack of support from others. This is how our now 5 year program on investing in handicap schools came about." (Petroleum Insight Quarterly Magazine, The Magazine of the Petroleum Institute of East Africa, 2006).

Shell Oil Company has been around since 1900 and has been involved in various CSR programs in education, environment, health, safety and poverty eradication. It has supported Starehe Boys Centre since it was started in 1956 and contributions to the day-to-day running of the centre which is what actually sustains Starehe. On the health matters, Shell runs a HIV/AIDS program for employees. Communication campaigns to promote awareness, provision of treatment and voluntary testing (VCT) and care and support facilities. They are currently running a campaign dubbed "BE ALIVE" now in its 4th year. The Shell foundation has been active in various poverty eradication programs in Nairobi - Kibera and Coast provinces. The Nairobi Arboretum and the conservation of endangered Turtle species at the coast is under the care of Kenya Shell. Annually Kenya Shell spends approximately Kshs 30 million on CSR activities (Petroleum Insight Quarterly Magazine, The Magazine of the Petroleum Institute of East Africa, 2006).

The Kenya Pipeline Company (KPC) believes it cannot expect to sustain and protect its 869 km pipeline if it operates in communities that are poverty stricken" says George Okungu the KPC Managing Director (The KPRL Lantern, The in-house newsletter for Kenya Petroleum Refineries Limited, 2007). Their focus is Education, health and Water. KPC has built a Kshs 3.77 million laboratory for a school in Miritini, a Kshs 3.5 million water project in Makindu, a Kshs 22 million sewerage project in Eldoret and also supports various national campaigns and worthy causes as discussed earlier e.g the donation of Kshs 50 million to the youth development fund. KPC is working with the Ministry of Energy in the development of Liquid Petroleum Gas (LPG) facilities in various towns in the country. This project is aimed at enhancing effective supply of LPG and promotes its use among urban and rural population thus reducing reliance on wood fuel which has led to de-forestation.

Corporate Social Responsibility is an emerging challenge to the Kenyan private sector. It is now obvious that any failure on the part of companies to integrate these fundamental elements is likely to have adverse effects on the financial performance of the company. It is the responsibility of the business to improve the overall welfare of the society by refraining from harmful practices or by making a positive effect to help society. It is in the interest of the business to promote and improve the community where it does business. The creation of a better social environment benefits both the society and the business. Business organisations must realize that they benefit from a better community, which is the source of its workforce and the consumer of its products and services. CSR improves the public image of the firm (Petroleum Insight Quarterly Magazine, 2006).

A number of organizations in Kenya viewed CSR simply as being mindful of society, contributing to citizens needs, building infrastructure, assisting the less fortunate among others. This perception is, however, changing as is public knowledge which companies are posing huge profits. If a company is profitable, the society expects more from them. Recently, a mobile service provider posted the largest profits ever made in East Africa during their Financial Results year ended March, 2008 announcement (i.e Kshs 19.9 billion which translates to an impressive Kshs 1.5 billion per month) (http://www.safaricom.co.ke/index.php?id=585). The company has a foundation which spearheads the firm's social investment programs. Generally, organizations that have formed foundations or undertake their CSR activities at a corporate level emerge as the most respected organizations (Petroleum Insight Quarterly Magazine, 2006).

1.2 Statement of the Problem

The Oil Industry in Kenya was deregulated in 1994. This meant removal of Government controls and thus giving way to a free market system. This intensified competition among the oil marketing companies in Kenya. The deregulation meant that the oil marketers had to set their own profit margins and practice no cartels in their operations. This meant competing on price, product and services offered to customers, (Okech and Nyoike, 1996). Part of the services offered involves Corporate Social responsibility. This is especially because fuel is a homogeneous product. This has made the Oil Marketers to partly differentiate themselves through CSR activities to gain competitive advantage in the market.

Though most companies in the Oil Industry have initiated and are running several CSR programmes, there is concern that the programmes run are not effective, well managed or coordinated and that the departments responsible for CSR are not clearly defined or understood. There is a strong feeling that key players in the oil companies do not have a clear understanding of the initiatives under these programmes (The KPRL Lantern, 2007).

This study shares closely with studies undertaken in this area which include Managers Attitude and Response towards Social Responsibility: The Case of Large Manufacturing Firms in Nairobi by Kamau (2001) whose findings were that managers have a positive attitude towards social responsibility. However, the study found that attitude had very little influence on the implementation of social responsibility. It is no wonder that the implementation of CSR in these organizations has been poor despite managers having a strong positive attitude towards CSR. The study by Kamau did not link managers' attitudes towards CSR to competitive advantage of the firms.

A second study, Social Responsibility: Attitude and Awareness of Executives of Medium Scale Manufacturing Firms in Nairobi by Kiarie (1997) found that there was a relationship between awareness, attitude and implementation of social responsibility. However, despite having a high level of awareness, the executives' attitude was less favourable towards social responsibility. Other factors such as executives' exposure, government penalties and financial implications came into play. However, the above study did not link executives' awareness, attitudes and implementation of CSR activities to competitive advantage of the firm.

These studies show clearly that managers have ambivalent attitude towards social responsibility and this may impact competitiveness of the firm. This raises a question on the effectiveness of social responsibility activities undertaken in the oil industry in Kenya. Do these activities have any relationship with competitive advantage of firms within this industry? A search in the literature has not shown a link in the activities undertaken by the firm to its competitiveness. In his suggestions for further studies, Kiarie (1997) proposed that further research be directed towards investigating the relationship between social performance and economic performance.

The question that underlines the research problem is: Are social responsibility activities related to competitiveness in the Kenyan oil industry?

1.3 The objective of this Study

The main objective of this study was:

> To determine the relationship between corporate social responsibility activities and competitive advantage in the oil industry in Kenya.

1.4 Importance of the study

The findings of this research will be important to but not limited only to the following groups of people.

1. Managers involved in or would be more interested in exploring further the benefits of the various corporate social responsibility activities and how these can give them competitive advantage.
2. Government agencies and policy makers may use the results to formulate positive CSR policies based on a framework that is relevant and sensitive to the forces influencing CSR activities in Kenya.

CHAPTER TWO

LITERATURE REVIEW

2.1 The concept of Corporate Social Responsibility

The changing role of business in society has come to mean many things. Corporate sustainability, corporate social responsibility, and corporate citizenship are but a few of the new terms that have emerged to describe this period and process of challenge and change. There is, however, an emerging consensus that the scope of the challenge is not confined to philanthropic activities, but rather extends beyond the more obvious legal responsibilities. CSR is regarded as a social issue in management and thus a firm should be not only reactive, but also anticipatory and pro-active (Ackerman and Bauer 1976). CSR is not only concerned about social contribution but also positively solving social problems like environmental issues.

Companies have obligation to serve their shareholders. Owners trust firms to manage their investment and produce returns. However, stockholders are not the only party with an interest in a firm's activities. Firms affect numerous groups and individuals, both internally and externally, engendering a realm of responsibility far beyond the positive economic returns demanded by shareholders. Corporate social responsibility (CSR) defines organizational consideration of multiple stakeholders and global impact, beyond simple focus on maximization of shareholder wealth. CSR encompasses a wide range of stakeholders. Pearce and Robinson (2005) delineated internal and external parties, including shareholders, employees, creditors, customers, suppliers, governments, unions, competitors, local communities, and the general public. Some obligations are obvious, such as the obligation of the firm to serve the financial interests of shareholders and provide employee satisfaction.

There have long been conflicting expectations of the nature of companies' responsibilities to society. However, for those businesses that do undertake what might be termed "corporate social responsibility", there is need for them to understand what constitutes a socially responsible behaviour as opposed to what managers in most organisations undertake to manage corporate image or other activity aimed at predominantly benefiting the business. There is an increasing focus by firms on examining their social responsibilities. For example, a number of organisations have as part of its objectives "to produce materials and resources on how companies should measure and report their impact on society" (Business Impact, 2000). Similarly, the World Business Council for Sustainable Development (WBCSD, 1999) seeks to develop a clear understanding of corporate social responsibility, including a matrix of corporate social responsibility indicators.

In a global business world managed by multinational corporations whose interests are held to be more economic than social, the impact of corporate social responsibility of businesses is felt at all levels. This has prompted a variety of responses to problems of the exploitation of human, social and natural resources. Globalisation, or rather the integration of economies across the world, is condemned by some for having deepened the gap between rich and poor societies, and indeed that within those societies themselves. Alternatively, others stress that globalisation, in a market-economy perspective, has stimulated overall growth in productivity and wealth (Tavis, 2000). However, the created wealth is unevenly distributed within and across the nation states.

2.1.2 Corporate Social Responsibility activities undertaken by businesses

Corporate social responsibility is one of the earliest and key conceptions in the academic study of business and society relations (Windsor 2001). The original ascendancy of CSR took place against a ruling economic paradigm emphasizing efficiency, competition, and productivity gains. Yet the rise of CSR has continued unabated into the 21st century, making it less plausible to look at CSR as just the latest hype of a development community increasingly disillusioned with the performance of the public sector (Luetkenhorst 2004).

The area defined by advocates of CSR increasingly covers a wide range of issues such as plant closures, employee relations, human rights, corporate ethics, community relations and the environment. Indeed, CSR Europe, a membership organisation of large companies across Europe, in its reporting guidelines looks at the following areas: workplace (employees); marketplace (customers, suppliers); environment; community; ethics; and human rights.

Whether or not business should undertake CSR, and the forms that responsibility should take, depends upon the economic perspective of the firm that is adopted. Those who adopt the neo-classical view of the firm would believe that the only social responsibilities to be adopted by business are the provision of employment and payment of taxes. This view is most famously taken to the extremes of maximising shareholder value and reflected in the views of Milton Friedman (1962, p. 133): “Few trends would so thoroughly undermine the very foundations of our free society as the acceptance by corporate officials of a social responsibility other than to make as much money for their shareholders as they possibly can". An alternative view of the firm following the behavioural theorists (Cyert and March, 1963; cited in Wartick and Wood, 1998) might view corporate social activity from a standpoint that examines the political aspects and non-economic influences on managerial behaviour. This might also be extended to examine personal motivations, such as the Chairman's personal preferences or alternatively some of the critical perspectives associated with the exercise of power. This approach has two identifiable strands of development.

The moral or ethical imperative is that because business has resources, it has an obligation to assist in solving social problems. In addition to making a profit, business should help to solve social problems whether or not business helps to create those problems even if there is probably no short-run or long-run profit potential (Holmes, 1976)'. In effect some take the view that because business has resources and skills there is a quasi-moral obligation to be involved. Proponents of CSR claim that it is in the enlightened self-interest of business to undertake various forms of CSR. The forms of business benefit that might accrue would include enhanced reputation and greater employee loyalty and retention.

A recent study in Australia on motivation for community involvement (CCPA, 2000), found that businesses are experiencing a transition in expectations of its social role, and part of the reason is that this social role "contributes to the continuing health and growth" of business. Three-quarters of the companies studied have "the goal of long-term business sustainability at the heart of the business for community involvement". The involvement is seen as a way to maintaining trust, support and legitimacy with the community, governments and employees". Community involvement is also seen as a way to "put back" without seeking a return. Thus the three broad strands involvement in social responsibility of organisations are enlightened self-interest; a moral approach linked to social expectations; and the neo-classical approach. It is interesting to note, in particular, the reference to social legitimacy. This implies that there is some form of social expectation that a legitimate business would act in a particular manner in effect some form of social contract.

2.1.3 Corporate Social Responsibility (CSR) as a competitive strategy

Strategy may be defined as the broad program of goals and activities to help a company achieve success. Strategy is the match between organization's resources and skills and environmental opportunities and risks it faces and the purposes it wishes to accomplish (Schendel & Hofer, 1979). This statement emphasizes that the environment is constantly changing and it is imperative that organizations have to constantly realign their activities to match the new environmental requirements by having a strategy which ensures that day to day decisions are in line with the long-term pursuits of the organization. Without a strategy, decisions made today could have negative impact on future results (Bruce & Langdon, 2002). Competitive strategy analyses the core competencies and capabilities of a firm vis-à-vis the competition and the customer needs so as to select the positioning the firm will take in order to survive and compete successfully. Competitive strategy therefore shapes the operations strategy and defines the competitive priorities in which companies will compete.

The issue of the social responsibility of business has been a subject of intense debate and interest for almost two decades (Arlow P. and Martin J. Gannon, 1982). The dynamics in the business environment has meant that businesses make the needed adjustments to the way they do business. Businesses have to adjust their capabilities to the environment through effective strategies (Ansoff, 1990). Strategies describe the way an organization pursues its goals against the environmental conditions. This means that if there were changes in the environment, there should be similar efforts by the organization to match the changes. CSR can then be viewed as such an effort (Rue and Holland, 1986). CSR is a response by the organization to pressures exerted by the society. The society in this case is has continued to demand more from the business sector, partly because of the recognition of the fact that the business is a co-citizen in the society and that businesses are not motivated towards meeting their side of the responsibility which would alter the interest and power in favor of the society

The need for companies to undertake activity that might be regarded as socially responsible has been discussed in the literature and has been a topic of academic study for decades (Heald, 1957, cited in Ullmann, 1985). Cannon (1992) discusses the development of corporate social responsibility via the historical development of business involvement leading to a re-examination of the nature of the relationship between business, society and government. He identifies that the primary role of business is to produce goods and services that society wants and needs; however there is inter-dependence between business and society in the need for a stable environment with an educated workforce. Business only contributes fully to a society if it is efficient, profitable and socially responsible. Similarly, Wood (1991), states that the basic idea of corporate social responsibility is that business and society are interwoven rather than distinct entities. In view of the above discussions social responsibility represents an economic tool to gain competitive advantage and social capital (Nahapiet and Ghoshal, 1998), as a method for global companies to develop strong links with the local communities in which they operate and a method for alleviating risk and the threat of damaging publicity (Cannon, 1994; Carroll, 1993; Solomon, 1997, 1999). CSR as defined by World business Council for sustainable development (WBCSD) is the ethical behavior of a company towards society management by acting responsibly in its relationships with other stakeholders who have a legitimate interest in the business, and

CSR is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large (WBCSD, 1999).

2.2 Theoretical perspective on Corporate Social Responsibility

2.2.1 Stakeholder theories

The stakeholder theory of the firm is used as a basis to analyse those groups to whom the firm should be responsible. As described by Freeman (1984), the firm can be described as a series of connections of stakeholders that the managers of the firm attempt to manage. Freeman's classic definition of a stakeholder is “any group or individual who can affect or is affected by the achievement of the organization's objectives" (Freeman, 1984, p. 46). Stakeholders are typically analysed into primary and secondary stakeholders. Clarkson (1995, p. 106) defines a primary stakeholder group as “one without whose continuing participation the corporation cannot survive as a going concern" - with the primary group including “shareholders and investors, employees, customers and suppliers, together with what is defined as the public stakeholder group: the governments and communities that provide infrastructures and markets, whose laws and regulations must be obeyed, and to whom taxes and obligations may be due" (p. 106). The secondary groups are defined as “those who influence or affect, or are influenced or affected by the corporation, but they are not engaged in transactions with the corporation and are not essential for its survival".

The major divide within stakeholder theory is whether it is a coherent theory or a set of theories (Trevino and Weaver, 1999). Effectively, the divide is whether stakeholder theory is a normative theory based upon largely ethical propositions or an empirical/instrumental/ descriptive theory (e.g. Donaldson and Preston, 1995; Jones and Wicks, 1999). This remains a contentious area within the literature (Jones and Wicks, 1999; Freeman, 1999; Donaldson, 1999; Trevino and Weaver, 1999; Gioia, 1999). In terms of the issue of social responsibility, the central issue is whether stakeholder analysis is part of the motivation for business to be responsible and, if so, to which stakeholders. Hamil (1999), adopting Donaldson and Preston's (1995) typology, finds that corporate giving is nearly always instrumental.

An important question that has been addressed is to which groups do managers pay attention? Mitchell et al. (1997) develop a model of stakeholder identification and salience based on stakeholders possessing one or more of the attributes of power, legitimacy and urgency. Agle et al. (1999) confirm that the three attributes do lead to salience. Thus, we might anticipate that firms would pay most attention to those legitimate stakeholder groups who have power and urgency. In practice this might mean that firms with problems over employee retention would attend to employee issues and those in consumer markets would have regard to matters that affect reputation. Stakeholder groups may also become more or less urgent; so environmental groups and issues became more urgent to oil firms following the Exxon Valdez oil spill (Patten, 1992). We note from the current commercial approaches to CSR that stakeholder analysis is important, but that the rationale remains largely instrumental (WBCSD, 1999; Business Impact, 2000). However, there are elements that are also normative. For example, Business Impact begins by advocating that CSR should be based against set purposes and values - nevertheless such purpose and values are also linked to ``contributing to [the firm's] reputation and success'' (Business Impact, 2000).

Stakeholder theory and CSR address two key questions namely; how economic and social factors should be considered from a corporate perspective and what is the relationship between economic and social success? When we use Donaldson and Preston's (1995) model of interaction between the corporation and its stakeholders with an emphasis on the corporation as the central element, understanding of the economic, social, historical, political, cultural and global environments is limited to direct interactions with the corporation itself. However, Matten and Moon's (2005) argument for a reconceptualization of CSR as having both explicit policies and implicit norms within the legal framework implies that CSR can be better understood as a situated business practice.

Bringing Matten and Moon's situated perspective of CSR to stakeholder models also implies a shift from a corporate centred model to a cultural systems perspective in understanding relations between corporations and their stakeholders. This perspective shifts the focus from the question of whether culture affects the manner in which CSR is portrayed in web sites to the question of how institutional structures situated in cultural systems affect communication about CSR. To investigate the effects of culture on the manner in which CSR is portrayed, (Maignan and Ralston, 2002) found that cultural differences between France, The Netherlands and the UK can be quantified through different perspectives represented revealing differences in the importance of being perceived by the public as socially responsible; and which CSR issues are emphasized on the corporate web sites (Maignan and Ralston, 2002).

2.2.2 Social contracts theory

Gray et al. (1996) describe society as "a series of social contracts between members of society and society itself". In the context of CSR, an alternative possibility is not that business might act in a responsible manner because it is in its commercial interest, but because it is part of how society implicitly expects business to operate.

Donaldson and Dunfee (1999) develop integrated social contracts theory as a way for managers to take decisions in an ethical context. They differentiate between macro-social contracts and micro-social contracts. Thus a macro-social contract in the context of communities, for example, would be an expectation that business provide some support to its local community and the specific form of involvement would be the microsocial contract. Hence companies who adopt a view of social contracts would describe their involvement as part of "societal expectation" - however, whilst this could explain the initial motivation, it might not explain the totality of their involvement. One of the commercial benefits that was identified in the Australian study (CCPA, 2000) was described as "licence to operate" - particularly for natural resource firms. This might be regarded as part of the commercial benefit of enhanced reputation, but also links to gaining and maintaining legitimacy (Suchman, 1995).

2.2.3 Legitimacy theory

Suchman (1995) defines legitimacy as "a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs and definitions". This included bringing together prior literature on legitimacy management including the strategic tradition of resource dependence theory (Pfeffer and Salancik, 1978) and the institutional traditions. DiMaggio and Powell, (1983) identifies three types of organizational legitimacy: Pragmatic, Moral and Cognitive. He also identifies three key challenges of legitimacy management: Gaining, maintaining and repairing legitimacy.

Suchman (1995) states, "legitimacy management rests heavily on communication" - therefore in any attempt to involve legitimacy theory, there is a need to examine some forms of corporate communications. Lindblom (1994, cited in Gray et al., 1996) notes that legitimacy is not necessarily a benign process for organizations to obtain legitimacy from society. She argues that an organization may employ four broad legitimation strategies when faced with different legitimation threats: seek to educate stakeholders about the organisation's intentions to improve that performance; seek to change the organisation's perceptions of the event (but without changing the organisation's actual performance; distract (i.e. manipulate) attention away from the issue of concern; and seek to change external expectations about its performance.
Thus there is a need to examine any particular corporate behaviour within its context and in particular to look for alternative motivations.

Thus legitimacy might be seen as a key reason for undertaking corporate social behaviour and also then using that activity as a form of publicity or influence (Lindblom cited in Gray et al., 1996 and in Clarke, 1998). A converse view to this, i.e. not that business uses its power to legitimate its activity but, rather that society grants power to business which it expects it to use responsibly, is set out by Davis (cited in Wood, 1991): "Society grants legitimacy and power to business. In the long run, those who do not use power in a manner which society considers responsible will tend to lose it." In effect, this is a re-statement of the concept of a social contract between the firm and society.

2.3 Concept of Competitive Advantage

Michael Porter defines competitive strategy as the art of relating a company to the economic environment within which it exists (Bennet, 1999). Porter (1998) explains that every firm competing in an industry has a competitive strategy whether explicit i.e. developed through a formal planning process or implicit - evolved through the various functional planning activities of the firm. Competitive strategy consists of business decisions a firm undertakes in order to attract more customers and fulfill its expectations. These decisions enable the firm to gain leadership position and outperform its competitors. The firm is therefore able to ward off competition and strengthen its market share (Thompson & Strickland, 2003). For competitive strategy to be realized, the contribution and support of all functions is necessary.

Competitiveness of a company is its ability to compete and prosper in the market place and can be thought of as a measure of productivity or the efficiency and effectiveness of converting inputs and resources into useful products and services. Competitive strategy analyses the core competencies and capabilities of a firm vis-à-vis the competition and the customer needs so as to select the positioning the firm will take in order to survive and compete successfully. Competitive strategy therefore shapes the operations strategy and defines the competitive priorities in which companies will compete. Prahalad and Hamel (1990) argue that an organization's resources can be combined to attain competitiveness. Long term success however demands the creation of ever more powerful systems that are difficult for competitors to replicate and are steadily being improved. It involves the effective management of all the resources available at the heart of which are people in the organization who alone have the capacity to build new abilities with time (Upton, 1995). The approaches and initiatives a company takes to meet customer needs, outperform competitors and achieve long-term goals constitute its competitive strategy (Thompson & Strickland, 2003).

At the broadest contest, formulation of competitive strategy involves considering five factors that determine the limits of what a company can successfully accomplish. These are the firms' strengths and weaknesses, industry opportunities and threats. Using this analysis, Porter (1980) identified the three generic competitive strategies that can be viable in the long term as discussed. Porter (1998) also developed an analytical framework which can be used to develop competitive strategies in particular important types of industry environments. He focused on the analysis of industrial structure and competitors using the five fundamental forces that determine the state of competition in an industry. These are, the threat of new entrants and the ease with which competitors can enter the industry, the threat of substitutes which make it difficult for firms to raise prices by significant amounts because buyers easily switch to substitute products and services, bargaining power of suppliers, bargaining power of buyers, extent of competition among existing firms.

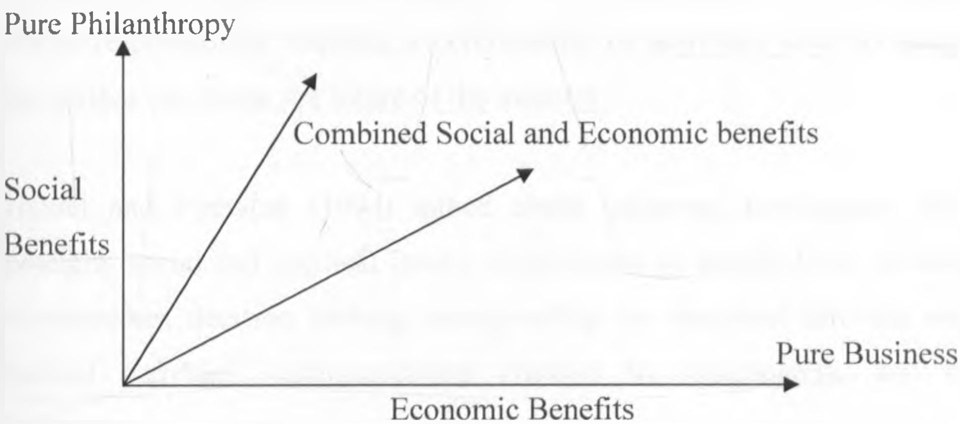
According to Porter (1998), developing competitive strategies is developing a broad formula for how a business is going to compete i.e. what its goals – the ends should be and what policies/ tactics – the means which will be needed to carry out those goals. The goals of competitive strategies are focused towards gaining a competitive advantage, cultivating clientele of loyal customers and out performing rivals ethically and morally. This will consist of moves by the firms to attract customers, withstand competitive pressures and strengthen their market position.

Porter's five forces of competition Porter (1980) give an insight into competitive dynamics in an industry. It offers a richer view of the competition by capitalizing on the competition on the interrelationship of the five powerful and dynamic forces. The degree of competition in an industry hinges on the five forces. To establish a strategic agenda for dealing with these contending currents and grow despite them, a company must understand how they affect the company in its particular situation (Porter, 1980).

2.4 CSR as a strategy for gaining Corporate Competitive Advantage

The notion of strategic CSR has been around since the 1980s and has been the subject of much debate in recent years. Drucker (1984), for example, emphasized that profitability and social responsibility are not necessarily incompatible and that business ought to convert its social responsibilities into business opportunities. Similarly, Porter and Kramer (2003) have suggested a context-focused philanthropic approach requiring companies to use their unique attributes to address social needs in the corporate context, thus promoting a convergence of interests between business and society and the reconciliation of social and economic goals which in the interest of the business will ensure their strategic survival or competitive advantage.

Figure 1: A Convergence of interests between business and society.



"The competitive advantage of corporate philanthropy", Porter and Kramer (2003)

The basic idea of strategic CSR is the effective alignment of philanthropic contributions with business goals and strategies, thus allowing the reconciliation of social and economic benefits. In this respect, as illustrated in Figure 1, strategic CSR can be defined widely to encompass any philanthropic activity that can result in long-term gain for the company. Such gain can be direct and tangible as in new business opportunities and untapped financial returns, or intangible as in increased goodwill and loyalty among potential customers. Alternatively, strategic CSR can be defined more narrowly to encompass focused philanthropic interventions with a clear flow of financial returns.

Owing to relentless pressure by investors for increased returns and accountability, the trend will likely be toward more strategic-type CSR interventions in the future (Lantos 2001; Carroll 2001).

The appeal of strategic CSR cannot be easily discounted. The delivery of shareholder value, while also promoting societal value (or doing well while doing good), is certainly a desirable scenario for business corporations. This is particularly the case in developing countries where the drivers of CSR tend to be weak and where serious macroeconomic constraints may divert company attention to issues of basic viability and securing shareholder returns.

One reason why social responsibility provides a sustainable competitive advantage is that it requires a culture that can successfully execute a combination of activities. Black and Hartel, (2004); Hamel and Prahalad, (1994); and Hout, (1999) all support the idea that social responsibility requires a combination of activities such as deeply studying the forces that can shape the future of the industry.

Hamel and Prahalad (1994) talked about gathering intelligence about current and potential social and political issues, involvement of stakeholders, managing stakeholder expectations, decision making, incorporating the decisions into the strategic plan and tactical activities, communicating symbols to stakeholders, and ethical business behaviour.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Research Design

This section presents the methodology used in this study. A descriptive survey was used. A descriptive survey was chosen because of the need to collect data from a cross section of organizations at one point in time.

3.2 The Population

The population of interest for this study consisted of all the 23 registered companies in the oil industry in Kenya as per Appendix 1. Data was collected from all the companies and 69.6% of them responded.

3.3 Data Collection

The study made use of both primary and secondary sources of data. Primary data was collected using structured questionnaires which was administered to the management of the oil industry using self administered - a drop and pick method. The officer in charge of CSR within each of the organizations was issued with a questionnaire.

The questionnaire had four sections namely, Personal information, Organizational goals, CSR activities of the firm and Competitive advantage. It had both open and closed ended questions.

3.4 Data Analysis

Data collected was analysed using descriptive statistics. The strength of the relationship between extent of corporate social responsibility activities and competitiveness was tested using Pearson's Product Moment Correlation Statistical Technique. Descriptive statistics consisted of frequency distributions, percentages, mean scores and standard deviations. The results were presented in tables and charts.

CHAPTER FOUR

DATA ANALYSIS AND FINDINGS

4.1 Introduction

This chapter deals with the presentation and analysis of findings of the study. It presents findings on Corporate Social Responsibility activities and its impact on competitive advantage (A case of the Oil Industry in Kenya), using a statistical package for social sciences (SPSS version 16.0) for the analysis.

SPSS covers a broad range of statistical procedure that allows one to summarize data (comparing means, and standard deviation), determine whether there is a significant difference between the groups under study (T-tests) and to examine relationships among variables.

Data presentation in this chapter is mainly by use of frequency tables (f) for primary analysis. Of the total target number of 23 respondents, 16 respondents i.e. (69.6%) of the targeted population returned the completed questionnaires.

4.2 Data processing and analysis

The major purpose of data analysis was to reduce the data collected into an organized, integrated and meaningful whole. The key method for analysis was quantitative though qualitative data was also collected and used to supplement understanding of the interrelationships of the construct variables that were generated by the quantitative methods. Data collected was processed by editing, coding and thereafter analyzed using SPSS version 16.0 and summarized into tables and charts.

The questionnaires were edited for completeness, accuracy and uniformity. Completeness was to ensure that there was an answer to every question on the questionnaire. Inaccuracy may be due to carelessness or a conscious attempt to give misleading answers.

Uniformity gives an opportunity for checking if the respondents interpreted both the instructions and questions uniformly and in the same manner. Editing of the questionnaires was to help the researcher to detect and as far as possible to eliminate errors in the completed questionnaires.

Editing involves the assigning of symbols (numerical) to each response of a category. The purpose of the symbol is to translate raw data into symbols that may be counted and tabulated. Each edited response was then translated into numerical terms by attaching a numerical figure to the respective responses given. The purpose of coding was to facilitate the next step of data processing after identifying variables, variable labels, values and value labels etc. to be able to use the SPSS computer analysis.

After the primary data was coded and reviewed for accuracy and consistency it was then entered into the computer for further descriptive analysis of statistics using SPSS (16.0) computer package for windows. The coded data was categorized and tabulation was obtained for the questions that were intended to measure descriptive characteristics of the study sample.

4.3 Quantitative Data Analysis

A total of 16 respondents out of the total of 23 organisations in the oil industry in Kenya returned the questionnaires satisfactorily completed. This formed 69.6% of the targeted population. This study considered a census as the number of players in this type of business is only twenty three (23). The characteristics of the outlets studied relate to age, that is how long the company has been operating in Kenya, and some personal information concerning the staff who participated in the survey.

4.3.1 Characteristics of the organisation in the oil industry

The data analysis in this section focuses on the characteristics of the players in the oil industry that was studied. The analysis includes the use of frequency tables that show characteristics of the organisations studied. The characteristics include some of the areas of similarities such as the year of operation in Kenya, and the characteristics of the personnel who participated in the study.

Table 1: Years of operation in Kenya

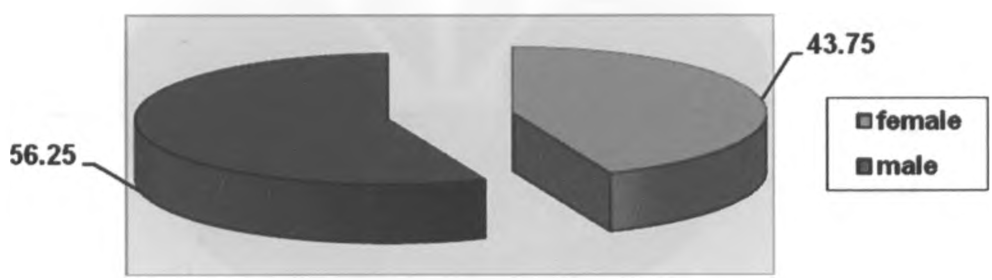
YEARS OF OPERATION	Number of outlets		Cumulative	RANGE
	No.	%	%	No.
Less than 1 year	1	6.25	6.25	1
1 – 10	3	**18.75**	37.50	5
11 – 20	5	**31.25**	56.25	3
21 – 40	5	**31.25**	75.00	3
40+	2	**12.5**	100.0	4
TOTAL	**16**	**100**	**100.0**	**16**

The results form the above table (table 1) reveal that 6.25% of the organisations in the oil industry in Kenya have been in the business for less than one year. This is one of the new entrants into the oil industry while a total of 3 oil companies representing 18.75% of the oil marketers in the country have been in this business for a period of up to 10 years with five (5) of the companies representing 31.25% of the companies having been in the oil business for between eleven to twenty (11 - 20) years and between twenty one an forty (21 – 40) years of operation in Kenya, representing 31.25% each. A total of two organisations studied stated they have been in the oil business for a period of over forty (40) years. This indicates in this type of business there are few players and the number of new entrants in the business is quite minimal with only one organisation having entered in the oil business in the last one year (2008).

4.3.2 Gender of the respondents

From a total of 16 questionnaires received from the oil industry, 9 questionnaires were received from the male respondents duly completed while the remaining 7 questionnaires issued were received from the female respondents. The figure below (Figure 1) indicates that the questionnaires returned filled in, a proportion of respondents (43.75%) was female, and the remaining 56.25% were male.

Figure 2: Gender of Respondents



4.3.3 Age of the Respondents

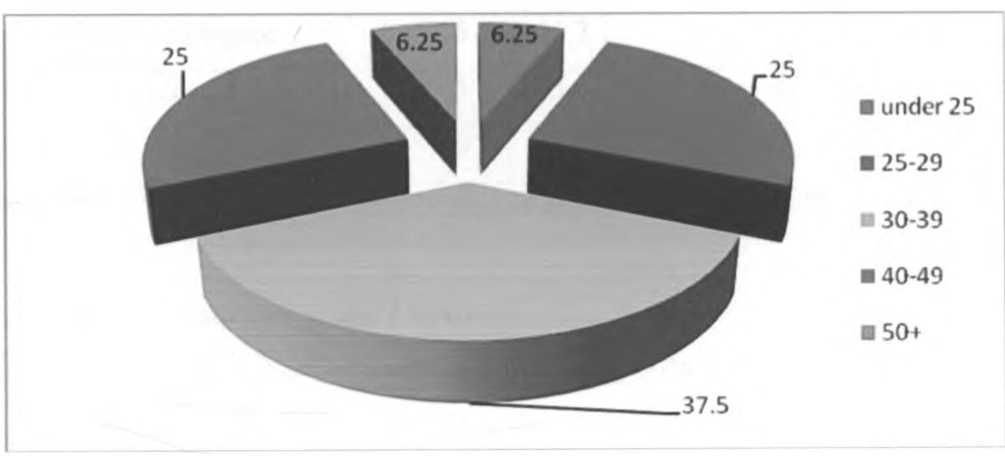
Table 2 below indicates the respondents' age. With regard to age, the data demonstrates that the largest proportion of respondents who participated in the study were within the 30 - 39 year age bracket which represented (37.5%). This was followed by the age group below 30 years representing 25% and the 40 - 49 age bracket (25%). Only 6.25% of the respondents were in the age bracket 19 – 24 years of age and a further 6.25% of the respondents were 50 years of age and above.

Table 2: Distribution of the respondents by age

Age in Years	Male		Female		Total	
	No.	%	No.	%	No.	%
19 - 24	0	0	1	14.3	**1**	**6.25**
25 - 29	2	22.3	2	28.6	**4**	**25.0**
30 - 39	3	33.3	3	42.8	**6**	**37.5**
40 – 49	3	33.3	1	14.3	**4**	**25.0**
50 and Above	1	11.1	0		**1**	**6.25**
Total	**9**	**100**	**7**	**100**	**16**	**100**

From table 2, it is evident that the majority of the respondents (68.75) are middle aged, falling between 30 and 50 years of age.

Figure 3: Distribution of the respondents by age



4.3.4 Level of education attained by the respondents

The respondents were asked to indicate the highest level of education that they had attained. Table 3 below indicates that 42.9% of the respondents in the oil companies in Kenya that were studied had a first degree.

A total of 16 respondents were interviewed and compared to the female employees, more male employees had attained a Bachelors degree. A total of 6 male respondents comprising 66.7% of male respondents and 37.5% of the total respondents had a Bachelors degree with a corresponding 42.9% of the female respondents having attained a Bachelors degree comprising 18.5% of the total respondents. From the table below (Table 3) a total of 3 male and 3 female respondents, a total of 6 respondents, 37.5% of the respondents in the study had obtained a Masters Degree.

Table 3: Respondents' Level of Education

Highest level of education	**Male**		**Female**		**Total**
	No.	%	**No.**	%	
Diploma	0		1	14.2	1
Undergraduate Degree	6	66.7	3	42.9	9
Masters Degree	3	33.3	3	42.9	6
PhD degree	0	0	0	0	0
Total	**9**	**100**	**7**	**100**	**16**

4.3.5 Length of service at the Company

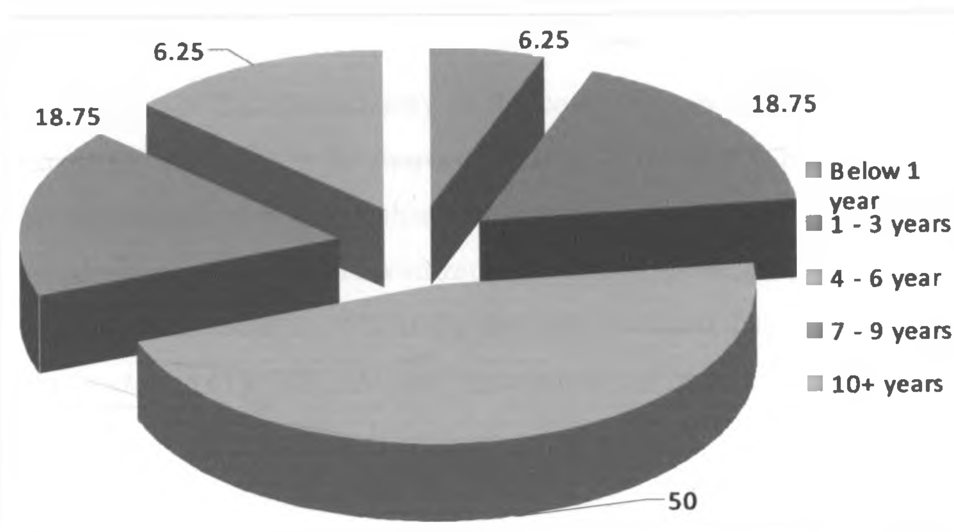
The largest proportion of respondents comprising 50% had worked for the company for a duration of between 4 – 6 years. This was closely followed by 18.75% of respondents who had worked for a period of between 7 – 9 years and 1 – 3 years.

From table 4, 14.3% of the female respondents had worked in the organisations for a period below 1 year and a further 42.8% of the female respondents had worked at the current employment for a period of between 1 – 3 years. From the analysis it is evident that only two male respondents comprising 12.5% of the respondents have worked for between 7 - 9 years and 11.1% of the male respondents had worked in the same organisation for over 10 years. This shows that most employees have worked in their organisations for a relatively long duration of time (i.e 5 years and above).

Table 4: Length of service at the Company

Years	Male		Female		Total
	No.	%	No.	%	
Below 1 year	0	0	1	14.3	1
1 – 3 years	0	0	3	42.8	3
4 – 6 years	6	66.7	2	28.6	8
7 – 9 years	2	22.2	1	14.3	3
10 years and Above	1	11.1	0	0	1
Total	**9**	**100**	**7**	**100**	**16**

Figure 4: Length of service at the Company



4.4 Existence of corporate goals at the oil companies

The data in this section analyses some of the corporate goals among the oil companies in Kenya. The analysis includes the use of frequency tables that show the evidence of and the characteristics of the various corporate goals and their importance to the oil companies.

4.4.1 Maximisation of profits in the short term

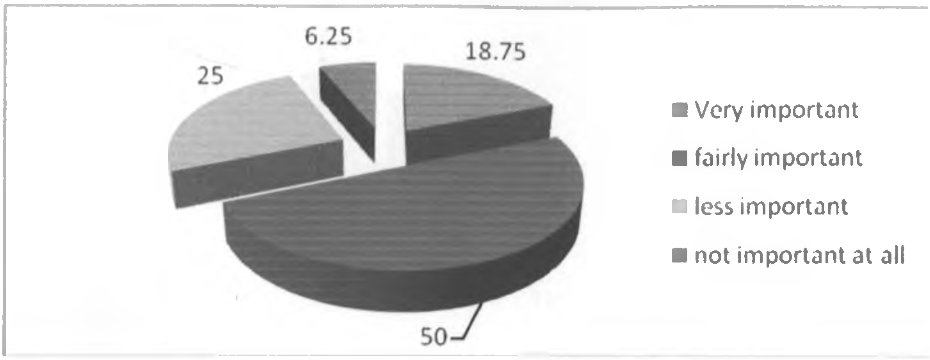
The respondents used in the study were asked to indicate how important their organisation considered the maximization of profits in the short run.

Table 5: Importance of maximisation of profits in the short run

Level of importance	No.	%	Ranking
Very important	3	18.75	2
Fairly important	8	50.0	1
Less important	4	25.0	3
Not important at all	1	6.25	4
Total	16	100	

Table 5 indicates that the majority of the companies in the oil industry considered the maximisation of profits in the short run as being important. This is supported by 18.75% of the respondents stating that this was very important to their organisation and 50% of the respondents stating that maximization of profits in the short run was fairly important to their company while 31.25% of the respondents stated that their companies considered the maximization of profits was less important or not important at all to them.

Figure 5: Importance of profit maximization in the short run



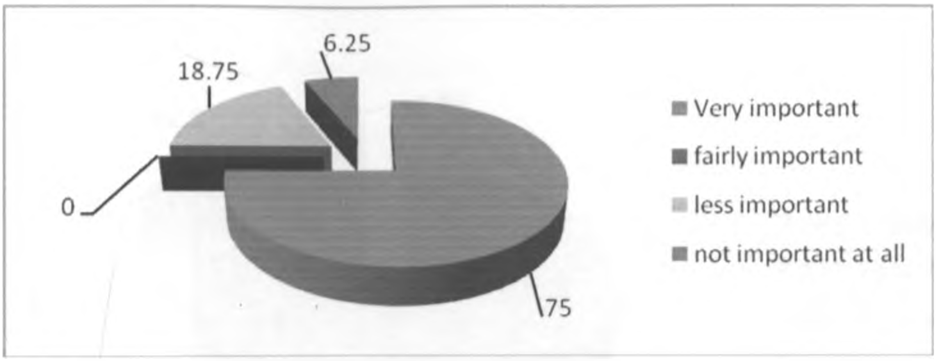
4.4.2 Maximisation of profits in the long term

The researcher asked the respondents in the study to state how important according to their organisation the maximization of profits in the long run was considered. Table 6 indicates that the majority of the companies in the oil industry considered the maximisation of profits in the long run as being very important to them with only 18.75% of the respondents stating that their organisation considered this as less important to their organisation and 6.25% stating that maximization of profits in the long run was not considered important at all by their organisation.

Table 6: Importance of maximisation of profits in the long run

Level of importance	**No.**	**%**	**Ranking**
Very important	**12**	**75.0**	**1**
Fairly important	**0**	**0**	
Less important	**3**	**18.75**	**2**
Not important at all	**1**	**6.25**	**3**
Total	**16**	**100**	

Figure 6: Importance of profit maximization in the long run



4.4.3 Providing best services to the customers

Table 7 indicates the respondents' opinion concerning the importance of the organisations in the oil industry to consider as one of their corporate goals, the provision of best services to their customer.

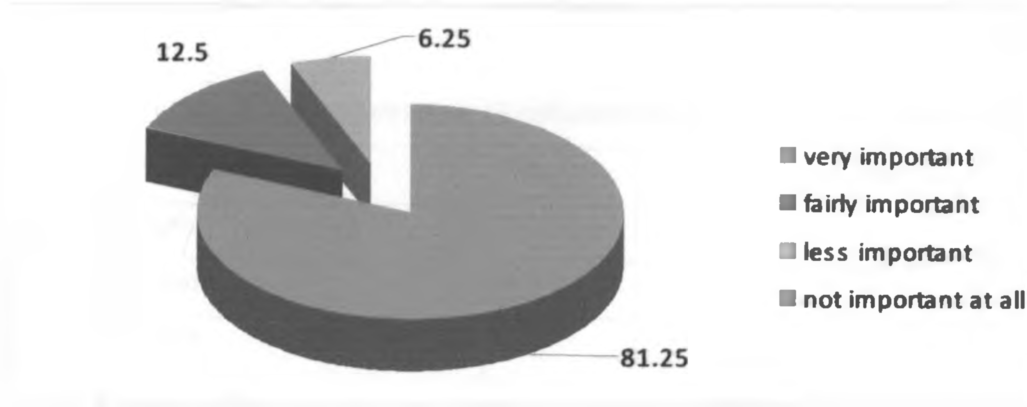
Table 7: Importance of providing best service to the customers

Level of importance	No.	%	Ranking
Very important	13	81.25	1
Fairly important	2	12.50	2
Less important	1	6.25	3
Not important at all	0	0	
Total	16	100	

Table 7 indicates that 93.75% of the companies in the oil industry stated that they considered the provision of best services to their customers as being a very important and fairly important corporate goal. 6.25% of the organisations stated that the goal was less important to them as an organisation.

Figure 7 gives a graphical representation of the responses of the organisations used in the study concerning their opinion on how important the companies in the oil industry consider the provision of best services to the customers as an important corporate goal

Figure 7: Rating of service(s) to the customers



4.4.4: Developing a strong customer relationship

The researcher asked the respondents who participated in the study to state how important according to their organisation, the developing of a strong customer relationship was considered.

Table 8: Importance of developing a strong customer relationship

Level of importance	No.	%	Ranking
Very important	10	62.50	1
Fairly important	4	25.0	2
Less important	2	12.50	3
Not important at all	0	0	
Total	16	100	

According to table 8, 87.5% considered the developing of a strong customer relationship as being very important and fairly important corporate goal to their organisation and only 12.25% of the respondents stated that their organisation considered this as less important.

4.4.5 Collaboration in community projects

Table 9 indicates the respondents' opinion on how important their company considered their collaboration in community projects as one of their corporate goals.

Table 9: Rating of the importance of collaboration in community projects

Level of importance	No.	%	Ranking
Very important	8	50.0	1
Fairly important	4	25.0	2
Less important	2	12.5	3
Not important at all	2	12.5	3
Total	16	100	

As shown in table 9, the majority of the companies in the oil industry (75%) stated that their company considered their participation or collaboration in community projects as important, with 50% of the respondents stating that they considered it very important and 25% considered their collaboration a fairly important corporate goal to them. Only 25% of the organisations stated that the collaboration in community project was less important and not important at all to them.

4.4.6 Protection of the Environment

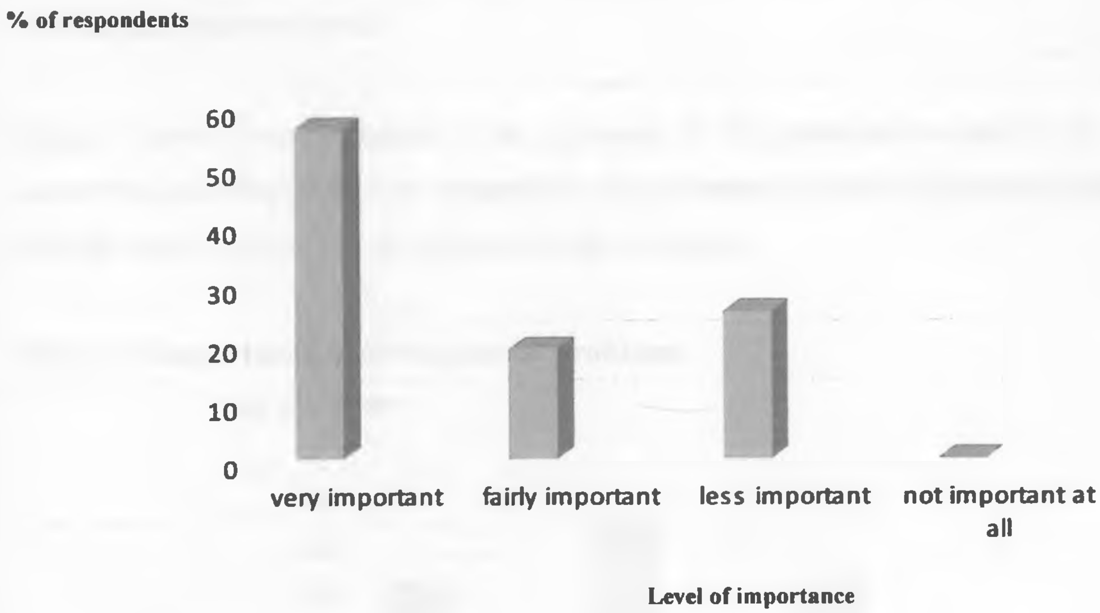
The respondents were asked to state how important according to their opinion they considered that their organisation considered as their responsibility, the protection of the environment as a corporate goal.

Table 10: Importance of protecting the Environment

Level of importance	No.	%	Ranking
Very important	9	56.25	1
Fairly important	3	18.75	3
Less important	4	25.0	2
Not important at all	0	0	
Total	16	100	

As shown in table 10, 75% of the companies in the oil industry, stated that their company considered their participation in the protection of the environment as important. Of these, 56.25% stated that they considered it very important and 18.75% considered that the protection of the environment was a fairly important corporate goal to them. Only 25% of the organisations stated that their participation in the protection of the environment was a less important activity to them as a corporate goal. The figure below (Figure 8) gives a representation of the responses of the organisations used in the study concerning their opinion on how important the companies in the oil industry consider the protection of the environment as an important corporate goal.

Figure 8: Importance of protecting the Environment



4.4.7 Helping in solving social problems

The respondents were asked to state according to their organisation how important they considered helping in solving social problems as a corporate goal.

As shown in Table 11, majority of the companies in the oil industry comprising of 56.25% stated that their company considered their participation in solving social problems as important with 25% of the respondents stating that they considered it very important and 31.25% considered that participating in solving social problems was a fairly important corporate goal to them.

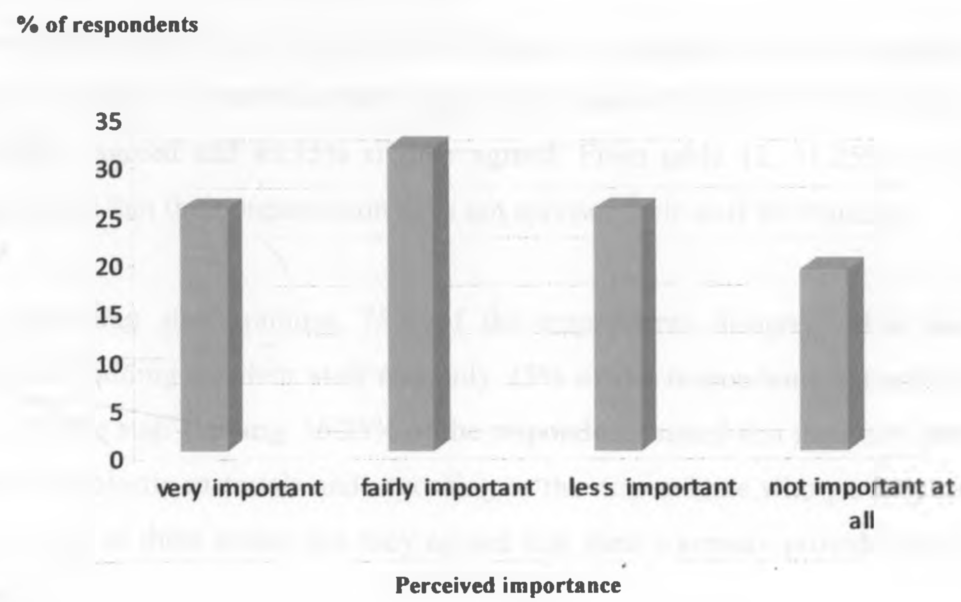
Table 11: Helping in providing solutions to social problems

Level of importance	No.	%	Ranking
Very important	4	25.0	2
Fairly important	5	31.25	1
Less important	4	25.0	2
Not important at all	3	18.75	4
Total	16	100	

From table 11 above, 43.75% of the organisations stated that the their organisation's participation in solving social problems was not considered an important corporate goal with 25% of the respondents stating that it was considered less important and 18.75% stated it not important at all.

Figure 9 gives a representation of the responses of the organisations used in the study concerning how important the companies in the oil industry consider their participation in solving social problems as an important corporate goal.

Figure 9: Importance of solving social problems



4.5 CSR activities of organisations

This section attempts to establish the respondents' level of agreement concerning the corporate social responsibility activities undertaken by their organisations in the various CSR areas.

4.5.1 Education

Table 12: Rating of CSR activities in Education

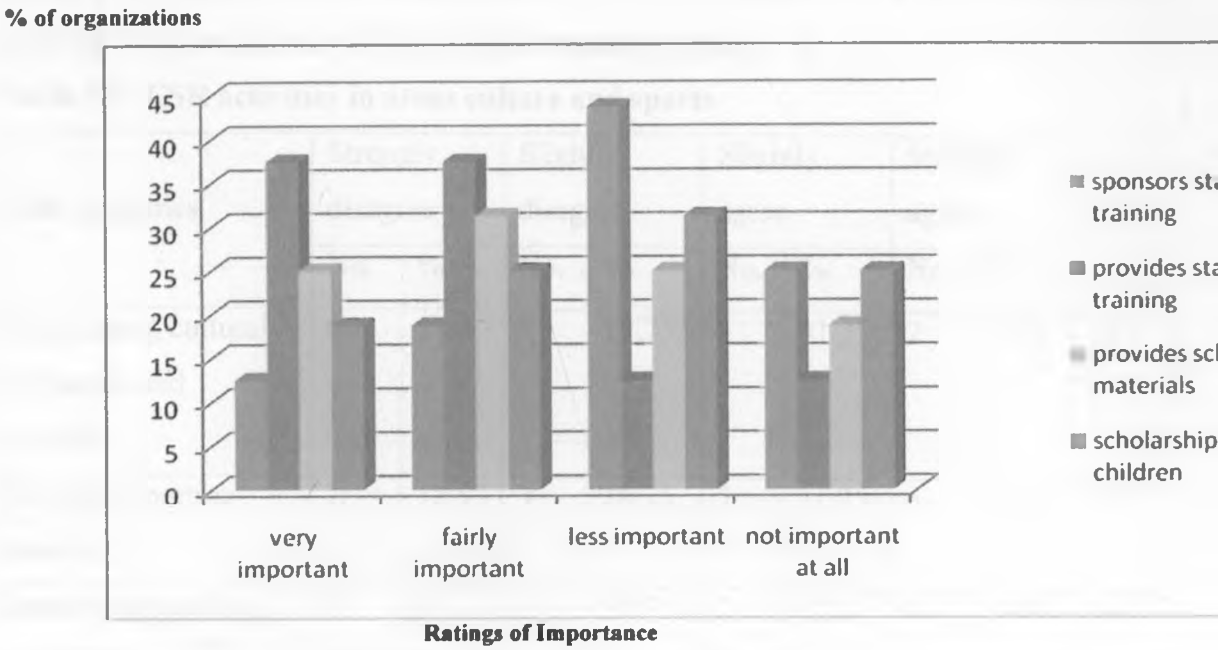
Education related CSR Activities	Strongly disagree		Slightly disagree		Slightly agree		Strongly agree		Total
	No.	%	No.	%	No.	%	No.	%	
Sponsorship of staff for training	2	12.50	3	18.75	7	43.75	4	25.00	16
Providing staff training	6	37.50	6	37.50	2	12.50	2	12.50	16
Providing scholastic materials	4	25.00	5	31.25	4	25.00	3	18.75	16
Scholarships to disadvantaged children in general	3	18.75	4	25.00	5	31.25	4	25.00	16

Table 12 shows that a number of CSR activities in respect to education were investigated. 68.75% of the respondents agreed that their organisation sponsors their staff for training while 25% strongly agreed and 43.75% slightly agreed. From table 12, 31.25% of the respondents indicated that their organisation does not sponsor their staff for training.

In respect to providing staff training, 75% of the respondents disagreed that their companies provide training for their staff and only 25% of the respondents agreed that their company provide staff training. 56.25% of the respondents stated that their company does not provide scholastic materials and according to the respondents who participated in the study, 43.25% of them stated that they agreed that their company provided some scholastic materials.

One other CSR activity that organisations can undertake in the area of education is giving scholarships to the disadvantaged children in general. 56.25% of the organisations studied offer scholarships to the disadvantaged children in general with 25% stating that they strongly agreed that they offered scholarships to the disadvantaged children in general and 31.25% slightly agreed to the statement while 43.75% of the respondents disagreed that the oil companies in Kenya offer scholarships to disadvantaged children.

Figure 10: Helping in solving social problems



4.5.2 CSR activities in areas of Culture and Sports

The respondents were asked to state their level of agreement or the extent to which they agreed that their organisation undertakes CSR activities in respect to culture and sporting activities.

As shown in table 13, three activities were considered in respect to culture and sports namely organisations participating in encouraging cultural exchanges, providing sporting equipment and sponsoring sporting events in Kenya. In respect to the issues of encouraging cultural exchanges and diversity 56.25% of the respondents stated that in their company does not encourage the cultural exchanges and diversity in their pursuit of business, out of whom 37.5% of the respondents strongly disagreed that their company encourages cultural exchanges and diversity.

From table 13, it is evident that 43.75% of the respondents agreed that their company encourages cultural exchanges and diversity with only 12.5% stating that they strongly agree.

As shown in table 13, 68.75% of the companies in the oil industry provide sporting equipment and 31.25% of the companies in the oil industry do not provide sporting equipment. Majority of the organisations in the oil industry i.e 62.5% also sponsor sporting events while only 37.5% of the companies do not.

Table 13: CSR activities in areas culture and sports

CSR Activities	Strongly disagree		Slightly disagree		Slightly agree		Strongly agree		**Total**
	No.	%	**No.**	%	**No.**	%	**No.**	%	
Encouraging cultural exchanges and diversity	6	37.5	3	18.75	5	31.25	2	12.5	16
Providing sporting materials	2	12.5	3	18.75	5	31.25	6	37.5	16
Sponsoring sporting events	0	0	6	37.5	2	12.5	8	50.0	16

4.5.3 Housing facilities

In respect to organisational activities concerning housing the researcher wanted to find out if the organisations in the oil industry support staff to acquire their own homes and also provides support to the disadvantaged members of the society to acquire homes.

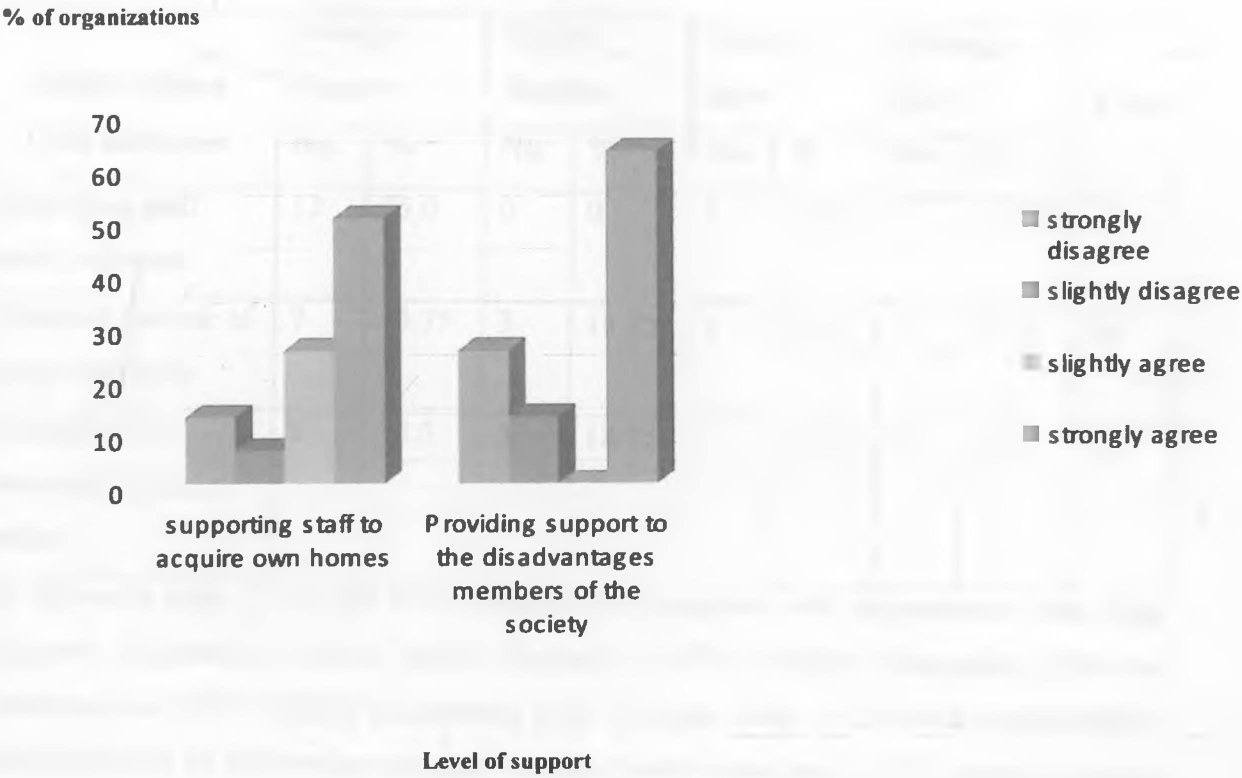
Table 14: Support for staff to acquire houses

Support to staff	Strongly disagree		Slightly disagree		Slightly agree		Strongly agree		Total
	No.	%	**No.**	**%**	**No.**	**%**	**No.**	**%**	
Supports staff to acquire own homes	2	12.5	1	12.5	4	25.0	8	50.0	16
Providing support to the disadvantaged members of the society to acquire homes	4	25.0	2	12.5	0	0	10	62.5	16

From table 14, 75% of the respondents agreed that their organisation supports staff to acquire their own homes with 50% of them stating that they strongly agreed and 25% stating they slightly agreed. 25% stated that they disagree with 12.5% stating that they strongly disagree and 12.5% that they slightly disagree.

According to the respondents in respect to their company providing support to the disadvantaged members of the society to acquire their own homes, 62.5% strongly agreed and 37.5% of the respondents disagreed with 25% stating that they strongly disagreed and 12.5% slightly disagreed.

Figure 11: Support for staff to acquire houses



4.5.4 CSR activities in the area of health

The respondents were asked to indicate the various CSR activities concerning health issues their company was involved in. The researcher wanted to gauge the opinion of the respondents in the oil companies in respect to the support their firms give for health schemes for staff, enforcing the use of safety materials, and supporting the terminally ill in the society.

It is evident that from table 15 that 75% of the respondents disagree with the statement that their organisations support staff health scheme and only 25% of the respondents stated that they agree that their organisation support the staff health schemes. Of these, only 18.75% strongly agreed that their company supported health schemes for the staff.

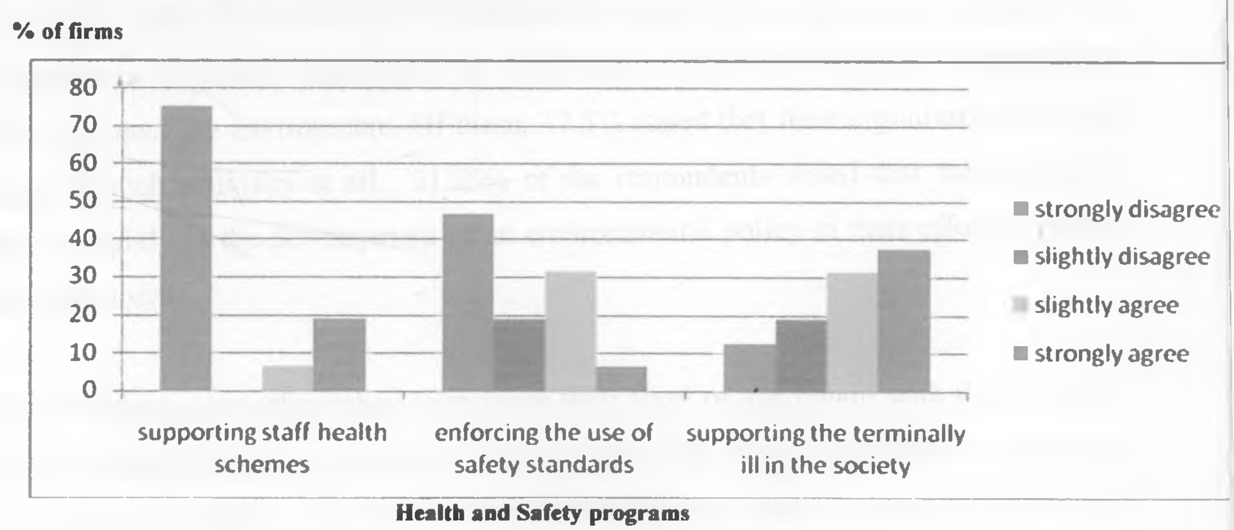
Table 15: CSR activities in the Health sector

Health related CSR Activities	Strongly disagree		Slightly disagree		Slightly agree		Strongly agree		Total
	No.	%	No.	%	No.	%	No.	%	
Supporting staff health schemes	12	75.0	0	0	1	6.25	3	18.75	16
Enforcing the use of safety standards	7	43.75	3	18.75	5	31.25	1	6.25	16
Supporting the terminally ill in society	2	12.5	3	18.75	5	31.25	6	37.5	16

As shown in table 15, 62.5% of the respondents disagreed with the statement that their company enforces the use of safety standards, 43.75% strongly disagreeing with the statement and 18.75 slightly disagreeing with the same. Only 37.5% of the respondents agreed that the oil companies enforced the use of safety standards. 6.25% strongly agreed with the same.

The respondents were asked to rate the extent to which their company supported the terminally ill in society. The results are presented in table 15. As shown in the table, 68.75% provided support while 31.25% did not.

Figure 12: CSR activities in Health and Safety services



4.5.5 Involvement in Environmental protection programs

In respect to organisations in the oil industry engaging in the protection of environment, the researcher wanted to find out whether the organisations in the oil industry have environmental policy and an operational manual on the protection of the environment. The findings are presented in table 16.

Table 16: Involvement in Environment Protection Policy and Manual

Environmental protection	Not involved		Slightly involved		Involved		Strongly involved		**Total**
	No.	**%**	**No.**	**%**	**No.**	**%**	**No.**	**%**	
Developing an environmental policy	6	37.5	5	31.25	0	0	5	31.25	**16**
Developing an operational manual on environment protection	5	31.25	4	25.0	2	12.5	5	31.25	**16**

The respondents were asked to state their level of agreement or the extent to which they agreed that their organisation is engaged in environmental protection through the development of an environmental policy.

As shown in table 16, 68.75% of the respondents stated that either their company does not engage or is slightly engaged in the development of an environmental policy in the effort to protect the environment. Of these, 37.5% stated that their organisations did not engage in such activities at all. 31.25% of the respondents stated that their company engages slightly in the development of an environmental policy in their effort to protect the environment.

The respondents were also asked to indicate their level of agreement with the statement that their organisation is engaged in the development of an operational manual on environment protection. It is evident from the results in table 16 that 43.75% of the respondents agreed that their organisation engages in the development of an operational manual on the protection of the environment with 31.25% of the respondents strongly agreeing and only 12.5% slightly agreeing with the statement. 56.25% of the respondents disagreed with the statement that their company is engaged in the development of an operational manual on environment protection. The results presented in table 16 are also depicted in figure 13.

Figure 13 : Engagement in Environmental protection

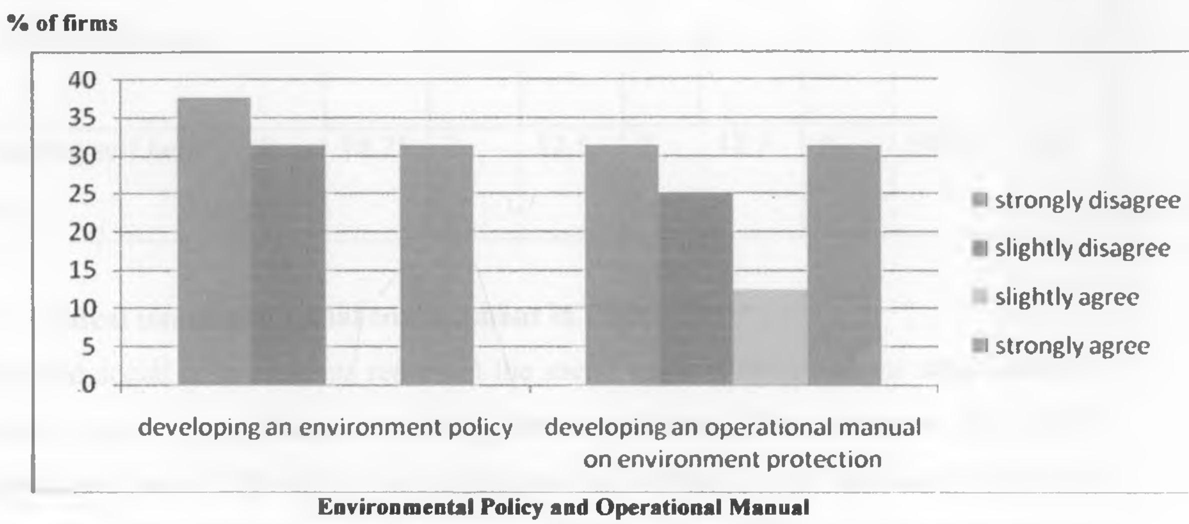


Figure 13 shows the level of company involvement in the development of environment policy and operation manual.

4.5.6 Poverty alleviation

The respondents were asked to rate the statements describing the extent to which their companies engaged in policy and operational activities directed at poverty alleviation. The activities were development of disaster response manuals and support for self help groups. The results are presented in table 17.

As shown in table 17, 62.5% of the respondents stated that their company have in place disaster response manuals at the company, while 37.5% of the respondents stated that they did not have these in place.

In respect to their companies sponsoring self-help groups in the effort to alleviate poverty in the community, 68.75% of the respondents stated that they agreed that their organisation engaged in sponsoring self-help groups so as to alleviate poverty while 31.25% either completely disagreed or stated that their firms were slightly involved.

Table 17: Level of involvement in poverty alleviation

Poverty related issues	Not involved		Slightly involved		Involved		Strongly involved		**Total**
	No.	%	**No.**	%	**No.**	%	**No.**	%	
Having disaster response manuals in place	4	25.0	2	12.5	3	18.75	7	43.75	**16**
Sponsoring self help groups	3	18.75	2	12.5	2	12.5	9	56.25	**16**

4.5.7: Ethical issues and social commitment in CSR

Ethical and social commitments represent the social value elements of the organisations' resources and the way they are used by the organisation. They comprise the ethical standards and social objectives the organisation subscribes to and are manifested in its mission statement, strategic objectives and corporate culture. These commitments should be broadly based to encompass the legal, and ethical dimensions as well as the rights associated with citizenship (Schwarz and Carroll, 2003). The respondents were asked to indicate the extent to which they agreed to various ethical and social commitment activities being undertaken by their organisations. A number of activities were considered under ethics and social commitment as indicated in table 18.

As shown in table 18, 56.25% of the respondents stated that their company emphasizes safety, health and the environment as part of their ethical commitment while 43.75% indicated that their organisation does not emphasise safety, health and the environment.

62.5% of the respondents agreed while 36.5% disagreed that their organisation improves the well being of the society at large in their marketing programs. This was a response to the question on whether marketing programs and activities improved the well-being of the entire society.

Table 18: Concern with ethical and social issues

Ethical and social issues	Strongly agree		Slightly agree		Slightly disagree		Strongly disagree		Total
	No.	%	No.	%	No.	%	No.	%	
Emphasizes on safety, health and environment	6	37.5	3	18.75	4	25.0	3	18.75	**16**
Improves the well-being of society at large in our marketing	2	12.5	8	50.0	5	31.25	1	6.25	**16**
Conserve non renewable natural resources through careful planning	4	25.0	6	37.5	4	25.0	2	12.5	**16**
Reduce and eliminate substances that may cause environment damage	5	31.25	6	37.5	2	12.5	3	18.75	**16**
Promptly and responsibly correct conditions that endanger the society	6	37.5	5	31.25	3	18.75	2	12.5	**16**
We identify and monitor indicators for risk areas	5	31.25	4	25.0	3	18.75	4	25.0	**16**
We inform the public when a product presents risks	7	43.75	2	12.5	3	18.75	4	25.0	**16**
We refrain from practicing discriminations	5	31.25	5	31.25	4	25.0	2	12.5	**16**
We reject practices involving corruption	6	37.5	5	31.25	2	12.5	3	18.75	**16**
We give back to the society in which we operate	5	31.25	4	25.0	4	25.0	3	18.75	**16**
Mean score	**5.1**		**4.8**		**3.4**		**2.7**		**16**

The respondents were presented with a series of statements on ethical and social issues and asked to indicate the extent to which each represented the behaviour of their own company. As shown on table 18, 62.5% of the respondents agreed that their organisation conserves renewable natural resources through careful planning while 37.5% disagreed with the statement. 68.75% of the organisations undertake to eliminate substances that may cause environmental damage in their activities as part of CSR.

Social commitment of organisations to CSR was investigated using five areas. One of the areas considered is whether the organisation was able to identify and monitor indicators of risk to the public. 56.25% of the respondents agreed that their company was concerned in identifying and monitoring the indicators of risks areas in their business while 43.75% disagreed. Another area considered was whether the organisation informed the public when a product presented risk. 56.25% agreed and 43.75% disagreed that their organisation informed the public when a product presented a risk to them.

Another area with respect to social commitment was whether companies refrained from practicing any form of discrimination. The result presented in table 18 show that 62.5% of the oil company's refrained from all sorts of discrimination while 37.5% of the respondents reported that their company does not refrain from practicing all forms of discrimination.

Responding to an item on corruption, 68.75% of the respondent companies stated that they agreed that their organisation refrain from corrupt practices while 31.25% disagreed with the statement.

Concerning the need for organisations in the oil industry to give back to the society in which they operate, 56.25% of the organisations stated that they gave back to the society in which they operate while 43.75% stated that they disagreed with the statement that their company gives back to the society in which they operate.

The mean scores indicate that 5.1 of the respondents strongly agreed that their organizations subscribe to ethical and social commitments while a mean of 4.8 respondents indicated that they slightly agreed on the same. This makes a total of 61.875% mean score of those in agreement. On the other hand, a mean of 3.4 respondents slightly disagreed while a mean of 2.7 respondents strongly disagreed that their organizations were committed to ethical and social issues in their areas of operation. Those who disagreed made a mean of 38.125% of the respondents. The findings reveal that generally the majority of the respondents viewed their organizations as being committed to social and ethical issues.

4.6 Competitive Advantage

In this section, attempt was made to establish the link between the firm's characteristics such as corporate image / visibility and competitive advantage. The respondents were asked to indicate their level of agreement with the statement that brand and visibility are their organization's source of competitive advantage. The results are presented in tables 19,20, 21,22 and 23.

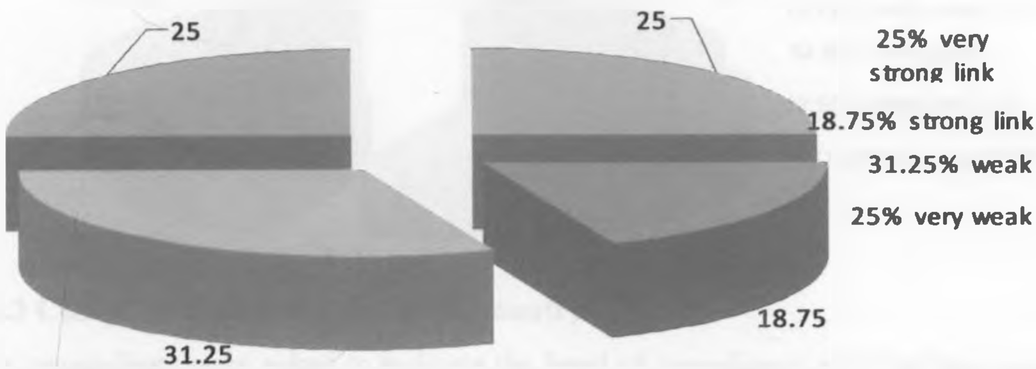
4.6.1: Corporate image and visibility

Table 19: The link between brand / visibility and corporate image

Strength of the link	No.	%	Ranking
Very strong	4	25.0	2
Strong	3	18.75	4
Weak link	5	31.25	1
Very weak	4	25.0	2
Total	16	100	

As shown in Table 19, 43.75% of the companies in the oil industry agreed that the source of competitive advantage is in their brand and corporate image and 56.25% of the respondents disagreed that their competitive advantage is their brand and corporate image which enhanced their visibility in the market. This means that an organisation is not likely to gain high visibility in the market by relying on its brand and good corporate image but also through the CSR activities it engages in.

Figure 14: Improving corporate image and visibility



The results presented in figure 14 corroborate those presented in table 19.

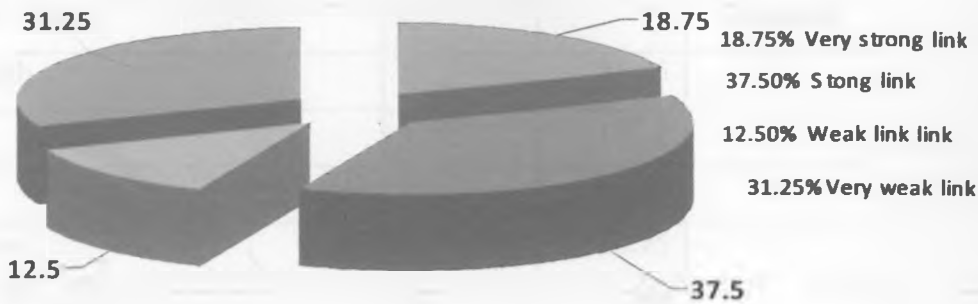
4.6.2: Source of Competitive advantage

Table 20: The link between the organization's products and services

Strength of the link	No.	%	Ranking
Very strong	3	18.75	3
Strong	6	37.50	1
Weak	2	12.50	4
Very weak	5	31.25	2
Total	**16**	**100**	

The researcher asked the respondents to indicate the extent to which they agreed with the statement that, their source of competitive advantage was in their products and services. The results are presented in table 20. The table indicates that 18.75% of the organisations have a very strong link between their products and services and their competitive advantage while 37.5% had a strong link between their products and services and their competitive advantage. 43.75% of the organization's had a weak link between their products and services and competitive advantage. These results are corroborated by those presented in figure 15.

Figure 15: Our products and services offer competitive advantage



4.6.3 Compliance with the law of the country

The respondents were asked to indicate the level of compliance with the law as a means of gaining competitive advantage. The results are presented in table 21. As shown in the table, 25% of the oil companies comply with the laws of the country to a very high level, 43.75% comply to a high level and 31.25% do not comply to a high level.

Table 21: Organization's level of Compliance with the law

Level of compliance	f	%	Ranking
Very high	4	25.0	2
High	7	43.75	1
Low	2	12.5	4
Very low	3	18.75	3
Total	**16**	**100**	

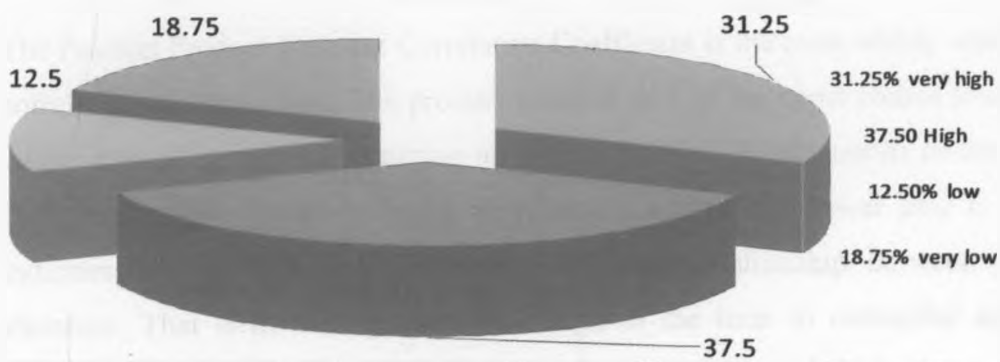
4.6.4: Entry into new markets

The respondents were asked to indicate their level of agreement with the statement that due to their competitiveness in the industry they enter the markets faster than the other competitors. Table 22 and Figure 16 indicate the perceived entry into new markets. From the table, 31.25% of the organization's had a perceived very high level of entry while 37.5% had a high rate of entry into such markets. 31.25% of the companies had a low to a very low rate of entry into new markets.

Table 22: Rate of entry into new markets

Rate Of Entry	f	%	Ranking
Very high	5	31.25	2
High	6	37.5	1
Low	2	12.5	4
Very low	3	18.75	3
Total	**16**	**100**	

Figure 16: Rate of entry into new markets



4.6.5: Customer retention and loyalty

The researcher wanted to find out the level of agreement of the respondents to the statement that their organisation had improved the level of customer retention over the years and that some of the customers had become loyal to their organisation. The results are presented in table 23.

Table 23: Perceived improvement in customer retention and loyalty

Level of improvement	f	%	Ranking
Very high	2	12.50	4
High	3	18.75	3
Low	6	37.50	1
Very low	5	31.25	2
Total	**16**	**100**	

As indicated in the table, 12.5% of the organization's had a very high improvement in their rate of customer retention and loyalty, 18.75% had a high rate, 37.50% a low rate and 31.25% a very low rate of customer retention and loyalty.

4.7: Pearson's Product Moment Coefficient Analysis

The Pearson product-moment correlation coefficient (sometimes referred to as the PMCC, and typically denoted by r) is a measure of the correlation (linear dependence) between two variables X and Y, giving a value between +1 and −1 inclusive. It is widely used as a measure of the strength of linear dependence between two variables.

The Pearson Product Moment Correlation Coefficient is the most widely used measure of correlation or association. The product moment part of the name comes from the way in which it is calculated, by summing up the products of the deviations of the scores from the mean and the symbol for the correlation coefficient is lower case r. Correlation indicates the strength and direction of a linear relationship between two random variables. That is in contrast with the usage of the term in colloquial speech, which denotes any relationship, not necessarily linear. In general statistical usage, *correlation* or co-relation refers to the departure of two random variables from independence. In this broad sense there are several coefficients, measuring the degree of correlation, adapted to the nature of the data.

The correlation coefficient is a number that can range from -1 (perfect negative correlation) through 0 (no correlation) to 1 (perfect positive correlation). A value of 1 implies that a linear equation describes the relationship between X and Y perfectly, with all data points lying on a line for which Y increases as X increases. A value of −1 implies that all data points lie on a line for which Y decreases as X increases. A value of 0 implies that there is no linear relationship between the variables. The correlation is 1 in the case of an increasing linear relationship, −1 in the case of a decreasing linear relationship, and some value in between in all other cases, indicating the degree of linear dependence between the variables. The closer the coefficient is to either −1 or 1, the stronger the correlation between the variables.

If the variables are independent then the correlation is 0, but the converse is not true because the correlation coefficient detects only linear dependencies between two variables. Pearson's correlation coefficient is defined in terms of moments, and exists for any bivariate probability distribution for which the population covariance is defined and the marginal population variances are defined and non-zero. In the case of the bivariate normal distribution, the correlation coefficient characterizes the joint distribution as long as the marginal means and variances are known (Donald, 2002; Del, 2002).

This section looks at the tests that were made in determining the degree of relationships between the dependent and independent variables under study. A computer package SPSS version 16.0 was used to measure these correlations in the study variables. The Pearson Product Moment Correlation Coefficient and Spearman's correlation coefficient methods were used to measure the relationships in the variables of the study. The relationships measured were between Corporate Social Responsibilities and Competitive Advantage.

4.7.1 Relationship between CSR and Competitive Advantage

The researcher in this section wanted to determine the association between Corporate goals and Corporate Social Responsibility activities of organisations in the oil industry that would enhance the firm's competitive advantage. The null hypothesis that there is no association between the two is the starting point.

Table 24: Correlation coefficients of CSR activities and corporate goals to enhance competitive advantage

Method	Value r	Significance
Pearson's chi-square	**88.462**	**0.000**
Spearman's correlation coefficient	**0.950**	**0.000**

There is a relationship between Corporate goals and Corporate Social Responsibilities of organisations in the oil industry as shown by Pearson's chi-square of 88.462 with positive significance value of P=0.0000. The relationship is also significant as indicated by the Spearman's coefficient of 0.950 and a significance of P=0.000.

The results in the table 24, shows that there was a significant relationship between the companies in the oil industry on their organisational goals or reasons for doing business which included; maximising profits in both the long run, to develop strong relationship with the customers, in creating jobs as a corporate goal and protecting the environment and the organisation collaborating in community projects and helping in social problems.

Table 25: Correlation coefficients of CSR and Competitive Advantage

Method	Value	Significance
Pearson's chi-square	**65.360**	**0.000**
Spearman's correlation coefficient	**0.679**	**0.003**

There is a relationship between Corporate Social Responsibility of the organisations and Competitive Advantage of such organisations as shown by Pearson's chi-square value of 65.360 with a significance value of P=0.0000. The relationship is also positively significant with Spearman's coefficient of 0.679 and a significance of P=0.003.

CHAPTER FIVE

DISCUSSSION OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This researcher set out to study the Corporate Social Responsibility activities and its impact on competitive advantage (A case of the Oil Industry in Kenya). The previous four chapters provided the premise on which to now wind up the report of this study.

In chapter 1, the background and problems of the study were given and the study variables indicated. Research questions were posed as a way of determining the impact of the variables of each CSR activities of the companies in the oil industry in Kenya. In chapter 2, a detailed review of literature on the topic of the research was done. In this chapter the relevant academic journals highlighting the various aspects of the study especially the variables used in the study were used to shed more light to the study. Chapter 3 presented the methodology of the study while Chapter 4 presented the analysis of the findings and interpretation of the study.

In this chapter, the results of the study as presented in chapter 4 are discussed and conclusions are drawn upon which recommendations and areas thought necessary for further research will be identified. This chapter is divided into four parts. Section 5.1 of this chapter deals with the discussions, section 5.2 deals with the conclusions while section 5.3 highlights the recommendations and section 5.4 finally looks at areas of further research on this topic.

5.2 Discussion of findings

The discussions in this section are on the findings of the study in relation to the research objective and research questions. The research was intended to achieve the main objective of establishing the Corporate Social Responsibility activities carried out by the companies in the oil industry in Kenya and its impact on organisational competitive advantage. The research was then further designed to accomplish the following objectives: to determine the relationship between Corporate Social Responsibility activities and competitive advantage in the oil industry in Kenya.

5.2.1 Organisations in the oil business

The researcher established the number of organisations in the oil industry in Kenya. It found out that the number of organisations in the oil business in Kenya were twenty three (23) as per appendix 1. Further it was established that a number of these companies have been dealing in oil business for a number of years, with the majority of them having been in the business for periods of time ranging from 30 years and above, though there are also new entrants in this business such as Mogas International Limited which has been in this business for 8 years now, Bakri International Energy for a period of 6 years, Riva Oils Company Limited and Addax Kenya Limited have been in the business of 5 years, while Jade petroleum has been in this business for the past 1 year while Kenya shell limited has been in the business for over 100 years having started business in Kenya in 1900 and Chevron been in business for 73 years having started operation in Kenya in 1936.

5.2.2 CSR activities

Based on the study, a number of companies in the oil industry in Kenya stated they are involved in a number of CSR activities being studied. The oil companies stated that in respect to education they do sponsor their staff for training and also do provide training resources like scholastic materials. According to the companies in the study a few also provide scholarships to the disadvantaged children in the society. One organisation in the oil industry has a scholarship fund they use to help bright but needy children attain quality education. This goes a long way in assisting orphaned bright children with the eventual aim of offering them employment opportunities within the organization once they successfully graduate. Internship is offered to these children as they wait to go to university.

In respect to culture and sports as a CSR activity a number of the companies in the study stated that they do encourage cultural exchanges and diversity within their organisations as well providing sporting materials and or sporting equipments for the sporting organisations besides sponsoring sporting activities for both their staffs and the sporting communities. One of the companies in the study boasts of having the strongest ladies volleyball teams in Africa and the company states that it has been consistent in its contribution towards sports such as the national athletics team, and the annual sportsman of the year award (SOYA), these they hastened to state improved their visibility in the society.

In respect to health and safety most of the companies in the oil industry stated they encourage the enforcement of safety standards within the industry and that they also support the terminally ill in the society. Further interview revealed that some of the companies in the study stated that a number of local organizations and groups have benefited from donations made by them and such organisations included The St. John's Ambulance, Kenya Diabetes Association, The Matter Hospital Heart Run and many others. The other aspects the CSR activities being studied was the organisational engagement in environmental protection. In respect to environmental protection programs or activities the majority of the companies in the study strongly agreed that they are engaged in the development of environmental policy within their companies and have engaged in the development of an operational manual on environment protection.

On further interview with the companies in the oil industry one of the organisation stated that they take cognizance of potential pollution paused by the white petroleum products transported and the company has partnered with National Environment Management Authority (NEMA) and organized a 30 KM walk in Nairobi in order to sensitize the public on the importance of conserving the environment where over 100 of their employees took part. They further stated that they have also donated 50,000 tree seedlings to communities. The company also stated that they were the first company in the oil industry to roll out its chapter of Kenya Energy Sector Environment Program (KESEP). In part it states that in the attempt to protect the environment the organisation will promptly and responsibly correct conditions they have caused that endanger health, safety or the environment and to the extent where this is feasible, they will redress damage to the environment. One organisation has an Environmental policy as part of their Environmental initiative. This campaign deals with disposal of litter through vehicle litter bags aimed at discouraging motorists from littering the high ways. These litter bags then will be disposed off at litter bins.

In respect to the organisations' CSR activities on poverty alleviation the researcher intended to study whether the organisations in the oil industry have disaster response manuals in place and they sponsor self help groups. The organisations used in the study stated that they have disaster response manuals in their organisation used to guide the company on what has to be done in cases of disasters involving their organisations.

In Kenya, a number of companies in the oil industry felt that they are considered as being socially responsible by the public if they have a trusted brand within its portfolio or being mindful of society, contributing to citizens needs, and assisting the less fortunate among others. If a company is perceived to be profitable, the society expects more from them. A number of companies then in the oil industry have formed a foundation which spearheads the firm's social investment programs or undertake their CSR activities at a corporate level. In the petroleum industry, CSR programs focusing on poverty eradication include assisting Kenyans affected by drought, where one company in year 2006 raised Kshs 1.2 million from its employees for food, enabling a nutritious meal for approximately 550 families for one month. The company also raised Kshs 1 million to sink a borehole that helped lift the standard of living of the affected people and further donated Kshs 100,000 to assist in the delivery of the food to North Eastern province.

The company also has a CSR program that supports an SOS Children's village, a home for destitute children in Nairobi and Mombasa and every year it gives the homes Kshs 1 million to assist in running and maintaining the destitute children's homes.

5.2.3 Competitive advantage

Competitive advantage (CA), is largely concerned with how a firm will compete so as to earn and sustain superior performance (Porter, 1980). The dominant perspectives of CA include the positioning approach in the mind of the market, and in order to gain and possibly sustain, a Competitive Advantage a differentiation strategy concerned primarily with producing a product that is differentiated from competitors, one in which consumers are willing to pay a higher price.

The researcher, in respect to competitive advantage sought to identify the impact of organisational pursuit of CSR activities. The questionnaire sought to identify the various sources of competitive advantage in the use of CSR activities. They were; increasing the visibility of the company, gaining favourable tax treatment from the government because of being compliant with the law of the country, high acceptability of the products and services in the market and improved customer loyalty. With respect to increased visibility of the organisation due to their engagement to CSR activities, major similarities were identified. The respondents, 44% agreed that their participation in CSR activities greatly increased their visibility in the society in which the CSR activities were undertaken by their company.

The high visibility of the organisation to the customers also made it possible for the company to enter the new markets faster than their competitors as indicated by 68.75% of the respondents stating that they agree that due to their competitiveness in the oil industry they are able to enter the new markets faster than their competitors and due to their participation in CSR activities there is high acceptability of their new products in the market in which they undertake the CSR activities. Considering the intensity of competition in the industry, it is possible then for an organisation to pursue a corporate goal focused on the unmet social needs and using the social issues to capture a market through the exploitation or participating in the finding solutions in respect to the social dimensions identified in the specific society.

This would mean that the organisations use their resources and activities to create competitive advantage. In terms of the internal aspect, resources have been described as activities, assets, core competencies, capabilities and dynamic capabilities (Teece et al., 1997) which would consist of those factors necessary to create, operate and sustain a firm, be they tangible or intangible and although many such resources exist, the important point in a CSR context is the degree to which such resources organisations have are leveraged to capture or internalize at least some benefits for engaging in CSR that are specific to the firm, rather than simply creating collective goods which can be shared by others in the industry, community or society at large (Porter, 1985). In this sense, firms not only take ownership for fulfilling their social responsibilities, but also capture exclusive benefits that can be of strategic competitive value.

5.3 Conclusion

For decades, corporate social responsibility (CSR) has been a subject of intense debate among scholars and practitioners. Discussions by a number of researchers have generally focused on the role of business in society and the nature of a firm's social responsibilities. More recent treatments have progressed towards theory development as well as empirical tests of the relationship between CSR and firm performance (Aguilera et al., 2007). However, at the practical level, there appears to remain much confusion with respect to how to build or integrate CSR into the overall organisational goals/strategy for the eventual corporate competitive advantage.

This study examines the Corporate Social Responsibility activities and its impact on competitive advantage (A case of the Oil Industry in Kenya). The study investigated the various CSR activities undertaken by the organisations in the oil industry in Kenya and the respective competitive advantage likely to be generated by the companies engagement in such CSR activities. As per the findings of this study, a number of similarities exist among the companies in the oil industry in respect to the types of CSR activities they are involved in concerning such areas as education, culture and sports, health and safety, and their engagement in environmental protection and poverty alleviation in the society. A number of organisation in the oil industry agreed that they sponsor the training of their staff and provide scholastic materials besides assisting the disabled children in the area of education.

Organisation's addressing societal expectations is an important consideration for competitive success, but according to the study a number of the companies in the oil industry in Kenya seem to be struggling with just how to build CSR into their overall corporate strategy as one of the major organisational goal. Further a number of the companies are unclear as to how to adequately anticipate which social issues will affect their overall strategy and although a number of the companies in the oil industry have made some efforts in respect to CSR activities, typical approaches appear to be weak as a number of them stated that they are faced with **challenges** ranging from financial, that is the high cost involved in undertaking the CSR activities, cut throat competition in terms of pricing of the products in the market, and brand confidence and dumping of substandard products in the market.

Corporate Social Responsibility (CSR) need not only be viewed solely in terms of the responsibilities firms assume toward society or to whom they are responsible, such as firms have an economic responsibility to generate profits or a legal responsibility to obey appropriate laws or that firms have a responsibility to meet the needs of various stakeholder groups (and who those groups are) does not describe how they can do so in a strategic manner. What has been suggested is that in order to understand CSR strategically, unmet social needs and social issues, as well as the responsibilities firms assume toward society, need to be considered individually – and corporately. This is necessary so that CSR can be more accurately addressed within the fundamental dimensions of the organisation.

The other aspects organisations need to agree on is to what degree does CSR have to be built into strategy before it can be considered "strategic"? In the life of a company, a variety of different opportunities or threats are continually faced and decisions made to address them. At any given point in time one aspect of the six-dimensions of strategy described in this chapter might be more important than others. The six –dimensions are: Education, Culture, Sports, Housing for staff, Health facilities and Poverty alleviation. Furthermore, some scholars have connected "strategic" CSR with contributing slack resources (i.e. profit spending) to societal and community needs that are tied to organizational objectives and strategy, such as philanthropy, sponsorships and cause-related marketing (Mullen, 1997; Lantos, 2002; Porter and Kramer, 2002). Strategically, this is a narrow view and is predominately tied only to the discretionary (philanthropic) component of Carroll's (1979) conceptualization of CSR.

As demonstrated in this paper, CSR is not an organizational phenomenon strategically confined to a narrow dimension within the firm. In fact, when taking corporate responsibilities, unmet social needs and social issues into consideration, synergies develop that are important for several dimensions of strategy. For example, while the economic responsibility to produce profits constitutes part of the firm's formal social contract, by exploring unmet social needs and social issues through strategy dimensions such as markets served, customer needs and resources required to compete, a firm not only can address social opportunities that generate profits (thereby meeting its economic responsibility to shareholders), but can offer societal benefits as well (Burke and Logsdon, 1996; Husted and Salazar, 2006). This implies that "strategic" CSR is far more than an ad hoc approach or a bolt on to strategy or something that is strategic only when viewed within the realm of a singular dimension of a firm's responsibilities, such as the discretionary responsibility. Rather, when considered in light of the six dimensions described in this chapter, CSR can be more fully integrated into corporate strategy.

Lastly, mounting research evidence suggests that an increasing number of actors, both internal and external to the firm, are placing more and more demands on firms' social responsibilities and how they address factors of a social nature (Paine, 2002; Aguilera et al., 2007). Unfortunately, companies are not necessarily following suite. For example, nearly 50 percent of companies surveyed in a recent study report that they have substantial room for improvement with respect to CSR (McKinsey and Company, 2006). The following is suggested. First, contrary to some views (Murray and Montanari, 1986; Lantos, 2002), corporate executives – not marketing or public relations departments – should take the lead role in developing CSR and integrating it with the firm's strategy, while developing a culture that is highly attuned to the social factors that might impact on the firm. The reason being is that it is corporate executives who ultimately have to answer to society, shareholders and other stakeholders about decisions made and strategies taken.

This approach is consistent with the role of executives described in the literature (Barnard, 1938; Andrews, 1971).

Second, facing and addressing social factors is not simply acting "responsibly"; it is related to what markets to serve, what offerings are necessary to meet and exceed customer needs, how to gain a competitive advantage, among other dimensions of strategy, as well as to costs and profitability. It is also related to corporate credibility, acceptance and support, resulting in a firm's freedom to act and implement its strategies. Finally, typical approaches firms take towards CSR are based on producing annual social and environmental reports and the issuing of corporate policies on ethical issues (Davis, 2005). Such approaches are too limited, too defensive and too disconnected from corporate strategy. As described in this chapter, CSR does not have to be confined to an altruistic end to strategy (i.e. philanthropy) or to an ethical obligation (i.e. code of conduct). Rather, CSR can be given due consideration across six dimensions of corporate strategy, contributing ultimately to good management practice, economic benefit, and societal welfare.

5.4 Recommendations

Business firms are the economic engine of society and the making of profits is a social responsibility (Carroll, 1979; Henderson, 2005). However, in the current climate, issues of a social nature are bearing on firms to the point that CSR appears to be the new battle ground for competitive success. If this is true, then firms not only need be concerned about how to best meet the interests of their shareholders, but also the interests of society at large. In this sense, strategy takes on significant meaning not only with respect to fulfilling social responsibilities and the development of firms, but also with respect to the development and sustainability of society/nations. Firms who better understand their social responsibilities and who begin to more adequately explore how they can build CSR into strategy are likely to reap the rewards of improved competitive positions in the future, to the benefit of their shareholders.

This part of the report brings forward recommendations that according to the researcher would help improve the cases that have been observed under this study. Based on the results of the study, these recommendations it is hoped will help improve on the situations that have been observed. However, these recommendations do not only apply to those in the companies in the Oil industry only but also to all other organizations in Kenya and other developing countries that would want to improve on their competitiveness and to generate competitive advantage through corporate social responsibilities.

1. Though a business is principally founded to make profit, social investment remains a key plank in shaping the relationship and future of the entity with its various stakeholders both conventional and the extended. There is need therefore for organisations to engage in CSR so as to serve not only the short term interests of the investors in the business but to the strategic benefit of the organisation and the larger society in which the organisation is situated.

2. There is need for organisations in the oil industry to be committed to the offering of socially sustainable activities to the society in which their operations are and have the relevant connections for social benefits and ensure consistency. This is because corporate long-term legitimacy and the development of a competitive advantage in CSR can be achieved from the organisations commitment, connections to the society and its consistency in the CSR activities.

5.5 Areas For Further Research

This study has not been able to exhaustively investigate all the aspects that explain all the issues in play in respect to corporate social responsibility activities an organisation would undertake and the respective benefits. The following areas are therefore recommended to be carried out for further investigations or study.

1. An area the researcher finds has not been given consideration in respect to corporate social responsibility is the existence of regulations directly or

indirectly affecting the ability of an organisation to enhance its social performance, for instance by the amount of resources an organisation allocates, or by setting up standards that can be appropriately monitored. However, the roles that legislation and public institutions play or should play in CSR development would need to studied further.

2. The other area of study in which further research in CSR is needed is on the conflicts between organisations upholding interests of conventional stakeholder groups and the extended stakeholders and how to reconcile them.

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Appendix 1

Market Share – Kenya Inland Petroleum sales

January – March 2008

Company	**Market share %**
Shell	22.47
Total Kenya	19.27
Kobil Petroleum	16.62
Chevron Kenya	13.04
Oilibya	7.79
Kenol	6.11
National Oil	3.99
Gapco	2.70
Bakri International	1.53
Galena Oil Kenya	1.29
Engen Kenya	1.17
Petrol Oil	0.62
Hass Petroleum	0.55
Triton petroleum	0.53
Dalbit Petroleum	0.44
Intoil	0.29
Addax Kenya	0.28
Hashi Empex	0.28
Gulf Energy	0.25
MGS International	0.19
Riva Oil	0.18
Muloil	0.18
Fossil Oil	0.11
Metro Petroleum	0.07
Jade Petroleum	0.06
Grand Total	**100**

Table 1 - Source: Pipeline Coordinator - (Petroleum Insight Quarterly Magazine, the Petroleum Institute of East Africa, 2008)

Appendix II

COVER LETTER TO RESPONDENTS

Irene K. Mwiti,
University of Nairobi,
Faculty of Commerce,
MBA Coordination office,
Department of Business Administration,
P.O. Box 30197,
NAIROBI.

November, 2008

Dear Respondent,

TO WHOM IT MAY CONCERN

I am a student at the above institution pursuing Postgraduate studies for an MBA Degree.

As part of my course requirements and in partial fulfillment of the Masters of Business Administrative Degree work, I am carrying out a study on Corporate Social Responsibility activities and its impact on competitive advantage (A case of the Oil Industry in Kenya). Your firm has been selected from the list of Oil companies in Kenya to participate in the study.

There are no correct or wrong answers to these statements and they are intended to obtain opinions, views, feelings or beliefs about the impact of corporate social responsibility activities on competitive advantage in the oil industry in Kenya.

You are therefore kindly being requested to spare a few minutes of your precious time to answer the following questions. The information you will provide in this study will be treated with the utmost confidence and your identity and that of your organisation will not be revealed to anyone at any time but will be used only for the academic purpose mentioned above. A copy of the findings will be availed to your organization upon completion.

Thank you so much for taking some time to participate in this study.

Yours sincerely,

Kimathi Irene K. Mwiti
RESEARCHER (MBA student)

Prof. K'Obonyo
UNIVERSITY SUPERVISOR

Appendix III: The Questionnaire

Section A: <u>Personal Information</u>

Gender Male [ ] Female [ ]

Age [ ] 19 – 24 [ ] 25 – 29 [ ] 30 – 39 [ ] 40 – 49 [ ] 50 years and above

Highest level of education attained [ ] below Secondary School [ ] Secondary [ ] A' level

[ ] Diploma [ ] Undergraduate Degree [ ] Masters Degree [ ] PhD Degree [ ] Others specify

How long have you been working for this organisation?

[ ] Below 1 year [ ] 1-3 year [ ] 4-6 years [ ] 7-9 years [ ] 10 years and above

Marital status [ ] single [ ] married [ ] divorced [ ] widow/er

Your Job title ……………………………………………………………………......

Name of the oil company……………………………………………………………

The company started operations in Kenya in the year………………………………………

Section B: <u>Organisational goals</u>

According to your organisation, how important are the following goals? Please indicate by ticking appropriately (√) the extent of the level of importance using the following scale:

4. **Very important**
3. **Fairly important**
2. **Less important**
1. **Not important at all.**

		1	**2**	**3**	**4**
1	To maximize profits in the short run				
2	To Maximize profits in the long run				
3	To provide quality goods and services at reasonable prices				
4	To provide the best service to the customer				
5	To develop a strong customer relationship				
6	To create jobs				
7	To improve the commitment of employees to the firm				
8	To be leader in the innovation of new products and services				
9	To collaborate in community projects				
10	To protect the environment				
11	To help in solving social problems				
12	To ensure that the corporate plan has in-built mechanism for forestalling potential negative impact of our products, services and operations on the society				

Section C: <u>CSR activities of your organisation</u>

The following are some of the broad areas of CSR activities undertaken by organisations. Please indicate by ticking appropriately (√) the extent to which you agree that your organisation undertakes CSR activities in these areas.

4. **Strongly disagree**
3. **Slightly disagree**
2. **Slightly agree**
1. **Strongly agree**

		1	2	3	4
	Education				
1	Sponsorship of staff for training				
2	Providing staff training				
3	Providing scholastic materials				
4	Scholarships to the disadvantaged children in general				
	Culture and sports				
5	Encouraging cultural exchanges and diversity				
6	Providing sporting materials/equipments				
7	Sponsoring sporting events				
	Housing				
8	Supporting staff to acquire own homes				
9	Providing support to disadvantaged members of the society to acquire homes				
	Health				
10	Supporting staff health schemes				
11	Enforcing the use of safety standards				
12	Supporting the terminally ill in society				
	Engaging in environmental protection				
13	Developing an Environmental policy				
14	Developing an operational manual on environmental protection				
	Poverty alleviation				
15	Having disaster response manuals in place				
16	Sponsoring self help groups				

Any other CSR activity. Please specify

17...
....
....
....
....

Please indicate by ticking appropriately (√) the extent to which you agree with the following statements in as far as they apply to your organization.

4. Strongly disagree

3. Slightly disagree

2. Slightly agree

1. Strongly agree

		1	2	3	4
18	Our employment policy embraces commitment to personal development of employees				
19	Our organisation lays a lot of emphasis on safety, health and the environment				
20	We aim at improving the well-being of society at large in our marketing activities				
21	We make sustainable use of renewable natural resources, through efficient use				
22	We conserve non renewable natural resources (Oil) through careful planning				
23	We strive to reduce and make continual progress toward eliminating substance that may cause environmental damage (to the air, land, water and its inhabitants				
24	We safeguard all habitats affected by our operations and protect open spaces and wilderness, while preserving biodiversity				
25	We strive to conserve energy and improve efficiency of our internal operations and of the goods and services we sell				
26	We strive to minimise the environmental, health and safety risks to our employees and the communities in which we operate through safe technologies, facilities and operating procedures and by being prepared for emergencies				
27	We endeavour to inform our customers of the environmental impacts of our products or services and correct unsafe use				
28	We promptly and responsibly correct conditions we have caused that endanger health, safety or the environment				
29	We use a world class expertise base in human safety to ensure the consumer safety of our products				
30	Our organisation's principal business activities include systems to analyse, anticipate and minimise public risk from hazards				
31	Indicators for risk areas are identified and monitored				
32	Employees at various levels in the organisation are encouraged to be involved in professional organisations, committees, task forces or other community activities				
33	Employees participate in a variety of professional, quality and business improvement associations				
34	We inform the public honestly when a product presents risks				
35	We refrain from practising discrimination				
36	We reject all practices involving corruption				
37	We give back to society in which we operate				
38	We aim to develop new business with social objectives				

Section D: Competitive Advantage

Please indicate by ticking appropriately (√) the extent to which you agree with the following statements.

4. **Strongly agree**
3. **Slightly agree**
2. **Slightly disagree**
1. **Strongly disagree**

		1	2	3	4
1	Our source of competitive advantage is our Brand and corporate image hence our visibility in the market				
2	Our source of competitive advantage is our product and services				
3	We set ourselves above the rest through our systems, innovation and advancement in technology				
4	Our source of competitive advantage is our management style and performance in the industry				
5	We pride ourselves in being compliant with the law of the country to gain competitiveness				
6	Competitive advantage gains us favourable tax treatment from the government				
7	Due to our competitiveness in the industry, we enter new markets faster than our competition				
8	We are first in class in our industry hence a high acceptability of our new products in the market				
9	Our customer retention has improved over the years with more customer being loyal to our organization				
10	We offer all fuelling solutions to our customers needs hence are their supplier of choice				
11	We are number one in the hearts and minds of our customers and society at large				

Highlight some of the challenges you experience as an oil company in the pursuit of your CSR activities.

(a) ....

(b) ....

© ....

THANK YOU VERY MUCH FOR YOUR CO-OPERATION

A SURVEY OF THE RELATIONSHIP BETWEEN CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES AND COMPETITIVE ADVANTAGE IN THE OIL INDUSTRY IN KENYA

BY

KIMATHI IRENE K. MWITI

A MANAGEMENT RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION (MBA) SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI

OCTOBER, 2009

DECLARATION

This project report is my original work and has not been submitted to any other institution of higher learning for the award of any academic certificate.

Signature: .... Date ..11/11/2009..................

Kimathi Irene K. Mwiti

Reg. No. D/61/P/8451/01

DECLARATION BY THE SUPERVISOR

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

Signature: .... Date: ..11/11/2009..........

Prof. Peter K'Obonyo

Department of Business Administration

School of Business

University of Nairobi

DEDICATION

To my parents, Joseph and Alice, husband Humphrey and dear daughter Elsie for their love, support and encouragement.

ACKNOWLEDGEMENTS

My pursuit of the MBA degree would not have been possible without the encouragement, support and assistance of a large number of people. Space does not allow me to name them all but I am nevertheless extremely grateful to them.

I would like to thank my husband Humphrey and daughter Elsie for their encouragement and support during the entire duration of my studies. I acknowledge my parents Joseph and Alice, for their unwavering moral and financial support throughout my education.

All my lecturers were supportive but Prof. Peter K'Obonyo clearly stood out. His vast knowledge, experience and uncompromising stand on quality and detail enriched the quality of this study.

I owe a great debt of gratitude to the participants in the Oil Industry for the sacrifice they made by taking time off their busy schedule to complete the questionnaires.

Most of all, I thank Jehovah God for the measure of good health and provisions he has continued to accord my family.

LIST OF ABBREVIATIONS

NGO	-	Non Governmental Organisation
UN	-	United Nations
UNEP	-	United Nations Environmental Program
SOS	-	Save Our Souls (Children's Village)
HIV	-	Human Immunodeficiency virus
AIDS	-	Acquired Immune Deficiency Syndrome
VCT	-	Voluntary Counseling and Testing
KPC	-	Kenya Pipeline Corporation
KPRL	-	Kenya Petroleum Refineries Limited
LPG	-	Liquid Petroleum Gas
NEMA	-	National Environment Management Authority
CA	-	Competitive Advantage
CSR	-	Corporate Social Responsibility
WSSD	-	World Summit on Sustainable Development
ILO	-	International Labour Organisation
WBCSD	-	World Business Council for Sustainable Development
UK	-	United kingdom
SPSS	-	Statistical Package for Social Sciences
Df	-	Degree of Freedom
SOYA	-	Sportsman of the year Award
KESEP	-	Kenya Energy Sector Environment Program

TABLE OF CONTENTS

CHAPTER FIVE :– DISCUSSION OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

LIST OF FIGURES

LIST OF TABLES

ABSTRACT

This research project is a census survey to determine the relationship between corporate social responsibility activities and competitive advantage in the oil industry. Over the last 10 years, there have been many changes in the Kenyan economy. These changes have had a considerable impact on all industries and the oil industry is no exception having been liberalized in October, 1994. The study has explored various CSR activities and the relationship with competitiveness.

In order to achieve its objective, a questionnaire was dropped and picked to all oil companies in Kenya as per Appendix 1.

The study established that the industry has encountered challenges ranging from financial challenges, that is the high cost involved in undertaking the CSR activities, cut throat competition in terms of pricing of the products in the market, uncertainty of product availability, brand confidence and dumping of substandard products in the market.

Different companies have responded differently to these challenges through such strategies such as keeping low overhead costs so as to maintain competitive prices, ensuring product availability, use of exclusive distribution channels, investment in human resource development to ensure good customer care, extension of credit to ratable customers and implementation of CSR activities as a strategy to remain competitive.

The study established that the number of organizations in the oil industry in Kenya were twenty three (23) as per appendix 1. Further it established that a number of these companies have been dealing in oil business for a number of years, with the majority of them having been in the business for periods of time ranging from 30 years and above, though there are also new entrants in this business such as Mogas International Limited which has been in this business for 8 years now, Bakri International Energy for a period of 6 years, Riva Oils Company Limited and Addax Kenya Limited have been in the business of 5 years, while Jade petroleum has been in this business for the past 1 year while Kenya shell limited has been in the business for over 100 years having started business in Kenya in 1900 and Chevron has been in business for 73 years having started operations in Kenya in 1936.

Based on the study, a number of companies in the oil industry in Kenya stated they are involved in a number of CSR activities being studied. Sixteen (16) of the twenty three (23) companies responded.

This study has not been able to exhaustively investigate all the aspects that explain all the issues in play in respect to corporate social responsibility activities an organisation would undertake and the respective benefits. The following areas are therefore recommended to be carried out for further investigations or study.

An area the researcher finds has not been given consideration in respect to corporate social responsibility is the existence of regulations directly or indirectly affecting the ability of an organisation to enhance its social performance, for instance by the amount of resources an organisation allocates, or by setting up standards that can be appropriately monitored. However, the roles that legislation and public institutions play or should play in CSR development would need to studied further.

The other area of study in which further research in CSR is needed is on the conflicts between organizations upholding interests of conventional stakeholder groups and the extended stakeholders and how to reconcile them.

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

The role of business in society is a hot topic amongst public policy makers, NGOs, trade unions and the business community in general. Increasing numbers of corporations are expressing the aspiration of addressing in their policies, strategies and practices public concern and anger on businesses not taking into account the concerns of the society. In various contexts, companies today are under intense pressure to rebuild public trust and stay competitive in a global economy by generating competitive advantage Mohamed, (2000).

Recent business scandals have shaken public confidence in private corporations, increasing in turn the salient principles of accountability, transparency, and integrity in all facets of business relationships. Both the Private and Public companies seem to be facing the challenge of upholding these principles while at the same time ensuring that they remain profitable and innovative. The delivery of shareholder value while also promoting societal value has thus evolved in recent years into a complex paradox that responsible business corporations seem to be grappling with in different contexts in their strategic attempt to remain competitive and generate within their specific industry a competitive advantage Lance, (2001). The recent post election crisis has brought to the fore some fundamental weaknesses in the practice of Corporate Social Responsibility in Kenya.

1.1.1 Social Responsibility

The recent UN conference on environment held in Nairobi (UNEP, Nairobi 2007) dubbed the Earth Summit discussed, among other things, the issues of corporate scandals involving major multinationals such as Enron and the subsequent questioning of the regulatory structures and morality of global capitalism. All this suggests that the complex relationship between business, the state and civil society is undergoing change. The debate, on this occasion, is being conducted under the rubric of corporate social responsibility (CSR). The development of CSR strategies has been particularly pressing for brand-based, multi-national companies. Greater public concern over their activities has highlighted the importance of protecting the brand-image, and the need to demonstrate a corporations' socially responsible attitude in its interactions with consumers and suppliers (Nahapiet and Ghoshal, 1998).

Corporate social responsibility (Davis, 1973) refers to the firm's consideration of and response to issues beyond the narrow, economic, technical, and legal requirements of the firm in a manner that will accomplish social benefits along with the traditional economic gains which the firm seeks. Corporate Social Responsibility (CSR) has been defined as the obligation of a firm to use its resources in ways that benefits the whole society, through committed participation as a member of society, taking into account the society at large independent of direct gains to the company (Kok et al, 2001). This definition point out that the firm is obligated to contribute its resources for the good of the society in which it find itself situated. This definition further reiterates that organisations are corporate citizens with certain obligations that have to be fulfilled to the society as any other citizen without any expectations of any direct benefits in return of such activities. It points to implied, enforced or failed obligation of managers acting in their official capacity to serve or protect the interest of groups other than themselves.

Corporate Social Responsibility (CSR) is an issue that is working its way into many policy debates and corporate agendas. CSR is an evolution in the approach towards sustainable development. While the 1992 Rio Earth Summit focused on global environmental management, the 2002 World Summit on Sustainable Development (WSSD) focused on a broader set of issues, including poverty reduction and social development. As many more organizations decide that they must address the principles of CSR, there is a growing need for tools to help them define and address what CSR means and how to implement it throughout their organizations.

"Business in society" scholars have developed many theoretical frameworks intended to map and measure business organisations' roles and impacts in civil society (Meehan et al, 2006). Debates about social responsibilities of corporations are not new. However, the degree to which CSR has been embraced represents a significant development in redefining the relationship between capital and civil society (Andriof et al., 2002; Weiser and Zadek, 2000). Given the potentially wide-ranging impact of CSR, research in this field has adopted a relatively narrow focus, concentrating upon the positive and negative "business impacts" of firms deciding whether or not to instigate CSR strategies. In particular, four key themes are evident. First, in the development of "the business case", social responsibility represents an economic tool to gain competitive advantage and social capital (Nahapiet and Ghoshal, 1998). Second, CSR as a method for global companies to develop strong links with the local communities in which they operate. Thirdly, CSR is considered as a method for alleviating risk and the threat of damaging publicity (Cannon, 1994; Carroll, 1993; Solomon, 1999). Fourthly, the process of "stakeholder management" focuses in particular upon the identification and management of relationships with stakeholders beyond the traditional confines of shareholders and employees (Blair, 1998; Donaldson and Preston, 1995). But little evidence is available in the research undertaken so far to indicate the types of CSR activities that organisations can pursue in order to reap greater benefits.

CSR represents efforts by a firm to engage in strategic moves that are necessitated by the dynamism in its business environment, and to be able to respond to changes in their operating environment in order to ensure they engage in activities that ensure their survival and competitiveness (Andriof et al., 2002). These efforts may be seen as a way in which organisations attempt to improve their acceptability in the society and gain entry into areas that would otherwise remain closed or uncertain to them. Ethical business practices are once again a topic of discussion in the wake of recent scandals involving Enron, Tyco and other major corporations. While these scandals focus on some of the key decision makers, they also bring to the forefront the overall role of the corporation in society. Ethical behaviour at the organizational level is frequently referred to under the rubric of corporate social responsibility. The story of Shell in Nigeria has been well documented, (Lance Moir, 2001, Hess *et al.* 2002, Wheeler, et al 2003) from its entry in 1958 to the backlash against the organization due to its alleged destruction of thousands of acres of the Ogoni's land. This came to a head in 1995 with the hanging of environmental activist Ken Saro-Wiwa and eight of his colleagues. Although Shell's part in this event is not fully known (some protestors believe that the company had a direct involvement), most accept that this tragedy was the wretched climax to a bitter feud. Shell discovered the hard way the cost of ignoring your immediate surroundings as a business – a mistake that fewer and fewer organizations are making these days (Lance Moir, 2001).

Even before the corporate scandals that rocked the USA, companies realized that there was more to CSR than simply handing over a large check to a seemingly worthy cause. They were developing their ethical strategies in line with the rest of their business plans; an approach that has since developed into what Hess *et al.* (2002) would describe as "Corporate Social Initiatives". Hess *et al.* (2002) believe that there are a number of reasons why this trend has emerged over the past few years. Although some may question whether it was the potential boycott from socially aware investors that led Shell to initiate some sort of CSR drive in the 1990s, the company maintains that it was a result of its emerging morals and ethics. However, as far as gaining a competitive advantage through CSR was concerned, Shell was not even in the running – its problems resulted in the fact that it had ignored its stakeholders. The company was reacting to events in Nigeria in more of a damage limitation role than taking a proactive approach (Wheeler, et al 2003).

1.1.2 Drivers of corporate social initiatives

The European Commission defines CSR as the enterprises' contribution to sustainable development. Corporate social responsibility (CSR) is the ethical and legal compromises and duties of the enterprise with their groups of interest. These compromises and duties come from the impacts of the enterprise's activity over the social, labour, environmental, and human rights ambits (De la Cuesta and Valor 2003). This idea of entrepreneurial activity is in the centre of a "New Entrepreneurial Culture" (Bestratén and Pujol 2004), and it is related to the medium and long term vision of business; the ethics in all the ambits of enterprise; the consideration of people as the enterprise's most precious asset; and the necessity of innovation and evolution in all fields of entrepreneurial activity. So, it is a concept related to the voluntary integration of social and environmental matters in business administration.

The key drivers of strategy comprise of competitive advantage and emerging morals and ethics. Many executives now talk in terms of building corporate reputation assets. This is all about investing niche resources in areas of possible return. For example, right at the end of the Second World War, Merck made a bold decision to take antibiotics into Japan in order to treat tuberculosis (Merck, 2001). This created a lot of goodwill for the organization and consequently aided their subsequent entry into this market. Although some people still believe that an organization exists solely to maximize shareholder value, many more have come to the conclusion that this should not be at the expense of the environment, community or society in general. This places pressure on government and not for profit organizations to respond on a par with private companies when it comes to introducing effective corporate social initiatives. Similarly, many private organizations themselves respond to peer pressure in this respect.

Enormous pressure is increasingly and consistently being put on companies operating at both national and international level, to respect labour rights, human rights, promote environmentally friendly technologies and make contributions towards community projects as part of their Corporate Social Responsibility. The International Labour Organization's Fundamental Principles and Right at work were designed to address the above concerns and hence encourage employers' organizations to be change agents in this process of promoting the principles at the national level. The ILO's Principles have also provided a framework for the United Nations Global Compact initiative, which contains nine principles, which are clustered in three areas, namely, human rights, labour rights and environment. Milton Friedmann (1962) argues that the social responsibility of business is to use its resources and engage in activities that increase its profits. However, business enterprises whose only goal is to maximize profits and shareholders wealth are short very short term oriented. This is because they can extract a fearful cost especially in societies where ethical, legal structures and governance are weak.

1.1.3 CSR and Competitive Advantage

When a firm sustains profits that exceed the average for its industry, it is said to possess a competitive advantage over its rivals. The goal of much of business strategy is to achieve a sustainable competitive advantage. Michael Porter identifies two basic types of competitive advantage; cost advantage and differential advantage.

A competitive advantage exists when the firm is able to deliver the same benefits as competitors but at a lower cost (cost advantage), or deliver benefits that exceed those of competing products (differentiation advantage). Thus, a competitive advantage enables the firm to create superior value for its customers and superior profits for itself (Porter, 2003).

One reason why social responsibility provides a sustainable competitive advantage is that it requires a culture that can successfully execute a combination of activities. There is literature (Black and Hartel, 2004; Hamel and Prahalad, 1994; Hout, 1999) that supports the idea that social responsibility requires a combination of activities such as a deep study of the forces that are likely to shape the future of the industry. Hamel and Prahalad (1994) talked about gathering intelligence about current and potential social and political issues, involvement of stakeholders, managing stakeholder expectations, decision making, incorporating the decisions into the strategic plan and tactical activities, communicating symbols to stakeholders, and ethical business behaviour. These activities have ties to aspects of some theories of strategy that are popular today such as complex adaptive systems (Wah, 1998) and strategic fit (Porter, 2003).

When a company is truly committed to social responsibility, it will seek a unique relationship with stakeholders, one that resembles a partnership with respect to the intelligence gathering and communication activities. The stakeholder is placed on equal ground with the company in these regards (Black and Hartel, 2004) such that communication is two-way, with stakeholders being able to say whatever they want without repercussion. The stakeholders can initiate communication, decide what topics should be discussed, and decide the frequency and forum and vehicle of communication. Stakeholders and the company are honest with each other, which may mean that they do not have hidden agendas and do not hold back information from each other. This requires companies to share both failures and successes in regards to social responsibility.

For a company to have a reputation as socially responsible, they must be proactive in their efforts and not reactive to political regulations and stakeholder sanctions. If a company does not act proactively, stakeholders may respond by creating awareness among other stakeholders for counter action or even to encourage other stakeholders to withhold important resources (Bryan and Smith, 2005; Maignan and Ferrell, 2004; Smith, 2004a, b; Smith and Rupp, 2004; Smith et al., 2004). Historically, a concentration on improved operational effectiveness and overcapacity created a temporary economic advantage accompanied by increased profit and firm value. Such an advantage is short-lived; investors may be satisfied, but competing companies will eventually mimic technological and material improvements.

The socially perceived image of the company depends upon the marketing strategies like the four Es; namely, make it easy for the consumer to be green, empower the consumers with solutions, enlist the support of the customer, and establish credibility with all publics and help to avoid a backlash (Pearce and Robinson, 2005). Firms advertise their affection to public claims to enhance their corporate image. Advertisement of the adoption of CSR provides a sustainable advantage amongst competitors through improved appearance. The advantage is intangible and difficult to duplicate. Competitors seeking to match the CSR competency of a firm will find themselves slow to capture the consumer loyalty or governmental trust. The organizational impacts of a positive public image compound; not only can the firm expect increased sales and revenue, but also greater employee satisfaction, the attraction of new investors, and tax exemptions. CSR benefits manifest an enduring competitive advantage. Companies may be reluctant to develop this type of relationship with stakeholders for a couple of reasons. First, it takes significant time on the part of the company and it takes coordination with stakeholders. Secondly, Stacey (1996) points out that people – and companies are made up of people – shy away from genuine two-way honest communication because of the conflicts that eventually arise due to differences of opinion and because of the strong emotions tied to issues of the parties involved.

1.1.4 The Kenyan Oil industry

The oil industry in Kenya has more than 24 players. These are divided into two informal groups known as Major Oil Companies – each owning above 3.5% market share and Non Major Oil Companies – below 3.5% market share. This is especially after it was deregulated in 1994. This has brought about stiff competition and thin margins. Companies are competing on price, product and services offered to customers. In the 1st quarter of year 2008, the market share was as shown in appendix 1. Pipeline Coordinator - (Petroleum Insight Quarterly Magazine, the Petroleum Institute of East Africa, 2008)

A number of firms in the oil industry in Kenya employ Corporate Social Responsibility activities in their pursuit to enhance their competitive advantage. Their CSR programs focus on a variety of activities ranging from poverty eradication, health, environment, education, sanitation, safety and sports among others. Ngaari Mwaura the Kenya Shell Corporate external affairs manager says "We support specific themes which include health, education, safety, environment, and poverty eradication (The KPRL Lantern, 2007). For specific projects, Mwaura states that the industry engages their staff to make nominations as well as consider requests from Non-Governmental Organizations (NGO's) and the public in general. Once we have short listed based on our main themes, the projects are checked for sustainability, discussed at management level and approved for implementation." Kenol Kobil CSR programs are long term as opposed to short term opportunities (Petroleum Insight Quarterly Magazine, the Petroleum Institute of East Africa, 2006). This is the Company's long term strategy to ensure as many members of society benefit and that such program achieves the desired change to benefit communities. Lybia Oil Kenya's community activities have one key objective, "Making a Difference" to the lives of the people in the community.

Chevron Oil Company is active in assisting Kenyans affected by drought. In the year 2006, the employees raised Kshs 1.2 million for food, enabling a nutritious meal for approximately 550 families for one month. The company also raised Kshs 1 million to sink a borehole that helped lift the standard of living for the affected people. It also donated Kshs 100,000 to assist in the delivery of the food to North Eastern province (Petroleum Insight Quarterly Magazine, the Petroleum Institute of East Africa, 2006). Chevron's CSR program also includes support of the SOS Children's village, a home for destitute children where it sponsors two houses in Nairobi and Mombasa. Every year Chevron, gives the homes Kshs 1 million to assist in running and maintaining of the houses.

Total Oil Company, through their project Eco Challenge and following closely in the foot steps of Nobel laureate Professor Wangari Maathai, planted 60 million trees in year 2006, and in her Auto Biography, Professor Wangari Maathai writes why she decided to start planting trees. "The trees would provide a supply of wood that would enable women to cook nutritious foods, wood for fencing and fodder for cattle and goats, offer shade for humans and animals, protect water sheds and bind the soil, and if they were fruit trees, provide food. Bertrand Fontanges, the Total Oil Kenya Limited Managing Director says, "There are now 1528 projects registered in the ECO Challenge. Every Kenya is consuming wood almost daily as firewood and charcoal, for posts, poles, building materials, furniture etc. Our target for year 2007 is to plant 100 million trees as our very lives depend on this." (Total Kenya Limited in-house newsletter, July 2007).

The Mobil Oil Company CSR programs are steered at improving education standards of children with disabilities in Kenya. They support over 40 special schools. They also run an education program called Mukuru Slum Education Project where they have constructed a library, classroom and toilet facilities and provided books and computers among other things. They also run a "STOP AIDS" Program involving HIV/AIDS education programs on prevention and safe behaviour and peer counselling (Petroleum Insight Quarterly Magazine, The Magazine of the Petroleum Institute of East Africa, 2006). Mobil also run a famine relief assistance and sports sponsorship program. Most donations are made in kind and where construction is involved Mobil uses its own contractors to ensure that the quality of the construction and that the contributions are utilized for the intended purpose. Robert Paterson the Managing Director of Mobil Oil Kenya stated that "First we believe it is important to make a difference. Second we try to target those areas where we perceive there is a lack of support from others. This is how our now 5 year program on investing in handicap schools came about." (Petroleum Insight Quarterly Magazine, The Magazine of the Petroleum Institute of East Africa, 2006).

Shell Oil Company has been around since 1900 and has been involved in various CSR programs in education, environment, health, safety and poverty eradication. It has supported Starehe Boys Centre since it was started in 1956 and contributions to the day-to-day running of the centre which is what actually sustains Starehe. On the health matters, Shell runs a HIV/AIDS program for employees. Communication campaigns to promote awareness, provision of treatment and voluntary testing (VCT) and care and support facilities. They are currently running a campaign dubbed "BE ALIVE" now in its 4^{th} year. The Shell foundation has been active in various poverty eradication programs in Nairobi - Kibera and Coast provinces. The Nairobi Arboretum and the conservation of endangered Turtle species at the coast is under the care of Kenya Shell. Annually Kenya Shell spends approximately Kshs 30 million on CSR activities (Petroleum Insight Quarterly Magazine, The Magazine of the Petroleum Institute of East Africa, 2006).

The Kenya Pipeline Company (KPC) believes it cannot expect to sustain and protect its 869 km pipeline if it operates in communities that are poverty stricken" says George Okungu the KPC Managing Director (The KPRL Lantern, The in-house newsletter for Kenya Petroleum Refineries Limited, 2007). Their focus is Education, health and Water. KPC has built a Kshs 3.77 million laboratory for a school in Miritini, a Kshs 3.5 million water project in Makindu, a Kshs 22 million sewerage project in Eldoret and also supports various national campaigns and worthy causes as discussed earlier e.g the donation of Kshs 50 million to the youth development fund. KPC is working with the Ministry of Energy in the development of Liquid Petroleum Gas (LPG) facilities in various towns in the country. This project is aimed at enhancing effective supply of LPG and promotes its use among urban and rural population thus reducing reliance on wood fuel which has led to de-forestation.

Corporate Social Responsibility is an emerging challenge to the Kenyan private sector. It is now obvious that any failure on the part of companies to integrate these fundamental elements is likely to have adverse effects on the financial performance of the company. It is the responsibility of the business to improve the overall welfare of the society by refraining from harmful practices or by making a positive effect to help society. It is in the interest of the business to promote and improve the community where it does business. The creation of a better social environment benefits both the society and the business. Business organisations must realize that they benefit from a better community, which is the source of its workforce and the consumer of its products and services. CSR improves the public image of the firm (Petroleum Insight Quarterly Magazine, 2006).

A number of organizations in Kenya viewed CSR simply as being mindful of society, contributing to citizens needs, building infrastructure, assisting the less fortunate among others. This perception is, however, changing as is public knowledge which companies are posing huge profits. If a company is profitable, the society expects more from them. Recently, a mobile service provider posted the largest profits ever made in East Africa during their Financial Results year ended March, 2008 announcement (i.e Kshs 19.9 billion which translates to an impressive Kshs 1.5 billion per month) (http://www.safaricom.co.ke/index.php?id=585). The company has a foundation which spearheads the firm's social investment programs. Generally, organizations that have formed foundations or undertake their CSR activities at a corporate level emerge as the most respected organizations (Petroleum Insight Quarterly Magazine, 2006).

1.2 Statement of the Problem

The Oil Industry in Kenya was deregulated in 1994. This meant removal of Government controls and thus giving way to a free market system. This intensified competition among the oil marketing companies in Kenya. The deregulation meant that the oil marketers had to set their own profit margins and practice no cartels in their operations. This meant competing on price, product and services offered to customers, (Okech and Nyoike, 1996). Part of the services offered involves Corporate Social responsibility. This is especially because fuel is a homogeneous product. This has made the Oil Marketers to partly differentiate themselves through CSR activities to gain competitive advantage in the market.

Though most companies in the Oil Industry have initiated and are running several CSR programmes, there is concern that the programmes run are not effective, well managed or coordinated and that the departments responsible for CSR are not clearly defined or understood. There is a strong feeling that key players in the oil companies do not have a clear understanding of the initiatives under these programmes (The KPRL Lantern, 2007).

This study shares closely with studies undertaken in this area which include Managers Attitude and Response towards Social Responsibility: The Case of Large Manufacturing Firms in Nairobi by Kamau (2001) whose findings were that managers have a positive attitude towards social responsibility. However, the study found that attitude had very little influence on the implementation of social responsibility. It is no wonder that the implementation of CSR in these organizations has been poor despite managers having a strong positive attitude towards CSR. The study by Kamau did not link managers' attitudes towards CSR to competitive advantage of the firms.

A second study, Social Responsibility: Attitude and Awareness of Executives of Medium Scale Manufacturing Firms in Nairobi by Kiarie (1997) found that there was a relationship between awareness, attitude and implementation of social responsibility. However, despite having a high level of awareness, the executives' attitude was less favourable towards social responsibility. Other factors such as executives' exposure, government penalties and financial implications came into play. However, the above study did not link executives' awareness, attitudes and implementation of CSR activities to competitive advantage of the firm.

These studies show clearly that managers have ambivalent attitude towards social responsibility and this may impact competitiveness of the firm. This raises a question on the effectiveness of social responsibility activities undertaken in the oil industry in Kenya. Do these activities have any relationship with competitive advantage of firms within this industry? A search in the literature has not shown a link in the activities undertaken by the firm to its competitiveness. In his suggestions for further studies, Kiarie (1997) proposed that further research be directed towards investigating the relationship between social performance and economic performance.

The question that underlines the research problem is: Are social responsibility activities related to competitiveness in the Kenyan oil industry?

1.3 The objective of this Study

The main objective of this study was:

> To determine the relationship between corporate social responsibility activities and competitive advantage in the oil industry in Kenya.

1.4 Importance of the study

The findings of this research will be important to but not limited only to the following groups of people.

1. Managers involved in or would be more interested in exploring further the benefits of the various corporate social responsibility activities and how these can give them competitive advantage.
2. Government agencies and policy makers may use the results to formulate positive CSR policies based on a framework that is relevant and sensitive to the forces influencing CSR activities in Kenya.

CHAPTER TWO

LITERATURE REVIEW

2.1 The concept of Corporate Social Responsibility

The changing role of business in society has come to mean many things. Corporate sustainability, corporate social responsibility, and corporate citizenship are but a few of the new terms that have emerged to describe this period and process of challenge and change. There is, however, an emerging consensus that the scope of the challenge is not confined to philanthropic activities, but rather extends beyond the more obvious legal responsibilities. CSR is regarded as a social issue in management and thus a firm should be not only reactive, but also anticipatory and pro-active (Ackerman and Bauer 1976). CSR is not only concerned about social contribution but also positively solving social problems like environmental issues.

Companies have obligation to serve their shareholders. Owners trust firms to manage their investment and produce returns. However, stockholders are not the only party with an interest in a firm's activities. Firms affect numerous groups and individuals, both internally and externally, engendering a realm of responsibility far beyond the positive economic returns demanded by shareholders. Corporate social responsibility (CSR) defines organizational consideration of multiple stakeholders and global impact, beyond simple focus on maximization of shareholder wealth. CSR encompasses a wide range of stakeholders. Pearce and Robinson (2005) delineated internal and external parties, including shareholders, employees, creditors, customers, suppliers, governments, unions, competitors, local communities, and the general public. Some obligations are obvious, such as the obligation of the firm to serve the financial interests of shareholders and provide employee satisfaction.

There have long been conflicting expectations of the nature of companies' responsibilities to society. However, for those businesses that do undertake what might be termed "corporate social responsibility", there is need for them to understand what constitutes a socially responsible behaviour as opposed to what managers in most organisations undertake to manage corporate image or other activity aimed at predominantly benefiting the business. There is an increasing focus by firms on examining their social responsibilities. For example, a number of organisations have as part of its objectives "to produce materials and resources on how companies should measure and report their impact on society" (Business Impact, 2000). Similarly, the World Business Council for Sustainable Development (WBCSD, 1999) seeks to develop a clear understanding of corporate social responsibility, including a matrix of corporate social responsibility indicators.

In a global business world managed by multinational corporations whose interests are held to be more economic than social, the impact of corporate social responsibility of businesses is felt at all levels. This has prompted a variety of responses to problems of the exploitation of human, social and natural resources. Globalisation, or rather the integration of economies across the world, is condemned by some for having deepened the gap between rich and poor societies, and indeed that within those societies themselves. Alternatively, others stress that globalisation, in a market-economy perspective, has stimulated overall growth in productivity and wealth (Tavis, 2000). However, the created wealth is unevenly distributed within and across the nation states.

2.1.2 Corporate Social Responsibility activities undertaken by businesses

Corporate social responsibility is one of the earliest and key conceptions in the academic study of business and society relations (Windsor 2001). The original ascendancy of CSR took place against a ruling economic paradigm emphasizing efficiency, competition, and productivity gains. Yet the rise of CSR has continued unabated into the 21st century, making it less plausible to look at CSR as just the latest hype of a development community increasingly disillusioned with the performance of the public sector (Luetkenhorst 2004).

The area defined by advocates of CSR increasingly covers a wide range of issues such as plant closures, employee relations, human rights, corporate ethics, community relations and the environment. Indeed, CSR Europe, a membership organisation of large companies across Europe, in its reporting guidelines looks at the following areas: workplace (employees); marketplace (customers, suppliers); environment; community; ethics; and human rights.

Whether or not business should undertake CSR, and the forms that responsibility should take, depends upon the economic perspective of the firm that is adopted. Those who adopt the neo-classical view of the firm would believe that the only social responsibilities to be adopted by business are the provision of employment and payment of taxes. This view is most famously taken to the extremes of maximising shareholder value and reflected in the views of Milton Friedman (1962, p. 133): "Few trends would so thoroughly undermine the very foundations of our free society as the acceptance by corporate officials of a social responsibility other than to make as much money for their shareholders as they possibly can". An alternative view of the firm following the behavioural theorists (Cyert and March, 1963; cited in Wartick and Wood, 1998) might view corporate social activity from a standpoint that examines the political aspects and non-economic influences on managerial behaviour. This might also be extended to examine personal motivations, such as the Chairman's personal preferences or alternatively some of the critical perspectives associated with the exercise of power. This approach has two identifiable strands of development.

The moral or ethical imperative is that because business has resources, it has an obligation to assist in solving social problems. In addition to making a profit, business should help to solve social problems whether or not business helps to create those problems even if there is probably no short-run or long-run profit potential (Holmes, 1976)'. In effect some take the view that because business has resources and skills there is a quasi-moral obligation to be involved. Proponents of CSR claim that it is in the enlightened self-interest of business to undertake various forms of CSR. The forms of business benefit that might accrue would include enhanced reputation and greater employee loyalty and retention.

A recent study in Australia on motivation for community involvement (CCPA, 2000), found that businesses are experiencing a transition in expectations of its social role, and part of the reason is that this social role "contributes to the continuing health and growth" of business. Three-quarters of the companies studied have "the goal of long-term business sustainability at the heart of the business for community involvement". The involvement is seen as a way to maintaining trust, support and legitimacy with the community, governments and employees". Community involvement is also seen as a way to "put back" without seeking a return. Thus the three broad strands involvement in social responsibility of organisations are enlightened self-interest; a moral approach linked to social expectations; and the neo-classical approach. It is interesting to note, in particular, the reference to social legitimacy. This implies that there is some form of social expectation that a legitimate business would act in a particular manner in effect some form of social contract.

2.1.3 Corporate Social Responsibility (CSR) as a competitive strategy

Strategy may be defined as the broad program of goals and activities to help a company achieve success. Strategy is the match between organization's resources and skills and environmental opportunities and risks it faces and the purposes it wishes to accomplish (Schendel & Hofer, 1979). This statement emphasizes that the environment is constantly changing and it is imperative that organizations have to constantly realign their activities to match the new environmental requirements by having a strategy which ensures that day to day decisions are in line with the long-term pursuits of the organization. Without a strategy, decisions made today could have negative impact on future results (Bruce & Langdon, 2002). Competitive strategy analyses the core competencies and capabilities of a firm vis-à-vis the competition and the customer needs so as to select the positioning the firm will take in order to survive and compete successfully. Competitive strategy therefore shapes the operations strategy and defines the competitive priorities in which companies will compete.

The issue of the social responsibility of business has been a subject of intense debate and interest for almost two decades (Arlow P. and Martin J. Gannon, 1982). The dynamics in the business environment has meant that businesses make the needed adjustments to the way they do business. Businesses have to adjust their capabilities to the environment through effective strategies (Ansoff, 1990). Strategies describe the way an organization pursues its goals against the environmental conditions. This means that if there were changes in the environment, there should be similar efforts by the organization to match the changes. CSR can then be viewed as such an effort (Rue and Holland, 1986). CSR is a response by the organization to pressures exerted by the society. The society in this case is has continued to demand more from the business sector, partly because of the recognition of the fact that the business is a co-citizen in the society and that businesses are not motivated towards meeting their side of the responsibility which would alter the interest and power in favor of the society

The need for companies to undertake activity that might be regarded as socially responsible has been discussed in the literature and has been a topic of academic study for decades (Heald, 1957, cited in Ullmann, 1985). Cannon (1992) discusses the development of corporate social responsibility via the historical development of business involvement leading to a re-examination of the nature of the relationship between business, society and government. He identifies that the primary role of business is to produce goods and services that society wants and needs; however there is inter-dependence between business and society in the need for a stable environment with an educated workforce. Business only contributes fully to a society if it is efficient, profitable and socially responsible. Similarly, Wood (1991), states that the basic idea of corporate social responsibility is that business and society are interwoven rather than distinct entities. In view of the above discussions social responsibility represents an economic tool to gain competitive advantage and social capital (Nahapiet and Ghoshal, 1998), as a method for global companies to develop strong links with the local communities in which they operate and a method for alleviating risk and the threat of damaging publicity (Cannon, 1994; Carroll, 1993; Solomon, 1997, 1999). CSR as defined by World business Council for sustainable development (WBCSD) is the ethical behavior of a company towards society management by acting responsibly in its relationships with other stakeholders who have a legitimate interest in the business, and

CSR is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large (WBCSD, 1999).

2.2 Theoretical perspective on Corporate Social Responsibility

2.2.1 Stakeholder theories

The stakeholder theory of the firm is used as a basis to analyse those groups to whom the firm should be responsible. As described by Freeman (1984), the firm can be described as a series of connections of stakeholders that the managers of the firm attempt to manage. Freeman's classic definition of a stakeholder is “any group or individual who can affect or is affected by the achievement of the organization's objectives" (Freeman, 1984, p. 46). Stakeholders are typically analysed into primary and secondary stakeholders. Clarkson (1995, p. 106) defines a primary stakeholder group as “one without whose continuing participation the corporation cannot survive as a going concern" - with the primary group including “shareholders and investors, employees, customers and suppliers, together with what is defined as the public stakeholder group: the governments and communities that provide infrastructures and markets, whose laws and regulations must be obeyed, and to whom taxes and obligations may be due" (p. 106). The secondary groups are defined as “those who influence or affect, or are influenced or affected by the corporation, but they are not engaged in transactions with the corporation and are not essential for its survival".

The major divide within stakeholder theory is whether it is a coherent theory or a set of theories (Trevino and Weaver, 1999). Effectively, the divide is whether stakeholder theory is a normative theory based upon largely ethical propositions or an empirical/instrumental/ descriptive theory (e.g. Donaldson and Preston, 1995; Jones and Wicks, 1999). This remains a contentious area within the literature (Jones and Wicks, 1999; Freeman, 1999; Donaldson, 1999; Trevino and Weaver, 1999; Gioia, 1999). In terms of the issue of social responsibility, the central issue is whether stakeholder analysis is part of the motivation for business to be responsible and, if so, to which stakeholders. Hamil (1999), adopting Donaldson and Preston's (1995) typology, finds that corporate giving is nearly always instrumental.

An important question that has been addressed is to which groups do managers pay attention? Mitchell et al. (1997) develop a model of stakeholder identification and salience based on stakeholders possessing one or more of the attributes of power, legitimacy and urgency. Agle et al. (1999) confirm that the three attributes do lead to salience. Thus, we might anticipate that firms would pay most attention to those legitimate stakeholder groups who have power and urgency. In practice this might mean that firms with problems over employee retention would attend to employee issues and those in consumer markets would have regard to matters that affect reputation. Stakeholder groups may also become more or less urgent; so environmental groups and issues became more urgent to oil firms following the Exxon Valdez oil spill (Patten, 1992). We note from the current commercial approaches to CSR that stakeholder analysis is important, but that the rationale remains largely instrumental (WBCSD, 1999; Business Impact, 2000). However, there are elements that are also normative. For example, Business Impact begins by advocating that CSR should be based against set purposes and values - nevertheless such purpose and values are also linked to ``contributing to [the firm's] reputation and success" (Business Impact, 2000).

Stakeholder theory and CSR address two key questions namely; how economic and social factors should be considered from a corporate perspective and what is the relationship between economic and social success? When we use Donaldson and Preston’s (1995) model of interaction between the corporation and its stakeholders with an emphasis on the corporation as the central element, understanding of the economic, social, historical, political, cultural and global environments is limited to direct interactions with the corporation itself. However, Matten and Moon’s (2005) argument for a reconceptualization of CSR as having both explicit policies and implicit norms within the legal framework implies that CSR can be better understood as a situated business practice.

Bringing Matten and Moon's situated perspective of CSR to stakeholder models also implies a shift from a corporate centred model to a cultural systems perspective in understanding relations between corporations and their stakeholders. This perspective shifts the focus from the question of whether culture affects the manner in which CSR is portrayed in web sites to the question of how institutional structures situated in cultural systems affect communication about CSR. To investigate the effects of culture on the manner in which CSR is portrayed, (Maignan and Ralston, 2002) found that cultural differences between France, The Netherlands and the UK can be quantified through different perspectives represented revealing differences in the importance of being perceived by the public as socially responsible; and which CSR issues are emphasized on the corporate web sites (Maignan and Ralston, 2002).

2.2.2 Social contracts theory

Gray et al. (1996) describe society as "a series of social contracts between members of society and society itself". In the context of CSR, an alternative possibility is not that business might act in a responsible manner because it is in its commercial interest, but because it is part of how society implicitly expects business to operate.

Donaldson and Dunfee (1999) develop integrated social contracts theory as a way for managers to take decisions in an ethical context. They differentiate between macro-social contracts and micro-social contracts. Thus a macro-social contract in the context of communities, for example, would be an expectation that business provide some support to its local community and the specific form of involvement would be the microsocial contract. Hence companies who adopt a view of social contracts would describe their involvement as part of "societal expectation" - however, whilst this could explain the initial motivation, it might not explain the totality of their involvement. One of the commercial benefits that was identified in the Australian study (CCPA, 2000) was described as "licence to operate" - particularly for natural resource firms. This might be regarded as part of the commercial benefit of enhanced reputation, but also links to gaining and maintaining legitimacy (Suchman, 1995).

2.2.3 Legitimacy theory

Suchman (1995) defines legitimacy as “a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs and definitions". This included bringing together prior literature on legitimacy management including the strategic tradition of resource dependence theory (Pfeffer and Salancik, 1978) and the institutional traditions. DiMaggio and Powell, (1983) identifies three types of organizational legitimacy: Pragmatic, Moral and Cognitive. He also identifies three key challenges of legitimacy management: Gaining, maintaining and repairing legitimacy.

Suchman (1995) states, “legitimacy management rests heavily on communication" - therefore in any attempt to involve legitimacy theory, there is a need to examine some forms of corporate communications. Lindblom (1994, cited in Gray et al., 1996) notes that legitimacy is not necessarily a benign process for organizations to obtain legitimacy from society. She argues that an organization may employ four broad legitimation strategies when faced with different legitimation threats: seek to educate stakeholders about the organisation's intentions to improve that performance; seek to change the organisation's perceptions of the event (but without changing the organisation's actual performance; distract (i.e. manipulate) attention away from the issue of concern; and seek to change external expectations about its performance.
Thus there is a need to examine any particular corporate behaviour within its context and in particular to look for alternative motivations.

Thus legitimacy might be seen as a key reason for undertaking corporate social behaviour and also then using that activity as a form of publicity or influence (Lindblom cited in Gray et al., 1996 and in Clarke, 1998). A converse view to this, i.e. not that business uses its power to legitimate its activity but, rather that society grants power to business which it expects it to use responsibly, is set out by Davis (cited in Wood, 1991): “Society grants legitimacy and power to business. In the long run, those who do not use power in a manner which society considers responsible will tend to lose it." In effect, this is a re-statement of the concept of a social contract between the firm and society.

2.3 Concept of Competitive Advantage

Michael Porter defines competitive strategy as the art of relating a company to the economic environment within which it exists (Bennet, 1999). Porter (1998) explains that every firm competing in an industry has a competitive strategy whether explicit i.e. developed through a formal planning process or implicit - evolved through the various functional planning activities of the firm. Competitive strategy consists of business decisions a firm undertakes in order to attract more customers and fulfill its expectations. These decisions enable the firm to gain leadership position and outperform its competitors. The firm is therefore able to ward off competition and strengthen its market share (Thompson & Strickland, 2003). For competitive strategy to be realized, the contribution and support of all functions is necessary.

Competitiveness of a company is its ability to compete and prosper in the market place and can be thought of as a measure of productivity or the efficiency and effectiveness of converting inputs and resources into useful products and services. Competitive strategy analyses the core competencies and capabilities of a firm vis-à-vis the competition and the customer needs so as to select the positioning the firm will take in order to survive and compete successfully. Competitive strategy therefore shapes the operations strategy and defines the competitive priorities in which companies will compete. Prahalad and Hamel (1990) argue that an organization's resources can be combined to attain competitiveness. Long term success however demands the creation of ever more powerful systems that are difficult for competitors to replicate and are steadily being improved. It involves the effective management of all the resources available at the heart of which are people in the organization who alone have the capacity to build new abilities with time (Upton, 1995). The approaches and initiatives a company takes to meet customer needs, outperform competitors and achieve long-term goals constitute its competitive strategy (Thompson & Strickland, 2003).

At the broadest contest, formulation of competitive strategy involves considering five factors that determine the limits of what a company can successfully accomplish. These are the firms' strengths and weaknesses, industry opportunities and threats. Using this analysis, Porter (1980) identified the three generic competitive strategies that can be viable in the long term as discussed. Porter (1998) also developed an analytical framework which can be used to develop competitive strategies in particular important types of industry environments. He focused on the analysis of industrial structure and competitors using the five fundamental forces that determine the state of competition in an industry. These are, the threat of new entrants and the ease with which competitors can enter the industry, the threat of substitutes which make it difficult for firms to raise prices by significant amounts because buyers easily switch to substitute products and services, bargaining power of suppliers, bargaining power of buyers, extent of competition among existing firms.

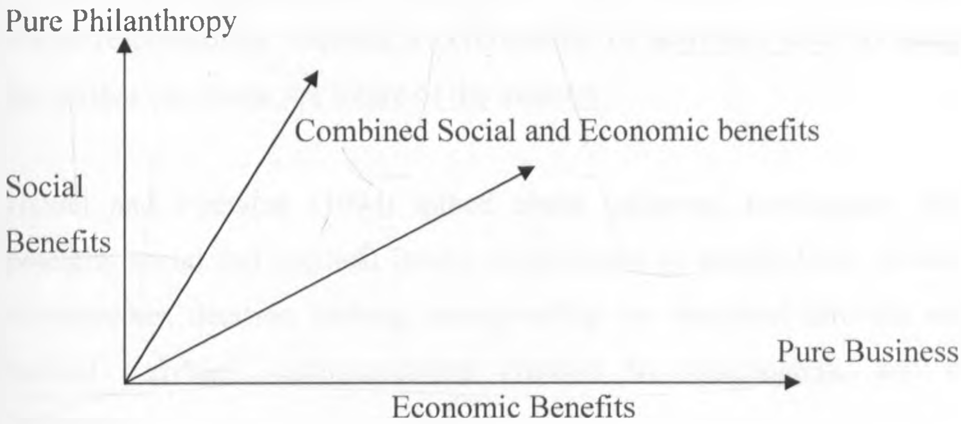
According to Porter (1998), developing competitive strategies is developing a broad formula for how a business is going to compete i.e. what its goals – the ends should be and what policies/ tactics – the means which will be needed to carry out those goals. The goals of competitive strategies are focused towards gaining a competitive advantage, cultivating clientele of loyal customers and out performing rivals ethically and morally. This will consist of moves by the firms to attract customers, withstand competitive pressures and strengthen their market position.

Porter's five forces of competition Porter (1980) give an insight into competitive dynamics in an industry. It offers a richer view of the competition by capitalizing on the competition on the interrelationship of the five powerful and dynamic forces. The degree of competition in an industry hinges on the five forces. To establish a strategic agenda for dealing with these contending currents and grow despite them, a company must understand how they affect the company in its particular situation (Porter, 1980).

2.4 CSR as a strategy for gaining Corporate Competitive Advantage

The notion of strategic CSR has been around since the 1980s and has been the subject of much debate in recent years. Drucker (1984), for example, emphasized that profitability and social responsibility are not necessarily incompatible and that business ought to convert its social responsibilities into business opportunities. Similarly, Porter and Kramer (2003) have suggested a context-focused philanthropic approach requiring companies to use their unique attributes to address social needs in the corporate context, thus promoting a convergence of interests between business and society and the reconciliation of social and economic goals which in the interest of the business will ensure their strategic survival or competitive advantage.

Figure 1: A Convergence of interests between business and society.



"The competitive advantage of corporate philanthropy", Porter and Kramer (2003)

The basic idea of strategic CSR is the effective alignment of philanthropic contributions with business goals and strategies, thus allowing the reconciliation of social and economic benefits. In this respect, as illustrated in Figure 1, strategic CSR can be defined widely to encompass any philanthropic activity that can result in long-term gain for the company. Such gain can be direct and tangible as in new business opportunities and untapped financial returns, or intangible as in increased goodwill and loyalty among potential customers. Alternatively, strategic CSR can be defined more narrowly to encompass focused philanthropic interventions with a clear flow of financial returns.

Owing to relentless pressure by investors for increased returns and accountability, the trend will likely be toward more strategic-type CSR interventions in the future (Lantos 2001; Carroll 2001).

The appeal of strategic CSR cannot be easily discounted. The delivery of shareholder value, while also promoting societal value (or doing well while doing good), is certainly a desirable scenario for business corporations. This is particularly the case in developing countries where the drivers of CSR tend to be weak and where serious macroeconomic constraints may divert company attention to issues of basic viability and securing shareholder returns.

One reason why social responsibility provides a sustainable competitive advantage is that it requires a culture that can successfully execute a combination of activities. Black and Hartel, (2004); Hamel and Prahalad, (1994); and Hout, (1999) all support the idea that social responsibility requires a combination of activities such as deeply studying the forces that can shape the future of the industry.

Hamel and Prahalad (1994) talked about gathering intelligence about current and potential social and political issues, involvement of stakeholders, managing stakeholder expectations, decision making, incorporating the decisions into the strategic plan and tactical activities, communicating symbols to stakeholders, and ethical business behaviour.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Research Design

This section presents the methodology used in this study. A descriptive survey was used. A descriptive survey was chosen because of the need to collect data from a cross section of organizations at one point in time.

3.2 The Population

The population of interest for this study consisted of all the 23 registered companies in the oil industry in Kenya as per Appendix 1. Data was collected from all the companies and 69.6% of them responded.

3.3 Data Collection

The study made use of both primary and secondary sources of data. Primary data was collected using structured questionnaires which was administered to the management of the oil industry using self administered - a drop and pick method. The officer in charge of CSR within each of the organizations was issued with a questionnaire.

The questionnaire had four sections namely, Personal information, Organizational goals, CSR activities of the firm and Competitive advantage. It had both open and closed ended questions.

3.4 Data Analysis

Data collected was analysed using descriptive statistics. The strength of the relationship between extent of corporate social responsibility activities and competitiveness was tested using Pearson's Product Moment Correlation Statistical Technique. Descriptive statistics consisted of frequency distributions, percentages, mean scores and standard deviations. The results were presented in tables and charts.

CHAPTER FOUR

DATA ANALYSIS AND FINDINGS

4.1 Introduction

This chapter deals with the presentation and analysis of findings of the study. It presents findings on Corporate Social Responsibility activities and its impact on competitive advantage (A case of the Oil Industry in Kenya), using a statistical package for social sciences (SPSS version 16.0) for the analysis.

SPSS covers a broad range of statistical procedure that allows one to summarize data (comparing means, and standard deviation), determine whether there is a significant difference between the groups under study (T-tests) and to examine relationships among variables.

Data presentation in this chapter is mainly by use of frequency tables (f) for primary analysis. Of the total target number of 23 respondents, 16 respondents i.e. (69.6%) of the targeted population returned the completed questionnaires.

4.2 Data processing and analysis

The major purpose of data analysis was to reduce the data collected into an organized, integrated and meaningful whole. The key method for analysis was quantitative though qualitative data was also collected and used to supplement understanding of the interrelationships of the construct variables that were generated by the quantitative methods. Data collected was processed by editing, coding and thereafter analyzed using SPSS version 16.0 and summarized into tables and charts.

The questionnaires were edited for completeness, accuracy and uniformity. Completeness was to ensure that there was an answer to every question on the questionnaire. Inaccuracy may be due to carelessness or a conscious attempt to give misleading answers.

Uniformity gives an opportunity for checking if the respondents interpreted both the instructions and questions uniformly and in the same manner. Editing of the questionnaires was to help the researcher to detect and as far as possible to eliminate errors in the completed questionnaires.

Editing involves the assigning of symbols (numerical) to each response of a category.
The purpose of the symbol is to translate raw data into symbols that may be counted and tabulated. Each edited response was then translated into numerical terms by attaching a numerical figure to the respective responses given. The purpose of coding was to facilitate the next step of data processing after identifying variables, variable labels, values and value labels etc. to be able to use the SPSS computer analysis.

After the primary data was coded and reviewed for accuracy and consistency it was then entered into the computer for further descriptive analysis of statistics using SPSS (16.0) computer package for windows. The coded data was categorized and tabulation was obtained for the questions that were intended to measure descriptive characteristics of the study sample.

4.3 Quantitative Data Analysis

A total of 16 respondents out of the total of 23 organisations in the oil industry in Kenya returned the questionnaires satisfactorily completed. This formed 69.6% of the targeted population. This study considered a census as the number of players in this type of business is only twenty three (23). The characteristics of the outlets studied relate to age, that is how long the company has been operating in Kenya, and some personal information concerning the staff who participated in the survey.

4.3.1 Characteristics of the organisation in the oil industry

The data analysis in this section focuses on the characteristics of the players in the oil industry that was studied. The analysis includes the use of frequency tables that show characteristics of the organisations studied. The characteristics include some of the areas of similarities such as the year of operation in Kenya, and the characteristics of the personnel who participated in the study.

Table 1: Years of operation in Kenya

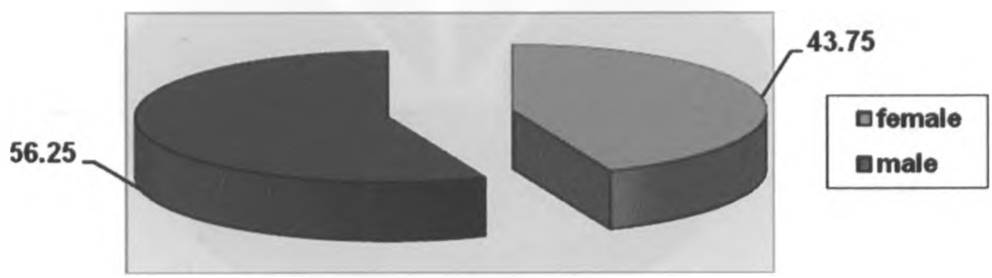
YEARS OF OPERATION	Number of outlets		Cumulative	RANGE
	No.	%	%	No.
Less than 1 year	1	6.25	6.25	1
1 – 10	3	**18.75**	37.50	5
11 – 20	5	**31.25**	56.25	3
21 – 40	5	**31.25**	75.00	3
40+	2	**12.5**	100.0	4
TOTAL	**16**	**100**	**100.0**	**16**

The results form the above table (table 1) reveal that 6.25% of the organisations in the oil industry in Kenya have been in the business for less than one year. This is one of the new entrants into the oil industry while a total of 3 oil companies representing 18.75% of the oil marketers in the country have been in this business for a period of up to 10 years with five (5) of the companies representing 31.25% of the companies having been in the oil business for between eleven to twenty (11 - 20) years and between twenty one an forty (21 – 40) years of operation in Kenya, representing 31.25% each. A total of two organisations studied stated they have been in the oil business for a period of over forty (40) years. This indicates in this type of business there are few players and the number of new entrants in the business is quite minimal with only one organisation having entered in the oil business in the last one year (2008).

4.3.2 Gender of the respondents

From a total of 16 questionnaires received from the oil industry, 9 questionnaires were received from the male respondents duly completed while the remaining 7 questionnaires issued were received from the female respondents. The figure below (Figure 1) indicates that the questionnaires returned filled in, a proportion of respondents (43.75%) was female, and the remaining 56.25% were male.

Figure 2: Gender of Respondents



4.3.3 Age of the Respondents

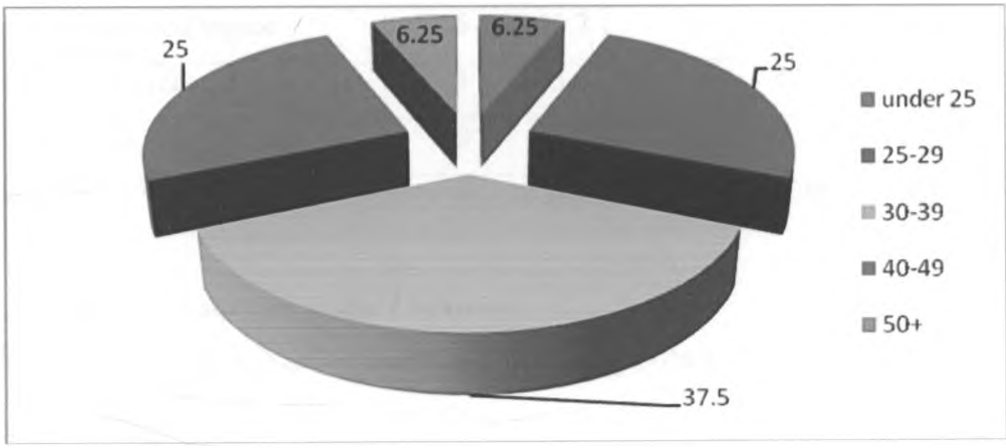
Table 2 below indicates the respondents' age. With regard to age, the data demonstrates that the largest proportion of respondents who participated in the study were within the 30 - 39 year age bracket which represented (37.5%). This was followed by the age group below 30 years representing 25% and the 40 - 49 age bracket (25%). Only 6.25% of the respondents were in the age bracket 19 – 24 years of age and a further 6.25% of the respondents were 50 years of age and above.

Table 2: Distribution of the respondents by age

Age in Years	Male		Female		Total	
	No.	%	No.	%	No.	%
19 - 24	0	0	1	14.3	**1**	**6.25**
25 - 29	2	22.3	2	28.6	**4**	**25.0**
30 - 39	3	33.3	3	42.8	**6**	**37.5**
40 – 49	3	33.3	1	14.3	**4**	**25.0**
50 and Above	1	11.1	0		**1**	**6.25**
Total	**9**	**100**	7	**100**	**16**	**100**

From table 2, it is evident that the majority of the respondents (68.75) are middle aged, falling between 30 and 50 years of age.

Figure 3: Distribution of the respondents by age



4.3.4 Level of education attained by the respondents

The respondents were asked to indicate the highest level of education that they had attained. Table 3 below indicates that 42.9% of the respondents in the oil companies in Kenya that were studied had a first degree.

A total of 16 respondents were interviewed and compared to the female employees, more male employees had attained a Bachelors degree. A total of 6 male respondents comprising 66.7% of male respondents and 37.5% of the total respondents had a Bachelors degree with a corresponding 42.9% of the female respondents having attained a Bachelors degree comprising 18.5% of the total respondents. From the table below (Table 3) a total of 3 male and 3 female respondents, a total of 6 respondents, 37.5% of the respondents in the study had obtained a Masters Degree.

Table 3: Respondents' Level of Education

Highest level of education	Male		Female		Total
	No.	%	No.	%	
Diploma	0		1	14.2	1
Undergraduate Degree	6	66.7	3	42.9	9
Masters Degree	3	33.3	3	42.9	6
PhD degree	0	0	0	0	0
Total	**9**	**100**	**7**	**100**	**16**

4.3.5 Length of service at the Company

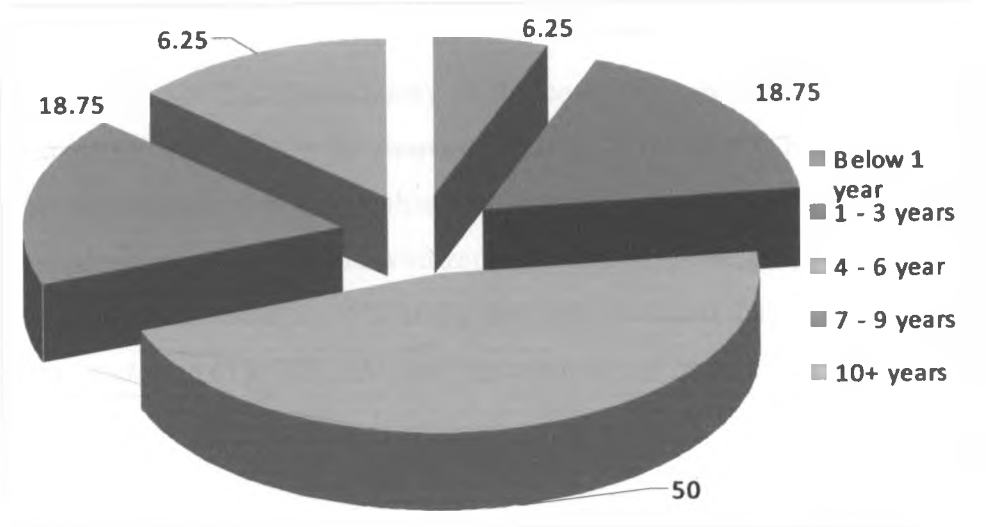
The largest proportion of respondents comprising 50% had worked for the company for a duration of between 4 – 6 years. This was closely followed by 18.75% of respondents who had worked for a period of between 7 – 9 years and 1 – 3 years.

From table 4, 14.3% of the female respondents had worked in the organisations for a period below 1 year and a further 42.8% of the female respondents had worked at the current employment for a period of between 1 – 3 years. From the analysis it is evident that only two male respondents comprising 12.5% of the respondents have worked for between 7 - 9 years and 11.1% of the male respondents had worked in the same organisation for over 10 years. This shows that most employees have worked in their organisations for a relatively long duration of time (i.e 5 years and above).

Table 4: Length of service at the Company

Years	Male		Female		Total
	No.	%	No.	%	
Below 1 year	0	0	1	14.3	1
1 – 3 years	0	0	3	42.8	3
4 – 6 years	6	66.7	2	28.6	8
7 – 9 years	2	22.2	1	14.3	3
10 years and Above	1	11.1	0	0	1
Total	**9**	**100**	**7**	**100**	**16**

Figure 4: Length of service at the Company



4.4 Existence of corporate goals at the oil companies

The data in this section analyses some of the corporate goals among the oil companies in Kenya. The analysis includes the use of frequency tables that show the evidence of and the characteristics of the various corporate goals and their importance to the oil companies.

4.4.1 Maximisation of profits in the short term

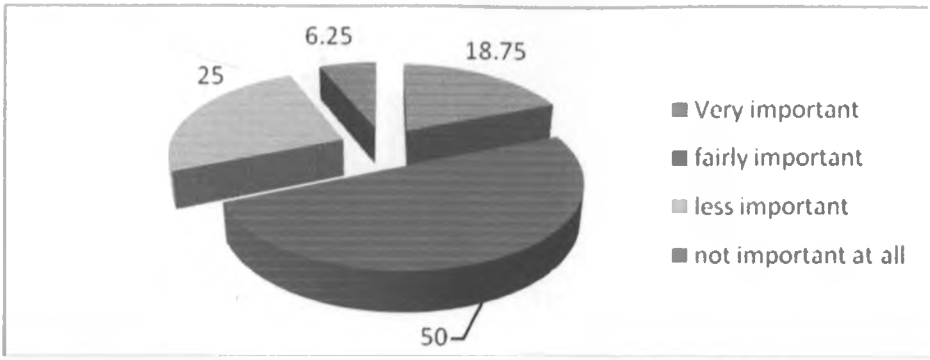
The respondents used in the study were asked to indicate how important their organisation considered the maximization of profits in the short run.

Table 5: Importance of maximisation of profits in the short run

Level of importance	No.	%	Ranking
Very important	3	18.75	2
Fairly important	8	50.0	1
Less important	4	25.0	3
Not important at all	1	6.25	4
Total	16	100	

Table 5 indicates that the majority of the companies in the oil industry considered the maximisation of profits in the short run as being important. This is supported by 18.75% of the respondents stating that this was very important to their organisation and 50% of the respondents stating that maximization of profits in the short run was fairly important to their company while 31.25% of the respondents stated that their companies considered the maximization of profits was less important or not important at all to them.

Figure 5: Importance of profit maximization in the short run



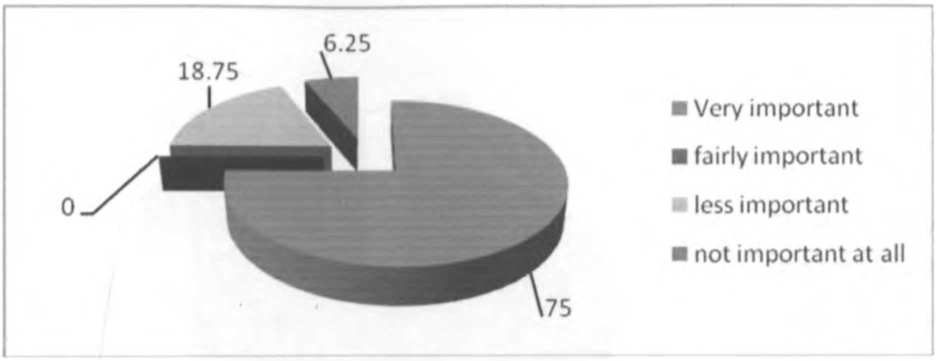
4.4.2 Maximisation of profits in the long term

The researcher asked the respondents in the study to state how important according to their organisation the maximization of profits in the long run was considered. Table 6 indicates that the majority of the companies in the oil industry considered the maximisation of profits in the long run as being very important to them with only 18.75% of the respondents stating that their organisation considered this as less important to their organisation and 6.25% stating that maximization of profits in the long run was not considered important at all by their organisation.

Table 6: Importance of maximisation of profits in the long run

Level of importance	No.	%	Ranking
Very important	12	75.0	1
Fairly important	0	0	
Less important	3	18.75	2
Not important at all	1	6.25	3
Total	16	100	

Figure 6: Importance of profit maximization in the long run



4.4.3 Providing best services to the customers

Table 7 indicates the respondents' opinion concerning the importance of the organisations in the oil industry to consider as one of their corporate goals, the provision of best services to their customer.

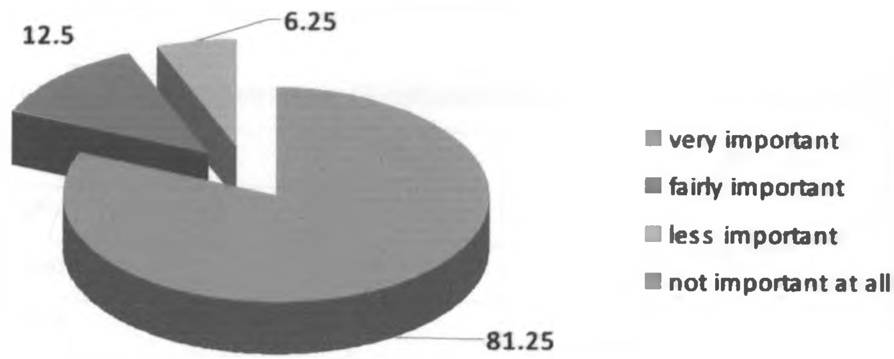
Table 7: Importance of providing best service to the customers

Level of importance	No.	%	Ranking
Very important	13	81.25	1
Fairly important	2	12.50	2
Less important	1	6.25	3
Not important at all	0	0	
Total	16	100	

Table 7 indicates that 93.75% of the companies in the oil industry stated that they considered the provision of best services to their customers as being a very important and fairly important corporate goal. 6.25% of the organisations stated that the goal was less important to them as an organisation.

Figure 7 gives a graphical representation of the responses of the organisations used in the study concerning their opinion on how important the companies in the oil industry consider the provision of best services to the customers as an important corporate goal

Figure 7: Rating of service(s) to the customers



4.4.4: Developing a strong customer relationship

The researcher asked the respondents who participated in the study to state how important according to their organisation, the developing of a strong customer relationship was considered.

Table 8: Importance of developing a strong customer relationship

Level of importance	No.	%	Ranking
Very important	10	62.50	1
Fairly important	4	25.0	2
Less important	2	12.50	3
Not important at all	0	0	
Total	16	100	

According to table 8, 87.5% considered the developing of a strong customer relationship as being very important and fairly important corporate goal to their organisation and only 12.25% of the respondents stated that their organisation considered this as less important.

4.4.5 Collaboration in community projects

Table 9 indicates the respondents' opinion on how important their company considered their collaboration in community projects as one of their corporate goals.

Table 9: Rating of the importance of collaboration in community projects

Level of importance	No.	%	Ranking
Very important	8	50.0	1
Fairly important	4	25.0	2
Less important	2	12.5	3
Not important at all	2	12.5	3
Total	16	100	

As shown in table 9, the majority of the companies in the oil industry (75%) stated that their company considered their participation or collaboration in community projects as important, with 50% of the respondents stating that they considered it very important and 25% considered their collaboration a fairly important corporate goal to them. Only 25% of the organisations stated that the collaboration in community project was less important and not important at all to them.

4.4.6 Protection of the Environment

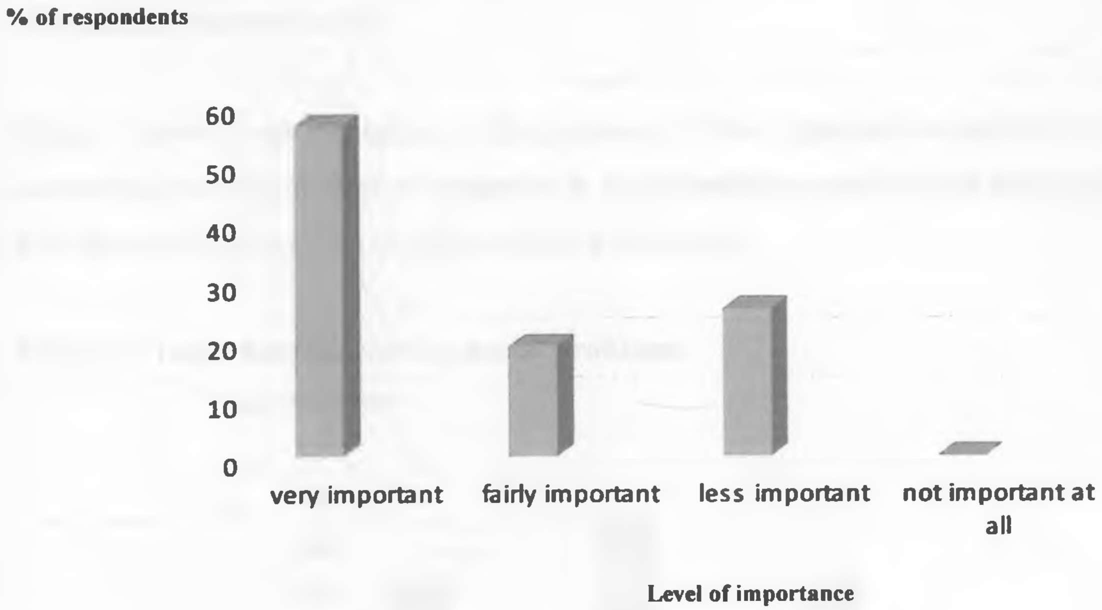
The respondents were asked to state how important according to their opinion they considered that their organisation considered as their responsibility, the protection of the environment as a corporate goal.

Table 10: Importance of protecting the Environment

Level of importance	No.	%	Ranking
Very important	9	56.25	1
Fairly important	3	18.75	3
Less important	4	25.0	2
Not important at all	0	0	
Total	16	100	

As shown in table 10, 75% of the companies in the oil industry, stated that their company considered their participation in the protection of the environment as important. Of these, 56.25% stated that they considered it very important and 18.75% considered that the protection of the environment was a fairly important corporate goal to them. Only 25% of the organisations stated that their participation in the protection of the environment was a less important activity to them as a corporate goal. The figure below (Figure 8) gives a representation of the responses of the organisations used in the study concerning their opinion on how important the companies in the oil industry consider the protection of the environment as an important corporate goal.

Figure 8: Importance of protecting the Environment



4.4.7 Helping in solving social problems

The respondents were asked to state according to their organisation how important they considered helping in solving social problems as a corporate goal.

As shown in Table 11, majority of the companies in the oil industry comprising of 56.25% stated that their company considered their participation in solving social problems as important with 25% of the respondents stating that they considered it very important and 31.25% considered that participating in solving social problems was a fairly important corporate goal to them.

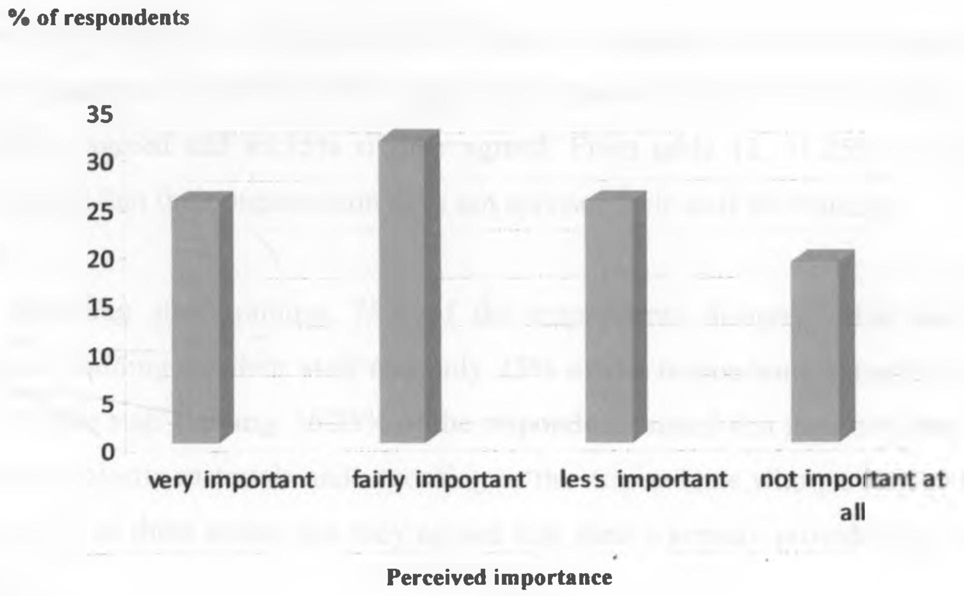
Table 11: Helping in providing solutions to social problems

Level of importance	No.	%	Ranking
Very important	4	25.0	2
Fairly important	5	31.25	1
Less important	4	25.0	2
Not important at all	3	18.75	4
Total	**16**	**100**	

From table 11 above, 43.75% of the organisations stated that the their organisation's participation in solving social problems was not considered an important corporate goal with 25% of the respondents stating that it was considered less important and 18.75% stated it not important at all.

Figure 9 gives a representation of the responses of the organisations used in the study concerning how important the companies in the oil industry consider their participation in solving social problems as an important corporate goal.

Figure 9: Importance of solving social problems



4.5 CSR activities of organisations

This section attempts to establish the respondents' level of agreement concerning the corporate social responsibility activities undertaken by their organisations in the various CSR areas.

4.5.1 Education

Table 12: Rating of CSR activities in Education

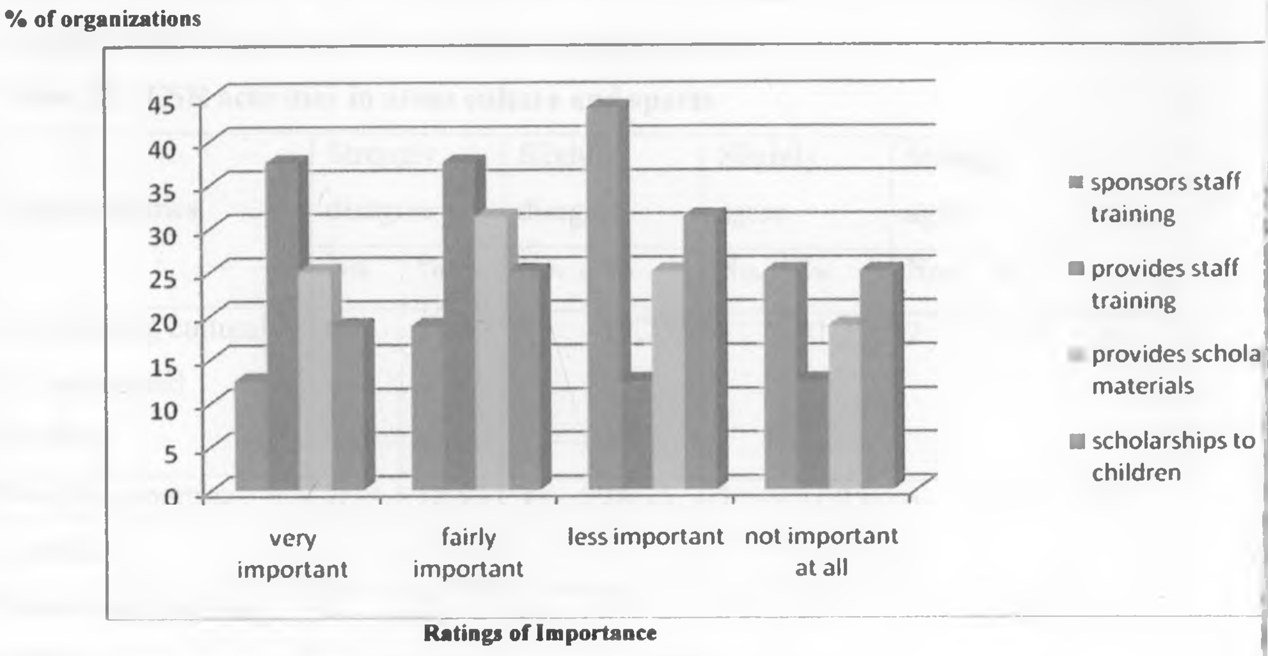
Education related CSR Activities	Strongly disagree		Slightly disagree		Slightly agree		Strongly agree		Total
	No.	**%**	**No.**	**%**	**No.**	**%**	**No.**	**%**	
Sponsorship of staff for training	2	12.50	3	18.75	7	43.75	4	25.00	16
Providing staff training	6	37.50	6	37.50	2	12.50	2	12.50	16
Providing scholastic materials	4	25.00	5	31.25	4	25.00	3	18.75	16
Scholarships to disadvantaged children in general	3	18.75	4	25.00	5	31.25	4	25.00	16

Table 12 shows that a number of CSR activities in respect to education were investigated. 68.75% of the respondents agreed that their organisation sponsors their staff for training while 25% strongly agreed and 43.75% slightly agreed. From table 12, 31.25% of the respondents indicated that their organisation does not sponsor their staff for training.

In respect to providing staff training, 75% of the respondents disagreed that their companies provide training for their staff and only 25% of the respondents agreed that their company provide staff training. 56.25% of the respondents stated that their company does not provide scholastic materials and according to the respondents who participated in the study, 43.25% of them stated that they agreed that their company provided some scholastic materials.

One other CSR activity that organisations can undertake in the area of education is giving scholarships to the disadvantaged children in general. 56.25% of the organisations studied offer scholarships to the disadvantaged children in general with 25% stating that they strongly agreed that they offered scholarships to the disadvantaged children in general and 31.25% slightly agreed to the statement while 43.75% of the respondents disagreed that the oil companies in Kenya offer scholarships to disadvantaged children.

Figure 10: Helping in solving social problems



4.5.2 CSR activities in areas of Culture and Sports

The respondents were asked to state their level of agreement or the extent to which they agreed that their organisation undertakes CSR activities in respect to culture and sporting activities.

As shown in table 13, three activities were considered in respect to culture and sports namely organisations participating in encouraging cultural exchanges, providing sporting equipment and sponsoring sporting events in Kenya. In respect to the issues of encouraging cultural exchanges and diversity 56.25% of the respondents stated that in their company does not encourage the cultural exchanges and diversity in their pursuit of business, out of whom 37.5% of the respondents strongly disagreed that their company encourages cultural exchanges and diversity.

From table 13, it is evident that 43.75% of the respondents agreed that their company encourages cultural exchanges and diversity with only 12.5% stating that they strongly agree.

As shown in table 13, 68.75% of the companies in the oil industry provide sporting equipment and 31.25% of the companies in the oil industry do not provide sporting equipment. Majority of the organisations in the oil industry i.e 62.5% also sponsor sporting events while only 37.5% of the companies do not.

Table 13: CSR activities in areas culture and sports

CSR Activities	Strongly disagree		Slightly disagree		Slightly agree		Strongly agree		**Total**
	No.	%	**No.**	%	**No.**	%	**No.**	%	
Encouraging cultural exchanges and diversity	6	37.5	3	18.75	5	31.25	2	12.5	16
Providing sporting materials	2	12.5	3	18.75	5	31.25	6	37.5	16
Sponsoring sporting events	0	0	6	37.5	2	12.5	8	50.0	16

4.5.3 Housing facilities

In respect to organisational activities concerning housing the researcher wanted to find out if the organisations in the oil industry support staff to acquire their own homes and also provides support to the disadvantaged members of the society to acquire homes.

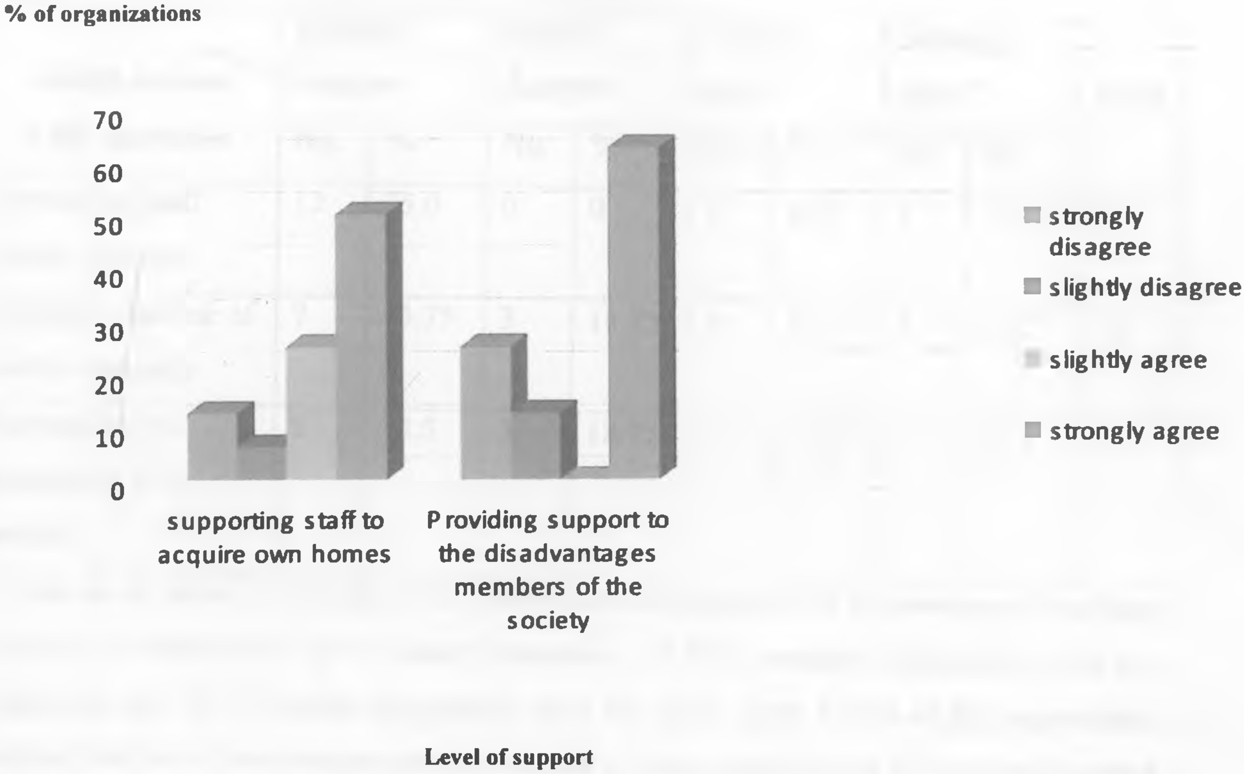
Table 14: Support for staff to acquire houses

Support to staff	Strongly disagree		Slightly disagree		Slightly agree		Strongly agree		Total
	No.	%	No.	%	No.	%	No.	%	
Supports staff to acquire own homes	2	12.5	1	12.5	4	25.0	8	50.0	16
Providing support to the disadvantaged members of the society to acquire homes	4	25.0	2	12.5	0	0	10	62.5	16

From table 14, 75% of the respondents agreed that their organisation supports staff to acquire their own homes with 50% of them stating that they strongly agreed and 25% stating they slightly agreed. 25% stated that they disagree with 12.5% stating that they strongly disagree and 12.5% that they slightly disagree.

According to the respondents in respect to their company providing support to the disadvantaged members of the society to acquire their own homes, 62.5% strongly agreed and 37.5% of the respondents disagreed with 25% stating that they strongly disagreed and 12.5% slightly disagreed.

Figure 11: Support for staff to acquire houses



4.5.4 CSR activities in the area of health

The respondents were asked to indicate the various CSR activities concerning health issues their company was involved in. The researcher wanted to gauge the opinion of the respondents in the oil companies in respect to the support their firms give for health schemes for staff, enforcing the use of safety materials, and supporting the terminally ill in the society.

It is evident that from table 15 that 75% of the respondents disagree with the statement that their organisations support staff health scheme and only 25% of the respondents stated that they agree that their organisation support the staff health schemes. Of these, only 18.75% strongly agreed that their company supported health schemes for the staff.

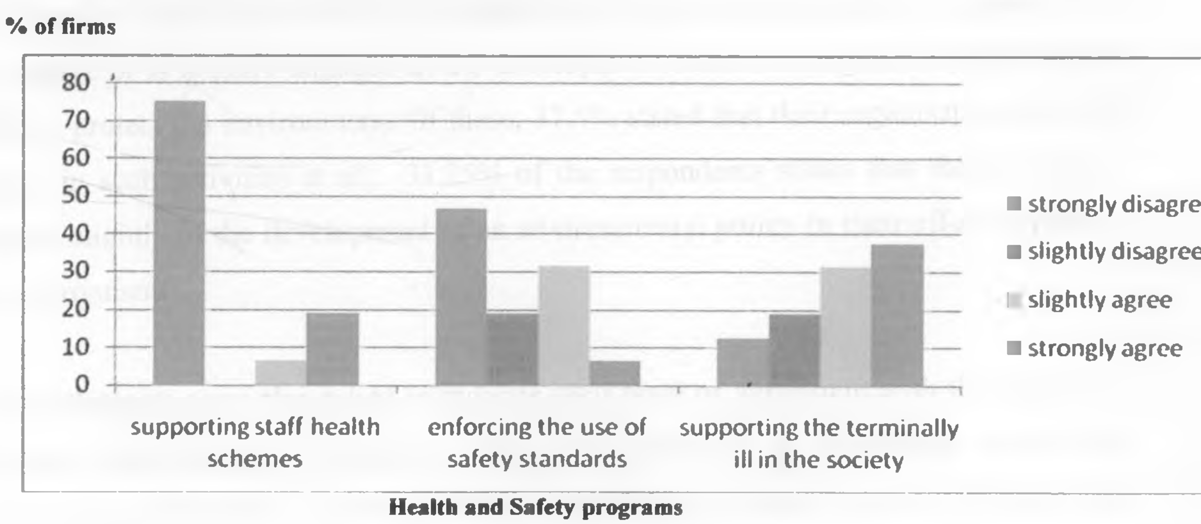
Table 15: CSR activities in the Health sector

Health related CSR Activities	Strongly disagree		Slightly disagree		Slightly agree		Strongly agree		Total
	No.	%	No.	%	No.	%	No.	%	
Supporting staff health schemes	12	75.0	0	0	1	6.25	3	18.75	16
Enforcing the use of safety standards	7	43.75	3	18.75	5	31.25	1	6.25	16
Supporting the terminally ill in society	2	12.5	3	18.75	5	31.25	6	37.5	16

As shown in table 15, 62.5% of the respondents disagreed with the statement that their company enforces the use of safety standards, 43.75% strongly disagreeing with the statement and 18.75 slightly disagreeing with the same. Only 37.5% of the respondents agreed that the oil companies enforced the use of safety standards. 6.25% strongly agreed with the same.

The respondents were asked to rate the extent to which their company supported the terminally ill in society. The results are presented in table 15. As shown in the table, 68.75% provided support while 31.25% did not.

Figure 12: CSR activities in Health and Safety services



4.5.5 Involvement in Environmental protection programs

In respect to organisations in the oil industry engaging in the protection of environment, the researcher wanted to find out whether the organisations in the oil industry have environmental policy and an operational manual on the protection of the environment. The findings are presented in table 16.

Table 16: Involvement in Environment Protection Policy and Manual

Environmental protection	Not involved		Slightly involved		Involved		Strongly involved		**Total**
	No.	**%**	**No.**	**%**	**No.**	**%**	**No.**	**%**	
Developing an environmental policy	6	37.5	5	31.25	0	0	5	31.25	**16**
Developing an operational manual on environment protection	5	31.25	4	25.0	2	12.5	5	31.25	**16**

The respondents were asked to state their level of agreement or the extent to which they agreed that their organisation is engaged in environmental protection through the development of an environmental policy.

As shown in table 16, 68.75% of the respondents stated that either their company does not engage or is slightly engaged in the development of an environmental policy in the effort to protect the environment. Of these, 37.5% stated that their organisations did not engage in such activities at all. 31.25% of the respondents stated that their company engages slightly in the development of an environmental policy in their effort to protect the environment.

The respondents were also asked to indicate their level of agreement with the statement that their organisation is engaged in the development of an operational manual on environment protection. It is evident from the results in table 16 that 43.75% of the respondents agreed that their organisation engages in the development of an operational manual on the protection of the environment with 31.25% of the respondents strongly agreeing and only 12.5% slightly agreeing with the statement. 56.25% of the respondents disagreed with the statement that their company is engaged in the development of an operational manual on environment protection. The results presented in table 16 are also depicted in figure 13.

Figure 13 : Engagement in Environmental protection

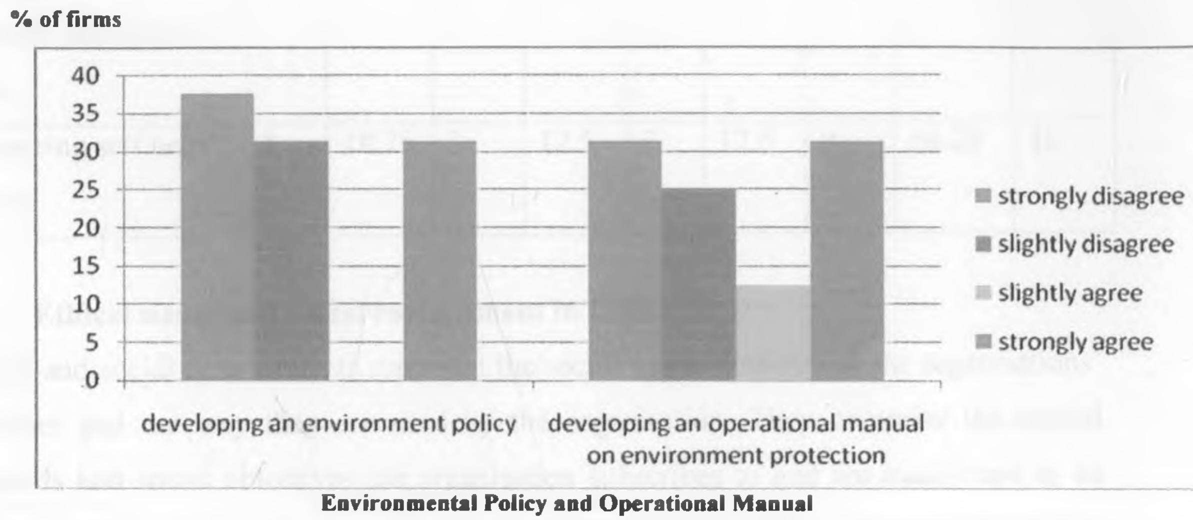


Figure 13 shows the level of company involvement in the development of environment policy and operation manual.

4.5.6 Poverty'alleviation

The respondents were asked to rate the statements describing the extent to which their companies engaged in policy and operational activities directed at poverty alleviation. The activities were development of disaster response manuals and support for self help groups. The results are presented in table 17.

As shown in table 17, 62.5% of the respondents stated that their company have in place disaster response manuals at the company, while 37.5% of the respondents stated that they did not have these in place.

In respect to their companies sponsoring self-help groups in the effort to alleviate poverty in the community, 68.75% of the respondents stated that they agreed that their organisation engaged in sponsoring self-help groups so as to alleviate poverty while 31.25% either completely disagreed or stated that their firms were slightly involved.

Table 17: Level of involvement in poverty alleviation

Poverty related issues	Not involved		Slightly involved		Involved		Strongly involved		**Total**
	No.	%	**No.**	%	**No.**	%	**No.**	%	
Having disaster response manuals in place	4	25.0	2	12.5	3	18.75	7	43.75	**16**
Sponsoring self help groups	3	18.75	2	12.5	2	12.5	9	56.25	**16**

4.5.7: Ethical issues and social commitment in CSR

Ethical and social commitments represent the social value elements of the organisations' resources and the way they are used by the organisation. They comprise the ethical standards and social objectives the organisation subscribes to and are manifested in its mission statement, strategic objectives and corporate culture. These commitments should be broadly based to encompass the legal, and ethical dimensions as well as the rights associated with citizenship (Schwarz and Carroll, 2003). The respondents were asked to indicate the extent to which they agreed to various ethical and social commitment activities being undertaken by their organisations. A number of activities were considered under ethics and social commitment as indicated in table 18.

As shown in table 18, 56.25% of the respondents stated that their company emphasizes safety, health and the environment as part of their ethical commitment while 43.75% indicated that their organisation does not emphasise safety, health and the environment.

62.5% of the respondents agreed while 36.5% disagreed that their organisation improves the well being of the society at large in their marketing programs. This was a response to the question on whether marketing programs and activities improved the well-being of the entire society.

Table 18: Concern with ethical and social issues

Ethical and social issues	Strongly agree		Slightly agree		Slightly disagree		Strongly disagree		Total
	No.	%	No.	%	No.	%	No.	%	
Emphasizes on safety, health and environment	6	37.5	3	18.75	4	25.0	3	18.75	**16**
Improves the well-being of society at large in our marketing	2	12.5	8	50.0	5	31.25	1	6.25	**16**
Conserve non renewable natural resources through careful planning	4	25.0	6	37.5	4	25.0	2	12.5	**16**
Reduce and eliminate substances that may cause environment damage	5	31.25	6	37.5	2	12.5	3	18.75	**16**
Promptly and responsibly correct conditions that endanger the society	6	37.5	5	31.25	3	18.75	2	12.5	**16**
We identify and monitor indicators for risk areas	5	31.25	4	25.0	3	18.75	4	25.0	**16**
We inform the public when a product presents risks	7	43.75	2	12.5	3	18.75	4	25.0	**16**
We refrain from practicing discriminations	5	31.25	5	31.25	4	25.0	2	12.5	**16**
We reject practices involving corruption	6	37.5	5	31.25	2	12.5	3	18.75	**16**
We give back to the society in which we operate	5	31.25	4	25.0	4	25.0	3	18.75	**16**
Mean score	**5.1**		**4.8**		**3.4**		**2.7**		**16**

The respondents were presented with a series of statements on ethical and social issues and asked to indicate the extent to which each represented the behaviour of their own company. As shown on table 18, 62.5% of the respondents agreed that their organisation conserves renewable natural resources through careful planning while 37.5% disagreed with the statement. 68.75% of the organisations undertake to eliminate substances that may cause environmental damage in their activities as part of CSR.

Social commitment of organisations to CSR was investigated using five areas. One of the areas considered is whether the organisation was able to identify and monitor indicators of risk to the public. 56.25% of the respondents agreed that their company was concerned in identifying and monitoring the indicators of risks areas in their business while 43.75% disagreed. Another area considered was whether the organisation informed the public when a product presented risk. 56.25% agreed and 43.75% disagreed that their organisation informed the public when a product presented a risk to them.

Another area with respect to social commitment was whether companies refrained from practicing any form of discrimination. The result presented in table 18 show that 62.5% of the oil company's refrained from all sorts of discrimination while 37.5% of the respondents reported that their company does not refrain from practicing all forms of discrimination.

Responding to an item on corruption, 68.75% of the respondent companies stated that they agreed that their organisation refrain from corrupt practices while 31.25% disagreed with the statement.

Concerning the need for organisations in the oil industry to give back to the society in which they operate, 56.25% of the organisations stated that they gave back to the society in which they operate while 43.75% stated that they disagreed with the statement that their company gives back to the society in which they operate.

The mean scores indicate that 5.1 of the respondents strongly agreed that their organizations subscribe to ethical and social commitments while a mean of 4.8 respondents indicated that they slightly agreed on the same. This makes a total of 61.875% mean score of those in agreement. On the other hand, a mean of 3.4 respondents slightly disagreed while a mean of 2.7 respondents strongly disagreed that their organizations were committed to ethical and social issues in their areas of operation. Those who disagreed made a mean of 38.125% of the respondents. The findings reveal that generally the majority of the respondents viewed their organizations as being committed to social and ethical issues.

4.6 Competitive Advantage

In this section, attempt was made to establish the link between the firm's characteristics such as corporate image / visibility and competitive advantage. The respondents were asked to indicate their level of agreement with the statement that brand and visibility are their organization's source of competitive advantage. The results are presented in tables 19,20, 21,22 and 23.

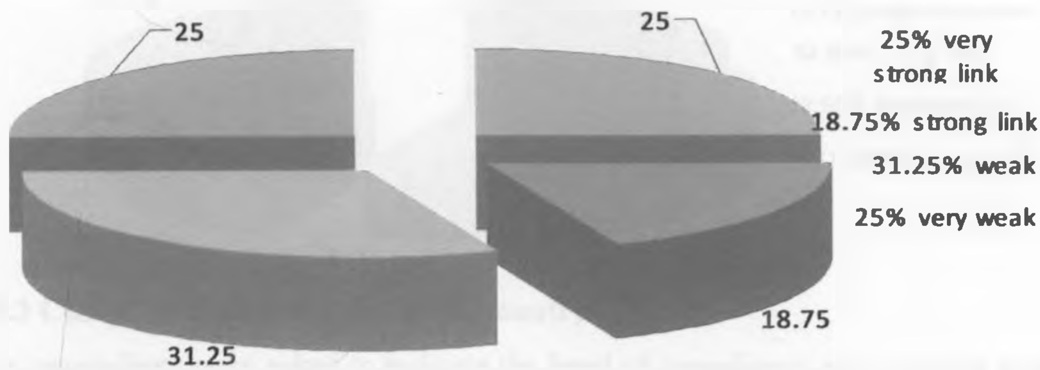
4.6.1: Corporate image and visibility

Table 19: The link between brand / visibility and corporate image

Strength of the link	No.	%	Ranking
Very strong	4	25.0	2
Strong	3	18.75	4
Weak link	5	31.25	1
Very weak	4	25.0	2
Total	16	100	

As shown in Table 19, 43.75% of the companies in the oil industry agreed that the source of competitive advantage is in their brand and corporate image and 56.25% of the respondents disagreed that their competitive advantage is their brand and corporate image which enhanced their visibility in the market. This means that an organisation is not likely to gain high visibility in the market by relying on its brand and good corporate image but also through the CSR activities it engages in.

Figure 14: Improving corporate image and visibility



The results presented in figure 14 corroborate those presented in table 19.

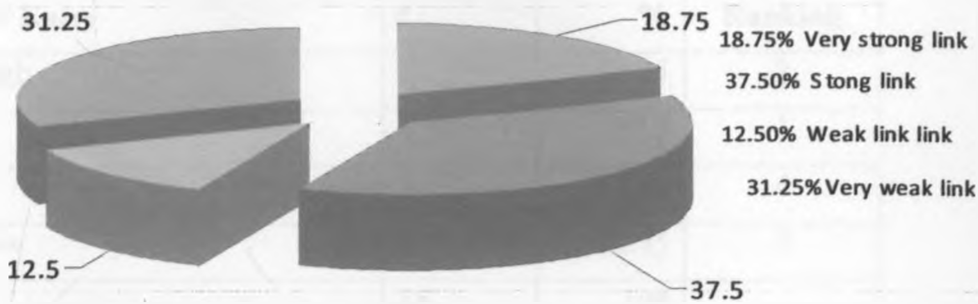
4.6.2: Source of Competitive advantage

Table 20: The link between the organization's products and services

Strength of the link	No.	%	Ranking
Very strong	3	18.75	3
Strong	6	37.50	1
Weak	2	12.50	4
Very weak	5	31.25	2
Total	**16**	**100**	

The researcher asked the respondents to indicate the extent to which they agreed with the statement that, their source of competitive advantage was in their products and services. The results are presented in table 20. The table indicates that 18.75% of the organisations have a very strong link between their products and services and their competitive advantage while 37.5% had a strong link between their products and services and their competitive advantage. 43.75% of the organization's had a weak link between their products and services and competitive advantage. These results are corroborated by those presented in figure 15.

Figure 15: Our products and services offer competitive advantage



4.6.3 Compliance with the law of the country

The respondents were asked to indicate the level of compliance with the law as a means of gaining competitive advantage. The results are presented in table 21. As shown in the table, 25% of the oil companies comply with the laws of the country to a very high level, 43.75% comply to a high level and 31.25% do not comply to a high level.

Table 21: Organization's level of Compliance with the law

Level of compliance	f	%	Ranking
Very high	4	25.0	2
High	7	43.75	1
Low	2	12.5	4
Very low	3	18.75	3
Total	**16**	**100**	

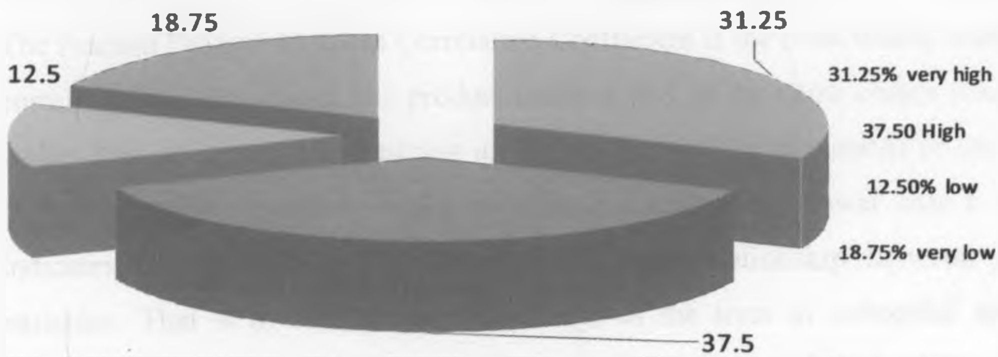
4.6.4: Entry into new markets

The respondents were asked to indicate their level of agreement with the statement that due to their competitiveness in the industry they enter the markets faster than the other competitors. Table 22 and Figure 16 indicate the perceived entry into new markets. From the table, 31.25% of the organization's had a perceived very high level of entry while 37.5% had a high rate of entry into such markets. 31.25% of the companies had a low to a very low rate of entry into new markets.

Table 22: Rate of entry into new markets

Rate Of Entry	f	%	Ranking
Very high	5	31.25	2
High	6	37.5	1
Low	2	12.5	4
Very low	3	18.75	3
Total	**16**	**100**	

Figure 16: Rate of entry into new markets



4.6.5: Customer retention and loyalty

The researcher wanted to find out the level of agreement of the respondents to the statement that their organisation had improved the level of customer retention over the years and that some of the customers had become loyal to their organisation. The results are presented in table 23.

Table 23: Perceived improvement in customer retention and loyalty

Level of improvement	f	%	Ranking
Very high	2	12.50	4
High	3	18.75	3
Low	6	37.50	1
Very low	5	31.25	2
Total	**16**	**100**	

As indicated in the table, 12.5% of the organization's had a very high improvement in their rate of customer retention and loyalty, 18.75% had a high rate, 37.50% a low rate and 31.25% a very low rate of customer retention and loyalty.

4.7: Pearson's Product Moment Coefficient Analysis

The Pearson product-moment correlation coefficient (sometimes referred to as the PMCC, and typically denoted by r) is a measure of the correlation (linear dependence) between two variables X and Y, giving a value between +1 and −1 inclusive. It is widely used as a measure of the strength of linear dependence between two variables.

The Pearson Product Moment Correlation Coefficient is the most widely used measure of correlation or association. The product moment part of the name comes from the way in which it is calculated, by summing up the products of the deviations of the scores from the mean and the symbol for the correlation coefficient is lower case r. Correlation indicates the strength and direction of a linear relationship between two random variables. That is in contrast with the usage of the term in colloquial speech, which denotes any relationship, not necessarily linear. In general statistical usage, *correlation* or co-relation refers to the departure of two random variables from independence. In this broad sense there are several coefficients, measuring the degree of correlation, adapted to the nature of the data.

The correlation coefficient is a number that can range from -1 (perfect negative correlation) through 0 (no correlation) to 1 (perfect positive correlation). A value of 1 implies that a linear equation describes the relationship between X and Y perfectly, with all data points lying on a line for which Y increases as X increases. A value of −1 implies that all data points lie on a line for which Y decreases as X increases. A value of 0 implies that there is no linear relationship between the variables. The correlation is 1 in the case of an increasing linear relationship, −1 in the case of a decreasing linear relationship, and some value in between in all other cases, indicating the degree of linear dependence between the variables. The closer the coefficient is to either −1 or 1, the stronger the correlation between the variables.

If the variables are independent then the correlation is 0, but the converse is not true because the correlation coefficient detects only linear dependencies between two variables. Pearson's correlation coefficient is defined in terms of moments, and exists for any bivariate probability distribution for which the population covariance is defined and the marginal population variances are defined and non-zero. In the case of the bivariate normal distribution, the correlation coefficient characterizes the joint distribution as long as the marginal means and variances are known (Donald, 2002; Del, 2002).

This section looks at the tests that were made in determining the degree of relationships between the dependent and independent variables under study. A computer package SPSS version 16.0 was used to measure these correlations in the study variables. The Pearson Product Moment Correlation Coefficient and Spearman's correlation coefficient methods were used to measure the relationships in the variables of the study. The relationships measured were between Corporate Social Responsibilities and Competitive Advantage.

4.7.1 Relationship between CSR and Competitive Advantage

The researcher in this section wanted to determine the association between Corporate goals and Corporate Social Responsibility activities of organisations in the oil industry that would enhance the firm's competitive advantage. The null hypothesis that there is no association between the two is the starting point.

Table 24: Correlation coefficients of CSR activities and corporate goals to enhance competitive advantage

Method	**Value r**	**Significance**
Pearson's chi-square	**88.462**	**0.000**
Spearman's correlation coefficient	**0.950**	**0.000**

There is a relationship between Corporate goals and Corporate Social Responsibilities of organisations in the oil industry as shown by Pearson's chi-square of 88.462 with positive significance value of P=0.0000. The relationship is also significant as indicated by the Spearman's coefficient of 0.950 and a significance of P=0.000.

The results in the table 24, shows that there was a significant relationship between the companies in the oil industry on their organisational goals or reasons for doing business which included; maximising profits in both the long run, to develop strong relationship with the customers, in creating jobs as a corporate goal and protecting the environment and the organisation collaborating in community projects and helping in social problems.

Table 25: Correlation coefficients of CSR and Competitive Advantage

Method	**Value**	**Significance**
Pearson's chi-square	**65.360**	**0.000**
Spearman's correlation coefficient	**0.679**	**0.003**

There is a relationship between Corporate Social Responsibility of the organisations and Competitive Advantage of such organisations as shown by Pearson's chi-square value of 65.360 with a significance value of P=0.0000. The relationship is also positively significant with Spearman's coefficient of 0.679 and a significance of P=0.003.

CHAPTER FIVE

DISCUSSSION OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This researcher set out to study the Corporate Social Responsibility activities and its impact on competitive advantage (A case of the Oil Industry in Kenya). The previous four chapters provided the premise on which to now wind up the report of this study.

In chapter 1, the background and problems of the study were given and the study variables indicated. Research questions were posed as a way of determining the impact of the variables of each CSR activities of the companies in the oil industry in Kenya. In chapter 2, a detailed review of literature on the topic of the research was done. In this chapter the relevant academic journals highlighting the various aspects of the study especially the variables used in the study were used to shed more light to the study. Chapter 3 presented the methodology of the study while Chapter 4 presented the analysis of the findings and interpretation of the study.

In this chapter, the results of the study as presented in chapter 4 are discussed and conclusions are drawn upon which recommendations and areas thought necessary for further research will be identified. This chapter is divided into four parts. Section 5.1 of this chapter deals with the discussions, section 5.2 deals with the conclusions while section 5.3 highlights the recommendations and section 5.4 finally looks at areas of further research on this topic.

5.2 Discussion of findings

The discussions in this section are on the findings of the study in relation to the research objective and research questions. The research was intended to achieve the main objective of establishing the Corporate Social Responsibility activities carried out by the companies in the oil industry in Kenya and its impact on organisational competitive advantage. The research was then further designed to accomplish the following objectives: to determine the relationship between Corporate Social Responsibility activities and competitive advantage in the oil industry in Kenya.

5.2.1 Organisations in the oil business

The researcher established the number of organisations in the oil industry in Kenya. It found out that the number of organisations in the oil business in Kenya were twenty three (23) as per appendix 1. Further it was established that a number of these companies have been dealing in oil business for a number of years, with the majority of them having been in the business for periods of time ranging from 30 years and above, though there are also new entrants in this business such as Mogas International Limited which has been in this business for 8 years now, Bakri International Energy for a period of 6 years, Riva Oils Company Limited and Addax Kenya Limited have been in the business of 5 years, while Jade petroleum has been in this business for the past 1 year while Kenya shell limited has been in the business for over 100 years having started business in Kenya in 1900 and Chevron been in business for 73 years having started operation in Kenya in 1936.

5.2.2 CSR activities

Based on the study, a number of companies in the oil industry in Kenya stated they are involved in a number of CSR activities being studied. The oil companies stated that in respect to education they do sponsor their staff for training and also do provide training resources like scholastic materials. According to the companies in the study a few also provide scholarships to the disadvantaged children in the society. One organisation in the oil industry has a scholarship fund they use to help bright but needy children attain quality education. This goes a long way in assisting orphaned bright children with the eventual aim of offering them employment opportunities within the organization once they successfully graduate. Internship is offered to these children as they wait to go to university.

In respect to culture and sports as a CSR activity a number of the companies in the study stated that they do encourage cultural exchanges and diversity within their organisations as well providing sporting materials and or sporting equipments for the sporting organisations besides sponsoring sporting activities for both their staffs and the sporting communities. One of the companies in the study boasts of having the strongest ladies volleyball teams in Africa and the company states that it has been consistent in its contribution towards sports such as the national athletics team, and the annual sportsman of the year award (SOYA), these they hastened to state improved their visibility in the society.

In respect to health and safety most of the companies in the oil industry stated they encourage the enforcement of safety standards within the industry and that they also support the terminally ill in the society. Further interview revealed that some of the companies in the study stated that a number of local organizations and groups have benefited from donations made by them and such organisations included The St. John's Ambulance, Kenya Diabetes Association, The Matter Hospital Heart Run and many others. The other aspects the CSR activities being studied was the organisational engagement in environmental protection. In respect to environmental protection programs or activities the majority of the companies in the study strongly agreed that they are engaged in the development of environmental policy within their companies and have engaged in the development of an operational manual on environment protection.

On further interview with the companies in the oil industry one of the organisation stated that they take cognizance of potential pollution paused by the white petroleum products transported and the company has partnered with National Environment Management Authority (NEMA) and organized a 30 KM walk in Nairobi in order to sensitize the public on the importance of conserving the environment where over 100 of their employees took part. They further stated that they have also donated 50,000 tree seedlings to communities. The company also stated that they were the first company in the oil industry to roll out its chapter of Kenya Energy Sector Environment Program (KESEP). In part it states that in the attempt to protect the environment the organisation will promptly and responsibly correct conditions they have caused that endanger health, safety or the environment and to the extent where this is feasible, they will redress damage to the environment. One organisation has an Environmental policy as part of their Environmental initiative. This campaign deals with disposal of litter through vehicle litter bags aimed at discouraging motorists from littering the high ways. These litter bags then will be disposed off at litter bins.

In respect to the organisations' CSR activities on poverty alleviation the researcher intended to study whether the organisations in the oil industry have disaster response manuals in place and they sponsor self help groups. The organisations used in the study stated that they have disaster response manuals in their organisation used to guide the company on what has to be done in cases of disasters involving their organisations.

In Kenya, a number of companies in the oil industry felt that they are considered as being socially responsible by the public if they have a trusted brand within its portfolio or being mindful of society, contributing to citizens needs, and assisting the less fortunate among others. If a company is perceived to be profitable, the society expects more from them. A number of companies then in the oil industry have formed a foundation which spearheads the firm's social investment programs or undertake their CSR activities at a corporate level. In the petroleum industry, CSR programs focusing on poverty eradication include assisting Kenyans affected by drought, where one company in year 2006 raised Kshs 1.2 million from its employees for food, enabling a nutritious meal for approximately 550 families for one month. The company also raised Kshs 1 million to sink a borehole that helped lift the standard of living of the affected people and further donated Kshs 100,000 to assist in the delivery of the food to North Eastern province.

The company also has a CSR program that supports an SOS Children's village, a home for destitute children in Nairobi and Mombasa and every year it gives the homes Kshs 1 million to assist in running and maintaining the destitute children's homes.

5.2.3 Competitive advantage

Competitive advantage (CA), is largely concerned with how a firm will compete so as to earn and sustain superior performance (Porter, 1980). The dominant perspectives of CA include the positioning approach in the mind of the market, and in order to gain and possibly sustain, a Competitive Advantage a differentiation strategy concerned primarily with producing a product that is differentiated from competitors, one in which consumers are willing to pay a higher price.

The researcher, in respect to competitive advantage sought to identify the impact of organisational pursuit of CSR activities. The questionnaire sought to identify the various sources of competitive advantage in the use of CSR activities. They were; increasing the visibility of the company, gaining favourable tax treatment from the government because of being compliant with the law of the country, high acceptability of the products and services in the market and improved customer loyalty. With respect to increased visibility of the organisation due to their engagement to CSR activities, major similarities were identified. The respondents, 44% agreed that their participation in CSR activities greatly increased their visibility in the society in which the CSR activities were undertaken by their company.

The high visibility of the organisation to the customers also made it possible for the company to enter the new markets faster than their competitors as indicated by 68.75% of the respondents stating that they agree that due to their competitiveness in the oil industry they are able to enter the new markets faster than their competitors and due to their participation in CSR activities there is high acceptability of their new products in the market in which they undertake the CSR activities. Considering the intensity of competition in the industry, it is possible then for an organisation to pursue a corporate goal focused on the unmet social needs and using the social issues to capture a market through the exploitation or participating in the finding solutions in respect to the social dimensions identified in the specific society.

This would mean that the organisations use their resources and activities to create competitive advantage. In terms of the internal aspect, resources have been described as activities, assets, core competencies, capabilities and dynamic capabilities (Teece et al., 1997) which would consist of those factors necessary to create, operate and sustain a firm, be they tangible or intangible and although many such resources exist, the important point in a CSR context is the degree to which such resources organisations have are leveraged to capture or internalize at least some benefits for engaging in CSR that are specific to the firm, rather than simply creating collective goods which can be shared by others in the industry, community or society at large (Porter, 1985). In this sense, firms not only take ownership for fulfilling their social responsibilities, but also capture exclusive benefits that can be of strategic competitive value.

5.3 Conclusion

For decades, corporate social responsibility (CSR) has been a subject of intense debate among scholars and practitioners. Discussions by a number of researchers have generally focused on the role of business in society and the nature of a firm's social responsibilities. More recent treatments have progressed towards theory development as well as empirical tests of the relationship between CSR and firm performance (Aguilera et al., 2007). However, at the practical level, there appears to remain much confusion with respect to how to build or integrate CSR into the overall organisational goals/strategy for the eventual corporate competitive advantage.

This study examines the Corporate Social Responsibility activities and its impact on competitive advantage (A case of the Oil Industry in Kenya). The study investigated the various CSR activities undertaken by the organisations in the oil industry in Kenya and the respective competitive advantage likely to be generated by the companies engagement in such CSR activities. As per the findings of this study, a number of similarities exist among the companies in the oil industry in respect to the types of CSR activities they are involved in concerning such areas as education, culture and sports, health and safety, and their engagement in environmental protection and poverty alleviation in the society. A number of organisation in the oil industry agreed that they sponsor the training of their staff and provide scholastic materials besides assisting the disabled children in the area of education.

Organisation's addressing societal expectations is an important consideration for competitive success, but according to the study a number of the companies in the oil industry in Kenya seem to be struggling with just how to build CSR into their overall corporate strategy as one of the major organisational goal. Further a number of the companies are unclear as to how to adequately anticipate which social issues will affect their overall strategy and although a number of the companies in the oil industry have made some efforts in respect to CSR activities, typical approaches appear to be weak as a number of them stated that they are faced with **challenges** ranging from financial, that is the high cost involved in undertaking the CSR activities, cut throat competition in terms of pricing of the products in the market, and brand confidence and dumping of substandard products in the market.

Corporate Social Responsibility (CSR) need not only be viewed solely in terms of the responsibilities firms assume toward society or to whom they are responsible, such as firms have an economic responsibility to generate profits or a legal responsibility to obey appropriate laws or that firms have a responsibility to meet the needs of various stakeholder groups (and who those groups are) does not describe how they can do so in a strategic manner. What has been suggested is that in order to understand CSR strategically, unmet social needs and social issues, as well as the responsibilities firms assume toward society, need to be considered individually – and corporately. This is necessary so that CSR can be more accurately addressed within the fundamental dimensions of the organisation.

The other aspects organisations need to agree on is to what degree does CSR have to be built into strategy before it can be considered "strategic"? In the life of a company, a variety of different opportunities or threats are continually faced and decisions made to address them. At any given point in time one aspect of the six-dimensions of strategy described in this chapter might be more important than others. The six –dimensions are: Education, Culture, Sports, Housing for staff, Health facilities and Poverty alleviation. Furthermore, some scholars have connected "strategic" CSR with contributing slack resources (i.e. profit spending) to societal and community needs that are tied to organizational objectives and strategy, such as philanthropy, sponsorships and cause-related marketing (Mullen, 1997; Lantos, 2002; Porter and Kramer, 2002). Strategically, this is a narrow view and is predominately tied only to the discretionary (philanthropic) component of Carroll's (1979) conceptualization of CSR.

As demonstrated in this paper, CSR is not an organizational phenomenon strategically confined to a narrow dimension within the firm. In fact, when taking corporate responsibilities, unmet social needs and social issues into consideration, synergies develop that are important for several dimensions of strategy. For example, while the economic responsibility to produce profits constitutes part of the firm's formal social contract, by exploring unmet social needs and social issues through strategy dimensions such as markets served, customer needs and resources required to compete, a firm not only can address social opportunities that generate profits (thereby meeting its economic responsibility to shareholders), but can offer societal benefits as well (Burke and Logsdon, 1996; Husted and Salazar, 2006). This implies that "strategic" CSR is far more than an ad hoc approach or a bolt on to strategy or something that is strategic only when viewed within the realm of a singular dimension of a firm's responsibilities, such as the discretionary responsibility. Rather, when considered in light of the six dimensions described in this chapter, CSR can be more fully integrated into corporate strategy.

Lastly, mounting research evidence suggests that an increasing number of actors, both internal and external to the firm, are placing more and more demands on firms' social responsibilities and how they address factors of a social nature (Paine, 2002; Aguilera et al., 2007). Unfortunately, companies are not necessarily following suite. For example, nearly 50 percent of companies surveyed in a recent study report that they have substantial room for improvement with respect to CSR (McKinsey and Company, 2006). The following is suggested. First, contrary to some views (Murray and Montanari, 1986; Lantos, 2002), corporate executives – not marketing or public relations departments – should take the lead role in developing CSR and integrating it with the firm's strategy, while developing a culture that is highly attuned to the social factors that might impact on the firm. The reason being is that it is corporate executives who ultimately have to answer to society, shareholders and other stakeholders about decisions made and strategies taken.

This approach is consistent with the role of executives described in the literature (Barnard, 1938; Andrews, 1971).

Second, facing and addressing social factors is not simply acting "responsibly"; it is related to what markets to serve, what offerings are necessary to meet and exceed customer needs, how to gain a competitive advantage, among other dimensions of strategy, as well as to costs and profitability. It is also related to corporate credibility, acceptance and support, resulting in a firm's freedom to act and implement its strategies. Finally, typical approaches firms take towards CSR are based on producing annual social and environmental reports and the issuing of corporate policies on ethical issues (Davis, 2005). Such approaches are too limited, too defensive and too disconnected from corporate strategy. As described in this chapter, CSR does not have to be confined to an altruistic end to strategy (i.e. philanthropy) or to an ethical obligation (i.e. code of conduct). Rather, CSR can be given due consideration across six dimensions of corporate strategy, contributing ultimately to good management practice, economic benefit, and societal welfare.

5.4 Recommendations

Business firms are the economic engine of society and the making of profits is a social responsibility (Carroll, 1979; Henderson, 2005). However, in the current climate, issues of a social nature are bearing on firms to the point that CSR appears to be the new battle ground for competitive success. If this is true, then firms not only need be concerned about how to best meet the interests of their shareholders, but also the interests of society at large. In this sense, strategy takes on significant meaning not only with respect to fulfilling social responsibilities and the development of firms, but also with respect to the development and sustainability of society/nations. Firms who better understand their social responsibilities and who begin to more adequately explore how they can build CSR into strategy are likely to reap the rewards of improved competitive positions in the future, to the benefit of their shareholders.

This part of the report brings forward recommendations that according to the researcher would help improve the cases that have been observed under this study. Based on the results of the study, these recommendations it is hoped will help improve on the situations that have been observed. However, these recommendations do not only apply to those in the companies in the Oil industry only but also to all other organizations in Kenya and other developing countries that would want to improve on their competitiveness and to generate competitive advantage through corporate social responsibilities.

1. Though a business is principally founded to make profit, social investment remains a key plank in shaping the relationship and future of the entity with its various stakeholders both conventional and the extended. There is need therefore for organisations to engage in CSR so as to serve not only the short term interests of the investors in the business but to the strategic benefit of the organisation and the larger society in which the organisation is situated.

2. There is need for organisations in the oil industry to be committed to the offering of socially sustainable activities to the society in which their operations are and have the relevant connections for social benefits and ensure consistency. This is because corporate long-term legitimacy and the development of a competitive advantage in CSR can be achieved from the organisations commitment, connections to the society and its consistency in the CSR activities.

5.5 Areas For Further Research

This study has not been able to exhaustively investigate all the aspects that explain all the issues in play in respect to corporate social responsibility activities an organisation would undertake and the respective benefits. The following areas are therefore recommended to be carried out for further investigations or study.

1. An area the researcher finds has not been given consideration in respect to corporate social responsibility is the existence of regulations directly or

indirectly affecting the ability of an organisation to enhance its social performance, for instance by the amount of resources an organisation allocates, or by setting up standards that can be appropriately monitored. However, the roles that legislation and public institutions play or should play in CSR development would need to studied further.

2. The other area of study in which further research in CSR is needed is on the conflicts between organisations upholding interests of conventional stakeholder groups and the extended stakeholders and how to reconcile them.

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Appendix 1

Market Share – Kenya Inland Petroleum sales

January – March 2008

Company	**Market share %**
Shell	22.47
Total Kenya	19.27
Kobil Petroleum	16.62
Chevron Kenya	13.04
Oilibya	7.79
Kenol	6.11
National Oil	3.99
Gapco	2.70
Bakri International	1.53
Galena Oil Kenya	1.29
Engen Kenya	1.17
Petrol Oil	0.62
Hass Petroleum	0.55
Triton petroleum	0.53
Dalbit Petroleum	0.44
Intoil	0.29
Addax Kenya	0.28
Hashi Empex	0.28
Gulf Energy	0.25
MGS International	0.19
Riva Oil	0.18
Muloil	0.18
Fossil Oil	0.11
Metro Petroleum	0.07
Jade Petroleum	0.06
Grand Total	**100**

Table 1 - Source: Pipeline Coordinator - (Petroleum Insight Quarterly Magazine, the Petroleum Institute of East Africa, 2008)

Appendix II

COVER LETTER TO RESPONDENTS

Irene K. Mwiti,
University of Nairobi,
Faculty of Commerce,
MBA Coordination office,
Department of Business Administration,
P.O. Box 30197,
NAIROBI.

November, 2008

Dear Respondent,

TO WHOM IT MAY CONCERN

I am a student at the above institution pursuing Postgraduate studies for an MBA Degree.

As part of my course requirements and in partial fulfillment of the Masters of Business Administrative Degree work, I am carrying out a study on Corporate Social Responsibility activities and its impact on competitive advantage (A case of the Oil Industry in Kenya). Your firm has been selected from the list of Oil companies in Kenya to participate in the study.

There are no correct or wrong answers to these statements and they are intended to obtain opinions, views, feelings or beliefs about the impact of corporate social responsibility activities on competitive advantage in the oil industry in Kenya.

You are therefore kindly being requested to spare a few minutes of your precious time to answer the following questions. The information you will provide in this study will be treated with the utmost confidence and your identity and that of your organisation will not be revealed to anyone at any time but will be used only for the academic purpose mentioned above. A copy of the findings will be availed to your organization upon completion.

Thank you so much for taking some time to participate in this study.

Yours sincerely,

Kimathi Irene K. Mwiti
RESEARCHER (MBA student)

Prof. K'Obonyo
UNIVERSITY SUPERVISOR

Appendix III: The Questionnaire

Section A: Personal Information

Gender Male [ ] Female [ ]

Age [ ] 19 – 24 [ ] 25 – 29 [ ] 30 – 39 [ ] 40 – 49 [ ] 50 years and above

Highest level of education attained [ ] below Secondary School [ ] Secondary [ ] A' level

[ ] Diploma [ ] Undergraduate Degree [ ] Masters Degree [ ] PhD Degree [ ] Others specify

How long have you been working for this organisation?

[ ] Below 1 year [ ] 1-3 year [ ] 4-6 years [ ] 7-9 years [ ] 10 years and above

Marital status [ ] single [ ] married [ ] divorced [ ] widow/er

Your Job title ……………………………………………………………………......

Name of the oil company……………………………………………………………

The company started operations in Kenya in the year……………………………………

Section B: Organisational goals

According to your organisation, how important are the following goals? Please indicate by ticking appropriately (√) the extent of the level of importance using the following scale:

4. **Very important**
3. **Fairly important**
2. **Less important**
1. **Not important at all.**

		1	2	3	4
1	To maximize profits in the short run				
2	To Maximize profits in the long run				
3	To provide quality goods and services at reasonable prices				
4	To provide the best service to the customer				
5	To develop a strong customer relationship				
6	To create jobs				
7	To improve the commitment of employees to the firm				
8	To be leader in the innovation of new products and services				
9	To collaborate in community projects				
10	To protect the environment				
11	To help in solving social problems				
12	To ensure that the corporate plan has in-built mechanism for forestalling potential negative impact of our products, services and operations on the society				

Section C: CSR activities of your organisation

The following are some of the broad areas of CSR activities undertaken by organisations. Ple indicate by ticking appropriately (√) the extent to which you agree that your organisat undertakes CSR activities in these areas.

4. **Strongly disagree**
3. **Slightly disagree**
2. **Slightly agree**
1. **Strongly agree**

		1	2	3
	Education			
1	Sponsorship of staff for training			
2	Providing staff training			
3	Providing scholastic materials			
4	Scholarships to the disadvantaged children in general			
	Culture and sports			
5	Encouraging cultural exchanges and diversity			
6	Providing sporting materials/equipments			
7	Sponsoring sporting events			
	Housing			
8	Supporting staff to acquire own homes			
9	Providing support to disadvantaged members of the society to acquire homes			
	Health			
10	Supporting staff health schemes			
11	Enforcing the use of safety standards			
12	Supporting the terminally ill in society			
	Engaging in environmental protection			
13	Developing an Environmental policy			
14	Developing an operational manual on environmental protection			
	Poverty alleviation			
15	Having disaster response manuals in place			
16	Sponsoring self help groups			

Any other CSR activity. Please specify

17...

....

....

....

....

Please indicate by ticking appropriately (√) the extent to which you agree with the following statements in as far as they apply to your organization.

4. **Strongly disagree**
3. **Slightly disagree**
2. **Slightly agree**
1. **Strongly agree**

		1	2	3	4
18	Our employment policy embraces commitment to personal development of employees				
19	Our organisation lays a lot of emphasis on safety, health and the environment				
20	We aim at improving the well-being of society at large in our marketing activities				
21	We make sustainable use of renewable natural resources, through efficient use				
22	We conserve non renewable natural resources (Oil) through careful planning				
23	We strive to reduce and make continual progress toward eliminating substance that may cause environmental damage (to the air, land, water and its inhabitants				
24	We safeguard all habitats affected by our operations and protect open spaces and wilderness, while preserving biodiversity				
25	We strive to conserve energy and improve efficiency of our internal operations and of the goods and services we sell				
26	We strive to minimise the environmental, health and safety risks to our employees and the communities in which we operate through safe technologies, facilities and operating procedures and by being prepared for emergencies				
27	We endeavour to inform our customers of the environmental impacts of our products or services and correct unsafe use				
28	We promptly and responsibly correct conditions we have caused that endanger health, safety or the environment				
29	We use a world class expertise base in human safety to ensure the consumer safety of our products				
30	Our organisation's principal business activities include systems to analyse, anticipate and minimise public risk from hazards				
31	Indicators for risk areas are identified and monitored				
32	Employees at various levels in the organisation are encouraged to be involved in professional organisations, committees, task forces or other community activities				
33	Employees participate in a variety of professional, quality and business improvement associations				
34	We inform the public honestly when a product presents risks				
35	We refrain from practising discrimination				
36	We reject all practices involving corruption				
37	We give back to society in which we operate				
38	We aim to develop new business with social objectives				

Section D: Competitive Advantage

Please indicate by ticking appropriately (√) the extent to which you agree with the following statements.

4. **Strongly agree**
3. **Slightly agree**
2. **Slightly disagree**
1. **Strongly disagree**

		1	2	3	4
1	Our source of competitive advantage is our Brand and corporate image hence our visibility in the market				
2	Our source of competitive advantage is our product and services				
3	We set ourselves above the rest through our systems, innovation and advancement in technology				
4	Our source of competitive advantage is our management style and performance in the industry				
5	We pride ourselves in being compliant with the law of the country to gain competitiveness				
6	Competitive advantage gains us favourable tax treatment from the government				
7	Due to our competitiveness in the industry, we enter new markets faster than our competition				
8	We are first in class in our industry hence a high acceptability of our new products in the market				
9	Our customer retention has improved over the years with more customer being loyal to our organization				
10	We offer all fuelling solutions to our customers needs hence are their supplier of choice				
11	We are number one in the hearts and minds of our customers and society at large				

Highlight some of the challenges you experience as an oil company in the pursuit of your CSR activities.

(a) ....

(b) ....

© ....

THANK YOU VERY MUCH FOR YOUR CO-OPERATION