

DECLARATION

11 SOCIAL RESPONSIBILITY ; ATTITUDE AND AWARENESS OF EXECUTIVES OF
MEDIUM SCALE MANUFACTURING FIRMS IN NAIROBI. //

FOR THE DEGREE IN ANY OTHER UNIVERSITY

2003
24/11
KIARIE E. K

BY

✓ KIARIE E. K

THIS PROJECT HAS BEEN SUBMITTED FOR EXAMINATION WITH MY
APPROVAL AS THE UNIVERSITY SUPERVISOR

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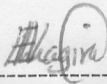
DR MARTIN OGUTU

A MANAGEMENT PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE
REQUIREMENT FOR THE DEGREE OF MASTER OF BUSINESS AND
ADMINISTRATION, FACULTY OF COMMERCE. UNIVERSITY OF NAIROBI.

JULY 1997

DEDICATION
DECLARATION

THIS PROJECT IS MY ORIGINAL WORK AND HAS NOT BEEN PRESENTED
FOR A DEGREE IN ANY OTHER UNIVERSITY

SIGNED -----

KIARIE E.K

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APPROVAL AS THE UNIVERSITY SUPERVISOR

SIGNED -----

DR MARTIN OGUTU

LECTURER DEPARTMENT OF BUSINESS ADMINISTRATION

DATE 21/11/1997

ACKNOWLEDGMENTS

DEDICATION

My sincere thanks go to several people who contributed both directly or indirectly

to the completion of M.B.A course.

To my dear parents

First, I would like to thank my parents for financing my first year of study and their

encouragement. I am also grateful to the University of Nairobi for awarding me a

Mrs Esther Wanjiru Kagira

scholarship during my second year of study.

For their love of Education.

Further, I would like to extend my sincere thanks to my supervisor Dr Martin Ogutu

without whose invaluable criticism and advice, this work would not be what it is.

And also, a special dedication

I am also grateful to the executives of various medium scale manufacturing firms

to sisters, Rachel Ndegwa, Elizabeth

who supplied the relevant data for the study.

Nyambura Muthong'a

I would also thank my sister Elizabeth Nyambura Muthong'a for her immense

for their immense encouragement and

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Henry Kamioni Kombo, sincere and wonderful friends, for their support during the

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ABSTRACT

This study sought to determine four objectives in relation to the concept of social responsibility of business. First, it sought to determine the extent to which executives in medium scale manufacturing firms are aware of basic issues in the concept of social responsibility. Secondly, it sought to determine the attitude of executives toward social responsibility. Thirdly, it sought to determine the extent to which medium scale manufacturing firms have implemented social responsibility. Fourthly, the study sought to determine whether extent of implementation of social responsibility is related to the level of awareness and attitude. The study also sought to determine barriers to the implementation of social responsibility.

The population of interest included all medium scale manufacturing firms in Nairobi. The information sought in the study was collected using a questionnaire. Twenty six executives from various medium scale manufacturing firms completed the questionnaire.

In regard to the issue of executives awareness of the social responsibility concept, it was found that executives in medium scale manufacturing firms were generally aware of basic issues of social responsibility concept.

Concerning the attitude toward social responsibility, it was found that executives in medium scale manufacturing firms, in general had positive attitude, although it was weak.

As far as implementation of social responsibility is concerned, prevention of pollution was found to be the most implemented aspect of social responsibility. Eighty-five percent of the companies were found to have implemented it.

In relation to the extent of relationship between implementation and attitude, it was found out that there was a strong association between them. On the relationship between implementation and awareness, there was found also a strong association.

In regard to the barriers of implementation, lack of financial resources and competition were found to be the major barriers. They were cited by ninety and eighty two percent of respondents respectively.

from the environment.

While on one hand the organisation receives inputs such as capital, labour and other resources from society and is also affected by political, economic, social-cultural and other factors, on the other hand it affects society in various positive and negative ways. The relationship between business and society is that of give and take kind.

An organisation's survival depends upon a series of exchanges between the organisation and its environment. The exchanges are reciprocal interaction with the environment that has a variety of implications, referred to as social responsibilities.

1.10 CONCEPTUAL CONTINUITY

Scholars have given contrasting meanings to the concept of social responsibility. These meanings have, in various ways, influenced the practice of management. The following are some of the definitions.

INTRODUCTION

Organisations play a major and increasingly important role in the society. The decisions of management have an increasing impact on individuals, other organisations and the community. This is because an organisation is an open system. In trying to achieve its goals the organisation cannot operate in isolation from the environment.

While on one hand the organisation receives inputs such as capital, labour and other resources from society and is also affected by political, economic, social-cultural technological and other factors, on the other hand it affects society in various positive and negative ways. The relationship between business and society is that of give and take kind.

An organisation's survival depends upon a series of exchanges between the organisation and its environment. The exchanges and continual interaction with the environment gives rise to a number of broader responsibilities referred to as social responsibilities.

1.10 CONCEPTUAL CONTROVERSY

Scholars have given contrasting meanings to the concept of social responsibility. These meanings have far reaching implications to the practice of management. The following are some of the definitions.

Bowen (1953) defines social responsibility of business as an obligation to

pursue those policies, to follow those lines which are desirable in terms of objectives and values of society. He argues that business should not engage in social responsibility under duress or compulsion, but in belief that it is for their own good.

Keith Davis (1974), a leading authority of social responsibility has similar views. He argues that social responsibility extends beyond the law, that a firm is not socially responsible if it merely complies with minimum requirements of the law.

The two definitions imply that a firm that accepts social obligations only in reaction to pressure groups, consumer boycotts, adverse publicity or legal requirements is not socially responsible. According, to these two scholars, social responsibility involves only voluntary actions. Merely abiding with the law is not social responsibility.

Despite these definitions, other scholars have given different definitions to the concept of social responsibility. For example, Milton Friedman (1963) has stated that:

there is one and only one social responsibility of business, to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition, without deception or fraud-----, few trends could so thoroughly undermine the very foundation of our free society, as acceptance by corporate officials of social responsibility other than to make as much money for stockholders as possible.

This meaning of social responsibility implies that if business provides goods and services to the society, then it is socially responsible. The implication of this meaning to management practice is that managers will only be concerned with maximizing profits, but not the effects of their activities to the society. Thus they are

concerned with their self-interest, but not societal needs.

These different meanings of social responsibility indicates the conceptual controversy in the definition of social responsibility. They indicate the existence of two schools of thought in this area of social responsibility. One view holds that the firms should be socially responsible. That firms should have societal concern by improving society welfare and by being responsible to society's ills caused by firms activities. Bowen (1953), Davis (1974), Steiner (1974), Andrews (1983) among other scholars represent this view.

The other view holds that the business of a firm is to make profits and no other objective. Adam Smith (1776), Friedman (1963), Hayek (1960), Levitt (1968) among other scholars represent this view.

For the purpose of the study , the researcher adopted the former view. This is because there is an interrelationship between the firm and its environment. An organisation is an open system and its survival is dependent upon its relationship with its environment.

Research and experience have shown that there are many benefits for socially responsible firms (see Anderson and Frankle (1980), Preston (1978), Belkaoui (1976), Bowman and Haire (1975), Bragdon and Marlin (1972), Parket and Eilbirt (1975).

Thus every organisation should be socially responsible. El-Namaki (1977), argues that corporations regardless of their size, should stimulate and develop commitment to human values. That, organisations regardless of their size should offer entrepreneurial guidance to economically disadvantaged groups. They can

volunteer to teach the unskilled or hardcore unemployed in new vocational skills.

In Kenya, the role of medium sized industries has in the last decade become a matter of special importance to Kenyan policy makers as well as international donor agencies, local non-governmental organisations (NGOS) and researchers. For government planners, interest in medium industries was heightened in the 1980s by the rapid growth of the labour force and the realisation that the large-scale modern industrialisation strategies of the 1960s and 1970s generally had failed to solve the problem of underdevelopment and poverty (Aleke-Dondo 1993).

According to Mc Cormick (1992), medium scale industries help the country to meet its longterm goals of employment creation, efficient production and technological development.

According to the directory of manufacturing industries (1997), small and medium manufacturing firms constitute the largest number of manufacturing industries in Kenya. Also, the emphasis of the government is on these firms. The eighth National Development plan 1997-2001 states that Kenya's strategy of industrialisation will focus on these industries because they are suited to the levels of technology and human skills currently available in Kenya. According to the plan the initial path of industrialisation in the East and South Asian newly industrialized countries focused on these industries. The plan states that the government will follow a similar strategy. According to the plan, as the country transforms into newly industrialized country using these industries, it will institute certain measures to curb environmental degradation. These measures include penalties to encourage sustainable use of natural resources, establishing and applying , standards to

control quantity of emissions.

The discussion above indicates the importance attached to medium scale industries in Kenya, as vehicles of economic growth and development. As the country aims to become industrialised by the year 2020 (National Development plan 1997-2001), these industries are expected to play a very dominant role in the industrialisation.

One significant factor for the success of these industries is their relationship with the environment. There is need for these industries to develop cordial relations with the society.

This can only come through firms' socially responsible actions, which will enable them to strike a match with their environment.

1.20 THE RESEARCH PROBLEM

From the foregoing, it is apparent that a lot of importance is attached to medium scale industries in Kenya. The role and importance of social responsibility have also been highlighted.

In the recent years there have been many cases of social irresponsibility by firms in Kenya. For example, the government forced the Agro-metro Development limited to re-export contaminated milk back to ukraine from where it had been imported. The powder milk consignment had unhealthy levels of radioactivity according to scientists. It is not clear why business executives seem not to bother about social responsibility. Although various reasons could be speculated for the apparent lack of concern, it is possible that some of the reasons may be concerned with awareness and attitude of business executives regarding social responsibility.

Unfortunately, the researcher is not aware of any research effort that had been devoted to the study of awareness and attitude of executives regarding social responsibility in medium scale manufacturing firms. This study therefore investigates the awareness and attitude of executives of medium scale industries regarding social responsibility. Information about such awareness and attitude may be important in guiding government in social responsibility matters.

A study of attitude in particular is also important because according to cherry (1978), attitude can be used to explain or even predict behaviour. Attitudes are often viewed as underlying variables which are assumed to influence or guide behaviour.

1.30 OBJECTIVES OF THE STUDY

1. To determine the extent to which executives in medium scale manufacturing firms are aware of basic issues in the social responsibility concept.
2. To determine the attitude of executives toward social responsibility.
3. To determine the extent to which medium scale manufacturing firms have implemented social responsibility.
4. To determine whether the extent of implementation of social responsibility is related to the level of awareness and attitude.

1.40 OVERVIEW OF THE REPORT

This report is divided into five chapters. The first chapter is the introduction of the study. This section gives the background information on social responsibility concept and the importance of medium scale manufacturing firms in Kenya. The chapter also highlights the research problem and the objectives of the study.

The Literature review is contained in chapter two. This is the literature on

previous related studies, social responsibility arguments, obstacles to the implementation of social responsibility and attitude.

Chapter three deals with the research methodology, the population, sample size and selection, data description and collection, and data analysis techniques are discussed in this chapter. Validity and reliability tests of the scales used in this study are also discussed in this chapter.

The fourth chapter gives summary of the data analysis and discussion on the findings. It gives an analysis based on the objectives of the study.

Chapter five presents summary of the findings, conclusions, limitations of the study and suggestions for further research.

LITERATURE REVIEW

Previous studies in this area of social responsibility have come with different findings. Kweyu (1993) found that most banks in Kenya engaged in social activities. However the pursuance of high profits remained the most important objective of these banks. They cut funds allocated to social activities when economy is not performing well. Generally, bank managers had positive attitude toward social activities.

One survey of small business firms (Wilson, 1980), generally found that there was no difference between social responsibilities of small firms and large corporations.

Another study by Wilson (1981) on small business social responsibilities found that Eighty eight percent of firms were strictly profit oriented.

Cai liyi (1995), in a study of co-operation between small and medium enterprises and the universities in china found that some of these enterprises are socially irresponsible when it comes to ownership of technical achievements. The researcher, states that some enterprises mishandle the matter of ownership or even take forcible possession of achievement in research by the universities that they have partially funded. Some enterprises do not abide by contracts.

Cai, observes that social irresponsibility is extremely harmful to the consolidation and extension of cooperation between higher institutions and small and medium industries. This illustrates the extent to which these enterprises are not socially responsible.

As indicated earlier, there are two views that have been put forward by scholars about social responsibility.

Supporters of each view have put forward arguments to support their views. However, the general consensus is that business should be socially responsible.

2.11 ARGUMENTS IN FAVOUR OF SOCIAL RESPONSIBILITY

One reason given for responsibility involving more than just earning profits is the concept of social power. Keith Davis (1975), a well known management scholar claims that social power exist because businesses have vast economic resources.

Keith Davis (1974), called this an iron law of responsibility which states that in the longrun those who do not use power in a manner that society considers responsible will tend to lose it. In other words government regulation will curb social irresponsibility.

Bashaija (1977) puts another argument that social responsibility has the effect of prolonging the business lifetime particularly when there is strong public support, By applying social responsiblility, the business will become popular with general public, which is a source of its market and labour force. The general public will like to be associated with socially responsible organisations because their activities will not negatively affect them. Lack of confrontation with general public tends to prolong the life of business organisation. Some big companies which have always engaged in social responsibility like Cocacola have been able to survive for long because of good relationship with the society. Others like KEL chemicals in Thika had its operations interrupted due to its failure to control pollution.

Anderson and Frankle (1980), have argued that social responsibility can improve the value of the company. That is, companies that report their activities to

the public (Social disclosure) have the value of their shares raised. Their shares have a higher value compared to those who do not report on the effect of their activities on society. They were able to prove their argument through empirical study.

Others who have supported them, include Preston (1978), Belkaoui (1976), Bowman (1978), and Bowman and Haire (1975). They have shown that there is a positive correlation between social disclosure and economic performance. They have shown that the market is efficient. It can detect those that are reporting wrong information and discriminate between the firms that undertake social responsibility and those that do not undertake.

Thus social responsibility activities will help the company to attract more capital compared to its competitors who may not be undertaking them. Social performance also helps to improve the performance of the firm. That is, it will be able to perform well economically if it engages in social responsibility.

This is because its product will be popular with general public due to publicity which is a popular tool in marketing. General public is the source of market for the company's products. In Kenya, a company such as Cocacola has been able to improve its economic performance because of its social activities which has made its product to be popular with the public.

Empirical evidence have supported the above argument. It have been shown that there is a positive correlation between social performance and economic performance. Positive correlation between pollution performance (as proxy for social performance) and economic performance was found in studies by Bradgon and

Marlin (1972), and by Bowman and Haire (1975). These results were confirmed by Spicer (1978). He found that better pollution performance was associated with high profitability and lower risk. Parket and Eilbert (1975) reported a strong positive correlation between social and economic performance.

Harold and Koontz (1991) argues that it is better to prevent social problems than to cure them. It may be easier to help the hardcore unemployed than to cope with social unrest.

Business cannot afford to operate in sick society. Hence managers should try to ensure a healthy society. They advocate business ensuring clean air, water and generally a healthy society.

On the same line, most business organisations in Kenya have realised that it is better to rehabilitate street children than to cope with future criminals. Most companies, like Barclays Bank Ltd are assisting centres for rehabilitation of these children with finance.

Social responsibility activities help to guard against government intervention into business activities. Intervention can take such forms as business closure, indictment (charging) of management and introduction of strict rules. This has negative impact on business objectives. Thus in order to avoid government intervention, there is need for business to be socially responsible. The government will intervene in situations where the safety and health of employees and general public is threatened by business activities.

In the U.S.A, Dean Witter Reynolds, a stock brokerage firm was forced by the government of united states to make payments of \$1.8 million to hispanics,

blacks and female brokers who had applied to work for the company from 1976 to 1981. These groups had been discriminated in hiring and promotion decisions. The company was also required to establish a \$2.8 million affirmative action program. The purpose was to place minority in brokerage positions.

2.20 ARGUMENTS AGAINST SOCIAL RESPONSIBILITY

Hayek (1960), argues that corporation exist for one reason, which is to make profits. When it is deflected from that specific purpose the results are bad for the particular enterprise and the general community. For example the financial costs of social actions may overtime cause the prices of goods and services to rise and that the consumer will pay the bill.

Another argument against social responsibility was advanced by Milton Friedman (1963), a reknown critic of business involvement in social responsibility. He observes that if managers reduce the returns of shareholders through social responsible actions they are in effect levying taxes on the corporation which has already paid taxes to the government.

Friedman (1963) was also concerned with determining how this self-imposed taxes will be spent. He argues that when managers determine their usage they undermine market mechanism for allocating resources and appoint themselves as non-elected public policy makers. According to him market mechanism helps to allocate resources efficiently in areas with higher returns to owners. Hence it should not be used to allocate resources.

Hayek (1960), also argues that involvement in social activities may invite greater business control. The government will control business because it has

traditionally been involved in provision of private goods and not social goods. In such an intervention the business organisation will be negatively affected.

Levitt (1968), argues that involvement in social activities by business can create a weakened international balance of payment situations, because the cost of the social programs would be added to the price of the products. This will make one company or country products costly than those of the other. Thus, loosing in international market.

2.30 OBSTACLES TO THE IMPLEMENTATION OF SOCIAL RESPONSIBILITY

The concept of business social responsibility implies, the reduction of profits through philanthropies. This may hinder its implementation for the fear that it may reduce corporate profits.

There is also a problem of choosing what society needs. The needs of society are different and keeps on changing, so the organization may be unable to implement social activities that matches needs of the society.

Bashaija (1977), notes that the execution of social responsibility may be thwarted by organizational behaviour. Implementation depends largely on attitude and commitment of people involved .

In small organizations, the initiators depending on their qualities, may be able to push through various programs. In large, heavily decentralized organizations, there are several impediments on executive demands, powers or influences. In this organizations, it becomes difficult to justify the social component of business strategies initiated by top management.

According to Kweyu (1993), reward-penalty system is another impediment.

In large or heavily decentralized organisations, where managers of various centres are appraised and rewarded on quantitative results, implementation of social programs may be hampered. Manager will continue to be more sensitive to the quantitative measures where rewards are distributed according to economic accomplishments.

According to Andrew (1973), this has grave implication for the concept of social responsibility for there will be concern for tangible factors at expense of intangible aspects (like benefits of social responsibility) of business strategies.

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

2.40 ATTITUDE AND BEHAVIOUR

Attitude are expression of inner feeling that reflect whether a person is favourably or unfavourably predisposed to some object. Because they are an outcome of psychological processes, attitudes are not directly observable, but must be inferred from what people say or what they do.

Researchers assess attitudes by asking questions or making inferences from behaviour. For example, if a researcher determines from questioning a

customer that the individual constantly buys oil of olay products and recommends them to friends, the researcher is likely to infer that the customer possesses a positive attitude towards oil of olay products (Schiffman and Leslie, 1985).

Attitude may be defined as:

a learned predisposition to behave in a consistently favourably or unfavourably way with respect to a given object (Schiffman and Leslie, 1985).

Attitudes are learned. This means that attitude are formed as a result of direct information from others and exposure to mass media (eg advertising). It is important to remember that while attitudes may result from behaviour, they are not synonymous with behaviour. Instead, they reflect either a favourable or unfavourable evaluation of the attitude object. As predisposition attitudes have motivational quality, that is, they might propel a person toward a particular behaviour or repel the person away from a particular behaviour.

Another characteristic of attitude is that they are relatively consistent with behaviour they reflect. However, despite their consistency, attitude are not necessarily permanent they do change. By consistency we mean that when persons are free to act as they wish, we anticipate that their actions will be consistent with their attitudes.

Empirical support that attitudes lead to behaviour was provided by Beckler (1984). According to Organ and Bateman (1991), feeling and behaviour follow quite naturally. Staw (1976) also found that awareness leads to behaviour.

METHODOLOGY

This chapter reports on the sample, and data collection and analysis methods used in the study.

3.10 THE SAMPLE

The population of interest in this study consisted of all manufacturing firms employing between twenty and forty nine employees in Nairobi. According to the statistical abstract (1995), any manufacturing organisation employing between twenty and forty nine is considered medium.

From a list of 344 firms obtained from the directory of manufacturing industries, a sample of 40 firms was selected using simple random sampling method.

3.20 DATA DESCRIPTION AND COLLECTION

Primary data was collected for the purpose of this study using a questionnaire. The questionnaire was presented to chief executives (Managing Directors) of these organisations because they make some of the most important social responsible decisions such as giving donations.

The administration of the questionnaire was through the "drop and pick up later" method. The questionnaire has four sections, A, B, C and D. Section A, B, and C addressed objectives one, two and three respectively. Section D assisted in data classification.

3.21 DATA ANALYSIS METHOD

The data in this research was analysed using tables, percentages and mean scores. Correlation analysis was used for the purpose of the fourth objective.

3.30 VALIDITY AND RELIABILITY TESTS OF THE SCALES

USED IN THE STUDY

According to Churchill (1983), construct validity of a measure is assessed by whether the measure confirms or denies prediction from the theory based on the construct.

Churchill (1983) notes that construct validity of a measure could be assessed by ascertaining the relationship between independent variable scores and dependent variable scores. For example, job satisfaction scores and company turnover. Those companies in which the scores are low, indicating less job satisfaction should experience more turnover than those with high scores. If they do not, one would question the construct validity of the job satisfaction.

Following, Churchill's (1983) argument the scale used to measure responsibility was valid, because it confirms the prediction from the theory of attitude and behaviour. That is, attitude leads to behaviour (see Beckler 1984). In this study it was found that there was a strong association (relationship) between attitude toward social responsibility and its implementation (behaviour). This confirms the theory. The coefficient of correlation between attitude and implementation was 0.68.

The reliability of the scale was tested using the split-half method. The correlation coefficient obtained between the two halves was corrected using the Spearman-Brown prophecy formula. The reliability was found to be 0.67.

DATA ANALYSIS AND FINDINGS

4.10 Introduction

In this chapter, the data from the completed questionnaire was summarised and presented in tables, percentages, mean scores and graphs. Out of the 344 medium scale manufacturing firms in the population, 40 managers received the questionnaires, out of which 26 were filled and received in good time for data analysis. This gave the overall response rate of 65 percent.

The analysis of data is presented in five stages. The first stage presents the data on the awareness of specific issues of social responsibility concept. The second stage presents data on attitude of executives toward social responsibility. The third stage covers the data on the relationship between awareness, attitude and implementation. The fourth and fifth stages deals with the data on the implementation and obstacles of implementation of social responsibility respectively.

4.20 EXECUTIVES AWARENESS OF THE SOCIAL RESPONSIBILITY

CONCEPT OF BUSINESS

The respondents were generally found to be aware of some of the issues of social responsibility concept.

The overall mean score was 7.04 (see appendix III). Table 1 indicates the respondents awareness of issues in the social responsibility concept.

According to the table, those respondents with scores of seven and above were 61.54 percent. There were no respondents with below level of awareness.

Table 1: Respondents Awareness of Issues in Social Responsibility Concept.

score (out of 10) (x)	Number of Respondent (f)	percentage of Respondents
10	1	3.85%
9	2	7.69%
8	8	30.77%
7	5	19.23%
6	6	23.08%
5	4	15.38%
	$\sum (f)=26$	100 %

Number of Respondents (N) = 26
Source: Primary Data

Table 2 below shows the awareness mean scores obtained by executives according to the type of ownership.

It shows that managers in foreign owned companies have a higher mean score (8.5) than those joint venture and locally owned, who have mean scores of 7.5 and 6.2 respectively.

Table 2: Awareness and Type of Ownership.

Ownership	Number of firms	Mean score
Locally owned	13	6.2
Joint venture	7	7.5
Foreign	6	8.5

N=26
Source: Primary Data

Table 3 below shows the awareness mean scores obtained by executives classified according to number of years in management. It shows that managers with many years in management are more aware of social responsibility issues. Those with 11-15 years, 16-20 years, and over 20 years have mean scores of 7.75, 8.5 and 8 respectively, compared to 6.17 and 6.38, for those with 1-5 years and 6-10 years.

Table 3: Awareness and Number of years in Management

Number of years in management	Number of firms	Mean Score
1 - 5 years	6	6.17
6 - 10 years	8	6.38
11 - 15 years	4	7.75
16 -20 years	4	8.50
over 20 years	4	8.00

N=26

Source: Primary Data

4.30 ATTITUDE OF EXECUTIVE TOWARD SOCIAL RESPONSIBILITY

Table 4, below shows the scoring procedure that was used to generate the data on executives' attitude toward social responsibility given in Table 5.

The table shows that if a respondent ticked strongly agree and agree for positive statement, the score was 2 and 1 respectively. The same score applied if he or she ticked strongly disagree and disagree for negative statement. Disagreeing with positive statement and agreeing to a negative statement earned a score of -1. A neutral attitude got a score of zero, while strongly disagreeing with

a positive statement and strongly agreeing with a negative statement each got a score of -2.

Table 4: Scoring Procedure

	Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree
Positive statement	2	1	0	-1	-2
Negative statement	-2	-1	0	1	2

	Total	Mean
5 Giving out business profit to support social activities is not a worthy objective	5	0.3077
6 If Managers reduce returns of shareholders through socially responsible activities, then they are in effect levying taxes on the corporation.	-12	-0.1615
7 Social activities may invite greater business control because business has traditionally been involved in production of private goods and not social goods.	7	0.2672
8 Managers should be held accountable for social effects of their organisations.	14	0.5335
9 Business has resources and should use its talented managers to solve some of the society's problems.	-5	-0.1923
10 Money spent on social activities is money wasted.	-1	-0.0785
11 Social responsible activities increases the prices of goods and services.	-1	-0.0385
12 Since the organisation uses society resources, it should restrain by contributing to social activities.	13	0.50
13 Social responsible firms will be uncompetitive due to committing their financial resources to social issues.	11	0.4231
14 Social responsible programs allocates resources in areas which do not bring returns to owners.	3	0.1154
15 Where the firm is polluting the environment, relevant technology to reduce pollution should be adopted.	32	1.2308
16 It is in the longrun interest of the company to be involved in social activities.	6	0.2308
17 It is better to prevent social problems than to cure them.	25	0.7892
18 Social responsibility is a social contract between business and society.	7	0.2692

Table 5: Executives Attitude toward Social Responsibility

	Statement	Total Scores	Mean Scores
1	Corporations exist for only one purpose to make profits.	-20	-0.7692
2	Social responsibility leads to the creation of better social environment which benefits both business and society.	4	0.1538
3	Social responsible activities such as social improvement programs should be determined by law.	5	0.1923
4	Social responsibility has the effect of prolonging business lifetime.	4	0.1538
5	Giving out business profit to support social activities is not a worthy objective.	8	0.3077
6	If Managers reduce returns of shareholders through socially responsible activities, then they are in effect levying taxes on the corporation.	-12	-0.4615
7	Social activities may invite greater business control because, business has traditionally been involved in production of private goods and not social goods.	7	0.2692
8	Managers should be held accountable for social effects of their organisations.	14	0.5385
9	Business has resources and should use its talented managers to solve some of the society's problems.	-5	-0.1923
10	Money spent on social activities is money wasted.	-1	-0.0385
11	Social responsible activities increases the prices of goods and services.	-1	-0.0385
12	Since the organisation uses society resources, it should reciprocate by contributing to social activities.	13	0.50
13	Social responsibility firms will be uncompetitive due to committing their financial resources to social issues.	11	0.4231
14	Social responsible programs allocates resources in areas which do not bring returns to owners.	3	0.1154
15	Where the firm is polluting the environment, relevant technology to reduce pollution should be adopted.	32	1.2308
16	It is in the longrun interest of the company to be involved in social activities.	6	0.2308
17	It is better to prevent social problems than to cure them.	20	0.7692
18	Social responsibility is a social contract between business and society.	7	0.2692

According to table 5 above, the computed overall mean score was 0.20. This shows that in general the executives had a positive attitude toward social responsibility. However, the score is very low. Thus, it can be concluded that the executives had a weak attitude toward social responsibility.

The sample mean total score was found out to be 5.28. At 95 percent confidence level, the population mean lies between 1.458 and 9.102.

4.40 EXTENT OF RELATIONSHIP BETWEEN IMPLEMENTATION AND ATTITUDE

In order to determine the extent of relationship between implementation and attitude, both coefficient of correlation (r) and determination (r^2) were computed.

The coefficient of correlation (r) was 0.68. This indicated that there is a strong association between attitude and implementation.

The coefficient of determination (r^2) was found to be 0.46. This shows that 46 percent of change in implementation can be explained by attitude. According to the scatter diagram 1 (see appendix IV) the relationship between attitude and implementation is of non-linear kind. Appendix II shows the relationship between attitude and implementation.

The weights for attitude scale were chosen arbitrarily. They were as follows: if a respondent ticked strongly agree and agree to favourable statement, the score were five and four respectively. The same score applied if he or she ticked strongly disagree and disagree for unfavourable statement. Disagreeing with a favourable statement and agreeing to an unfavourable statement earned a score of two. A neutral attitude got a score of three, while strongly disagreeing with a favourable

statement or strongly agreeing with an unfavourable statement, each got a score of one. The implementation score was out of six.

4.50 EXTENT OF RELATIONSHIP BETWEEN LEVEL OF AWARENESS AND IMPLEMENTATION

In order to determine whether awareness is related to implementation, coefficient of correlation (r) and coefficient of determination (r^2) were computed.

The coefficient of correlation (r) was found to be 0.74. This shows that there is very strong association between level of awareness of social responsibility issues and its implementation.

Scatter diagram 2 (see appendix V) shows that the relationship is of non-linear kind.

Appendix III shows the relationship between awareness and implementation.

4.60 EXTENT OF IMPLEMENTATION OF CONCEPT OF SOCIAL RESPONSIBILITY

Table 6 below shows the percentage of companies which have implemented each of the issues of social responsibility.

Prevention of pollution was found to be the most implemented aspect of social responsibility, for example, 85 per cent of the companies were found to have implemented it.

The calculation of social costs and benefits of an activity before deciding whether to implement it, and having a department or person concerned with socially responsible actions, were found to be implemented by only 4 per cent of the firms.

Table 6: Extent of Implementation of concept of Social Responsibility

Issues of social responsibility implemented	Percent Implementing
Channel of stakeholders complaints against the organisation are provided.	58%
The company takes measures to prevent pollution.	85%
Social costs and benefits of activities are calculated before deciding whether to carry an activity .	4%
The company ensures that its promotion activities like advertising are truthful and honest.	58%
The company donates money to social causes.	62%
There is a department or person concerned with social responsible activities.	4%

N=26

Source: Primary Data

4.70 BARRIERS TO THE IMPLEMENTATION OF SOCIAL RESPONSIBILITY

CONCEPT

Table 7 below shows the percentage of firms citing each of the given barriers as hindering them implementing social responsibility. There were 11 firms which indicated that they do not behave in socially responsible manner.

Ninety percent of these firms cited lack of financial resources as one of the reasons.

Table 7: Percentage of firms citing each of the Barriers as hindering them implementing of social responsibility

Barriers	Percentage
Lack of financial resources	90%
Lack of awareness on how best to implement it.	18%
Competition.	82%
Social responsibility activities reduce co-operate profit.	18%
Resistance from within the organisation.	0.64

N=11

Source: Primary Data

SUMMARY, DISCUSSIONS AND CONCLUSIONS

In this chapter the findings of the study are summarized and discussed in relation to the objectives of the study. This chapter, also includes, limitations of the study and suggestions for further research.

5.10 SUMMARY

This study sought to answer four major objectives. First, it sought to determine the extent to which executives in medium scale manufacturing firms are aware of basic issues in the social responsibility concept. Secondly, it sought to determine the attitude of executives toward social responsibility. Thirdly, the research sought to determine the extent to which medium scale manufacturing firms have implemented social responsibility, and fourthly to determine whether extent of implementation is related to the level of awareness and attitude.

In relation to the issue of executives awareness of the concept, it was found that medium scale manufacturing executives in Nairobi were, in general, aware of some aspects of the concept.

The overall mean score was 7.04. This implies that executives' of medium scale manufacturing firms in Nairobi are highly aware of social responsibility concept. This is also supported by the fact that, the respondents with scores of seven and above were 61.54 percent.

In addition, the executives of foreign owned firms had a higher level of awareness (Mean score=8.5) of the concept than those of locally owned and joint venture who had level of awareness of 6.2 and 7.5 respectively. This may be attributed to the level of exposure that executives in these firms may have experienced or the level of education that they possess. However, this is a subject for further research.

Further, executives who have held management positions for 16 to 20 years had a higher level of awareness (Mean score=8.50), compared to those in categories of 1 to 5, 6 to 10, 11 to 15 and over 20 years, who had level of awareness with mean scores of 6.17, 6.38, 7.75 and 8.00 respectively. This tends to show that the Number of years the respondent have been in management influences the level of awareness. This is because as the number of years increases the level of awareness increases, although the awareness mean score for respondents with over 20 years in management is slightly less than those between 16 and 20 years, but higher than previous years. However this is also a subject for further research.

In regard to the attitude toward social responsibility, it was found that executives in medium scale manufacturing firms in general, had positive attitude. The overall mean score was 0.2. This shows a weak attitude toward social responsibility. This may be due to the huge expenditure involved in socially responsible activities, which may negatively affect profits. However, the researcher is not aware of empirical support for this argument.

As far as implementation of social responsibility is concerned, prevention of pollution was found to be the most implemented aspect of social responsibility. Eighty five percent of the companies were found to have implemented it. This may be

attributed to government's strict laws regarding curbing of pollution. According to the eighth National Development plan 1997 - 2001, the government have instituted strict penalties against firms polluting environment.

Concerning the extent of relationship between implementation and attitude, it was found out that there was a strong association between them. The coefficient of correlation (r) was 0.68. The coefficient of determination (r^2) was 0.46. This is consistent with other research findings (organ and Bateman 1991; Beckler 1984) that there is a strong association between behaviour and attitude.

On the relationship between implementation and awareness, it was found out that there was also a strong association between them. The coefficient of correlation (r) was 0.74. The coefficient of determination (r^2) was 0.38. This is aslo consistent with research findings by staw (1976).

In regard to the barriers of implementation, lack of financial resources and competition were found to be the major barriers. They were cited by ninety and eighty two percent of the respondents respectively. Lack of financial resources may be attributed to the size of these firms and the number of them. According to the directory of manufacturing firms (1997), there are very many manufacturing firms in Kenya. Apart from competing among themselves, they face competition from outside Kenya due to the current government liberalisation policy.

5.20 CONCLUSION

The findings of this research have brought to light a number of issues regarding the executives attitude and awareness toward social responsibility.

First, It has been found that there is a relationship between awareness, attitude and implementation of social responsibility, which is consistent with previous research findings, as shown above. Thus, it can be concluded that with more education on importance of social responsibility, its implementation may increase. The government and other interested parties should device appropriate strategies to educate these firms on the importance of social responsibility.

Secondly, it was found that despite the executives having high level of awareness of social responsibility they had a weak positive attitude. Thus, the goverment and other interested parties should do something to compromise the two, so as to ensure higher implementation. Provision of more information on the importance of social responsibility should also play an important part.

5.30 LIMITATIONS OF THE STUDY

The following constituted the limitations of this study.

Firstly, time limited the scope and depth of the study. Owing to the short time during which the study was to be completed it was not possible to get all managers to fill the questionnaires. Eight executives refused to fill the questionnaires, citing such reasons as, managerial policy not to release any information related to the company and lack of staff and time to fill the questionnaire. Six executives lost the questionnaires even after being given to them twice. Due to these difficulties only 26 of the targeted 40 companies provided information. Secondly, there was limitation of measurement which is common in all surveys, particularly those dealing with psychological measurements, such as this one. Attitude change overtime and respondents can give biased answers.

Thirdly, the study was limited to a single category of manufacturing sector and may not apply to all categories of manufacturing organisations or any service organisation.

5.40 SUGGESTIONS FOR FURTHER RESEARCH

The following areas can be recommended as possible areas for further research.

First, since this study was solely based on executives of medium scale manufacturing firms, perhaps a study investigating all the issues or some of the issues of social responsibility that were investigated could be carried out in other categories of manufacturing organisations.

Secondly, research should be directed toward investigating the relationship between social performance and economic performance.

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Appendix I

Note to the Respondents

UNIVERSITY OF NAIROBI
FACULTY OF COMMERCE
MBA - PROGRAMME
LOWER KABETE CAMPUS

P.O. Box 30197
Nairobi, Kenya

INTRODUCTORY LETTER: KIARIE, ELIAS KAGIRA

MR. KIARIE, E. K. is a Masters student in the Faculty of commerce, University of Nairobi. In partial fulfilment of the requirements of the Masters in Business and administration (MBA) degree, he is conducting a study on "SOCIAL RESPONSIBILITY : ATTITUDE AND AWARENESS OF EXECUTIVES IN MEDIUM- SCALE MANUFACTURING FIRMS IN NAIROBI."

Your organization / firm has been selected to form part of this study. To this end, we kindly request your assistance in completing the questionnaire which forms an integral part of the research project. Mr. Kiarie will be responsible for the administration of the questionnaire. Any additional information you might feel necessary for this study is welcome.

The information and data required is needed for academic purposes and will be treated in strict confidence. A copy of the research project will be made available to your organization/ firm upon request.

Your cooperation will be highly appreciated.

Thank you.

Yours sincerely,

Dr. P. O. K'OBONYO
Dean, faculty of commerce

cc. MBA Co-ordinator
Chairman, Dept. Of Business Admin.

QUESTIONNAIRE

SECTION A

Please, indicate only those statements that are true or false about social responsibility concept (socially responsible behaviour in business) by writing (T) against true statement and (F) against false statement in the space () provided.

If there are some that you consider true or false, but have not been included, please write them in the space for others.

1. Business should provide direct financial support to disadvantaged groups in the society. ()
2. Business concern is maximising profits only. ()
3. The main goal of business is to sell all products produced. ()
4. Social costs of activity should be calculated before deciding whether to provide it. ()
5. Business is socially responsible through production of goods and service only ()
6. Business should be concerned with effects of its activities on society. ()
7. Business should take stand on public issues. ()
8. Business is held responsible for the proper maintenance of land, air and water that surrounds its premises. ()
9. Corporation regardless of their sizes, should stimulate and develop commitment to human values. ()
10. The main focus of business is to meet customer needs and maximise shareholders wealth. ()

Others (Please specify).....

.....

SECTION B

For each of the following statement, please indicate how strongly you agree or disagree with the statement. Indicate by circling, only the number which best represent your level of agreement.

- | | | | |
|---|---|---------------------------|-----------|
| 5 | = | Agree strongly | 5 4 3 2 1 |
| 4 | = | Agree | 5 4 3 2 1 |
| 3 | = | Neither agree or disagree | 5 4 3 2 1 |
| 2 | = | Disagree | 5 4 3 2 1 |
| 1 | = | Disagree strongly | 5 4 3 2 1 |
-
- | | |
|---|-----------|
| 1. Corporations exist for only one purpose to make profits. | 5 4 3 2 1 |
| 2. Social responsibility leads to the creation of better social environment which benefits both the business and society. | 5 4 3 2 1 |
| 3. Social responsible activities such as social improvement programs should be determined by law. | 5 4 3 2 1 |
| 4. Social responsibility has effect of prolonging business lifetime. | 5 4 3 2 1 |
| 5. Giving out business profit to support social activities is not a worthy objective. | 5 4 3 2 1 |
| 6. If managers reduce returns of shareholders through socially responsible activities, they are in effect levying taxes on the corporation. | 5 4 3 2 1 |
| 7. Social activities may invite greater business control because, business has traditionally been involved in production of private goods and not social goods. | 5 4 3 2 1 |
| 8. Managers should be held accountable for social effects of their organisations. | 5 4 3 2 1 |
| 9. Business has resources and should use its talented managers to solve some of the society's problem. | 5 4 3 2 1 |
| 10. Money spent on social activities is money wasted. | 5 4 3 2 1 |
| 11. Social responsible activities increase the price of goods and services. | 5 4 3 2 1 |
| 12. Since the organisation uses society resources, it should reciprocate by contributing to social activities. | 5 4 3 2 1 |
| 13. Social responsible firms will be uncompetitive due to committing their financial resources to social issues. | 5 4 3 2 1 |

14. Social responsible programs allocates resources in areas which do not bring returns to owners. provided, only those activities which are profitable against the organisation are provided. 5 4 3 2 1
15. Where the firm is polluting the environment, relevant technology to reduce pollution should be adopted. 5 4 3 2 1
16. It is the longrun interest of the company to be involved in social activities 5 4 3 2 1
17. It is better to prevent social problems than to cure them. 5 4 3 2 1
18. Social responsibility is a social contract between business and society. 5 4 3 2 1

5. The company donates money to social causes.
6. There is a department or person concerned with social responsible activities.
- Others (Please specify).....

(b). In your opinion, does your company behave in socially responsible manner? Tick where appropriate.

Yes

No

Don't know

(c). If your answer to the above is "No", Please tick only those statements that hinder your company from being involved in socially responsible activities.

(i) Lack of financial resources

(ii) Lack of awareness on how best to implement it

(iii) Competition hinder implementation of social responsible activities.

(iv) Social responsibility activities reduces corporate profits

(v) Resistance from within the organization

Others(please Specify) _____

SECTION C

- (a). Please tick, in the space () provided, only those activities which indicate what your organisation does in the process of conducting its business.*
1. Channels of stakeholders complaints against the organisation are provided. ()
 2. The company takes measures to prevent pollution. ()
 3. Social costs and benefits of activities are calculated before deciding whether to carry an activity. ()
 4. The company ensures that its promotion activities like advertising are truthful and honest. ()
 5. The company donates money to social causes. ()
 6. There is a department or person concerned with social responsible activities. ()
- Others (Please specify).....
-

(b). In your opinion, does your company behave in socially responsible manner? Tick () where appropriate.

Yes ()

No ()

Don't know ()

(c). If your answer to the above is "No", Please tick () only those statements that hinder your company from being involved in socially responsible activities.

(i) Lack of financial resources ()

(ii) Lack of awareness on how best to implement it ()

(iii) Competition hinder implementation of social responsible activities. ()

(iv) Social responsibility activities reduces corporate profits ()

(v) Resistance from within the organization ()

Others(please, Specify) -----

SECTION D

(a) When did your company start operations in Kenya,

(b) For how long have you been in a management position:

Tick () the appropriate range

1-5 years ()

6-10 years ()

11-15 years ()

16-20 years ()

Over 20 years ()

(c) Please, indicate the location of ownership of your company. Tick () where appropriate.

Locally owned ()

Foreign owned ()

Joint venture ()

Others (please specify).....

(d) What would you say the principal business of your company is? Tick () where appropriate.

Food processing ()

Chemical production ()

Drug production ()

Plastic production ()

Others (please specify).....

Appendix III: Number of Respondents obtaining a given awareness score and the overall awareness mean score

Score (out of 10) (x)	Number of Respondents (f)	f(x)
10	1	10
9	2	18
8	8	64
7	5	35
6	6	36
5	4	20
	$\sum f=26$	$\sum(f)(x)=183$
Overall mean score	$= \frac{\sum(f)(x)}{\sum(f)} = \frac{183}{26} = 7.04$	

Appendix iv: Relationship Between Attitude and Implementation of Social Responsibility Aspects.

Respondents	Attitude Score (x)	Implementation (y)	x^2	y^2	xy
1	77	4	5929	16	308
2	65	4	4225	16	260
3	39	4	1521	16	156
4	39	4	1521	16	156
5	37	1	1369	1	37
6	75	4	5625	16	300
7	49	2	2401	4	98
8	62	3	3844	9	186
9	73	4	5329	16	292
10	30	1	900	1	30
11	35	3	1225	9	105
12	32	1	1024	1	32
13	80	5	6400	25	400
14	63	3	3969	9	189
15	77	4	5929	16	308
16	39	1	1521	1	39
17	76	6	5776	36	456
18	68	2	4624	4	136
19	43	1	1849	1	43
20	71	3	5041	9	213
21	68	2	4642	4	136
22	67	3	4489	9	201
23	45	1	2025	1	45
24	50	1	2500	1	50
25	43	1	1849	1	43
26	70	4	4900	16	280
	$\Sigma=1473$	$\Sigma y=72$	$\Sigma x^2=90409$	$\Sigma y^2=254$	$\Sigma xy=4499$

Appendix v: Relationship Between Awareness and Implementation of Social Responsibility Aspects.

Respondents	Awareness Scores (x)	Implementation (y)	x^2	y^2	xy
1	8	4	64	16	32
2	7	4	49	16	28
3	5	4	25	16	20
4	8	4	64	16	32
5	6	1	36	1	6
6	8	4	64	16	32
7	6	2	36	4	12
8	7	3	49	9	21
9	8	4	64	16	32
10	6	1	36	1	6
11	6	3	36	9	18
12	5	1	25	1	5
13	10	5	100	25	50
14	7	3	49	9	21
15	8	4	64	16	32
16	5	1	25	1	5
17	9	6	81	36	54
18	9	2	81	4	18
19	8	1	64	1	8
20	8	3	64	9	24
21	8	2	64	4	16
22	7	3	49	9	21
23	6	1	36	1	6
24	6	1	36	1	6
25	5	1	25	1	5
26	7	4	35	16	28
	$\Sigma X=183$	$\Sigma(y)=72$	$\Sigma x^2=1321$	$\Sigma y^2=254$	$\Sigma xy=538$

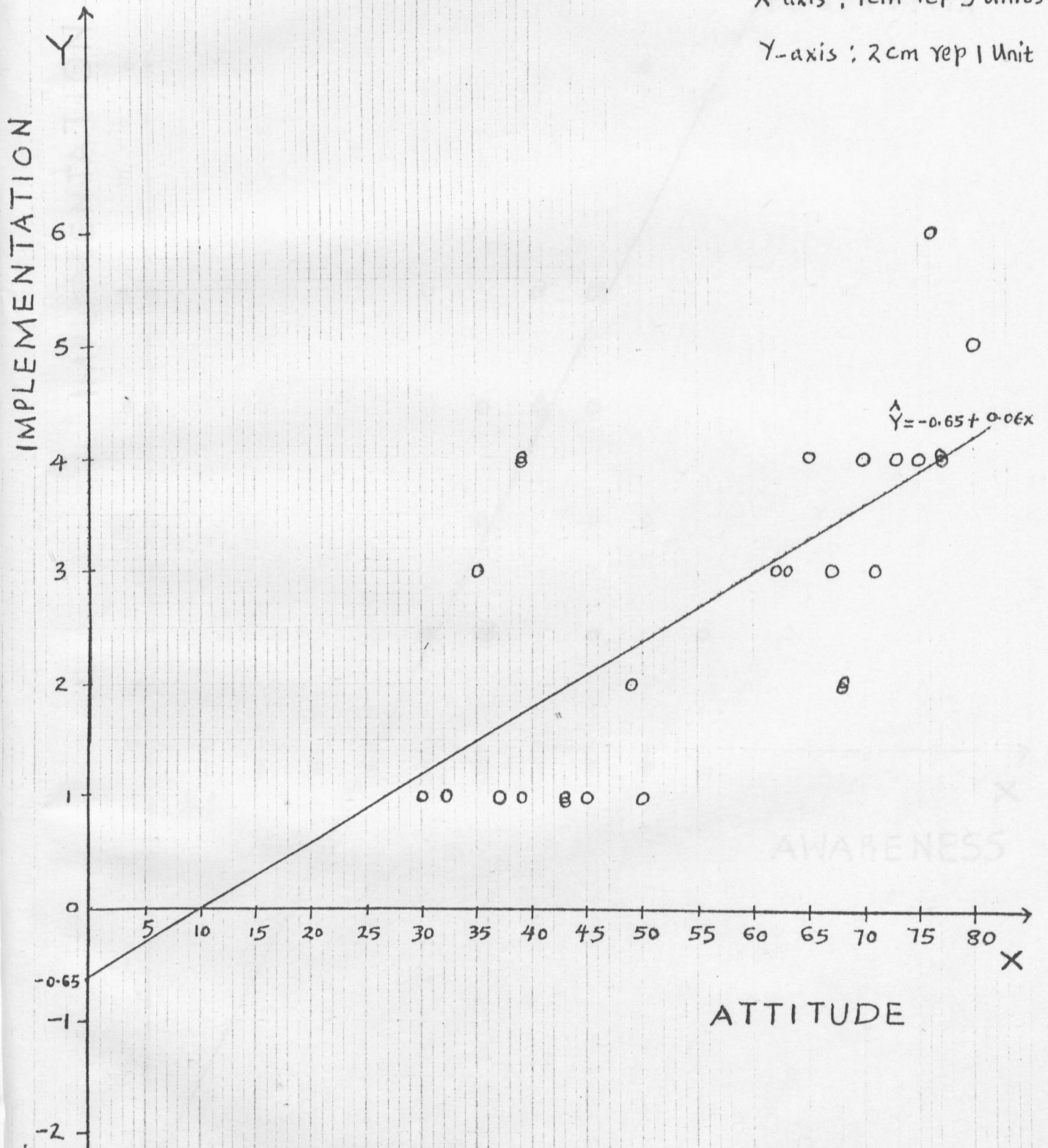
APPENDIX VI ; SCATTER DIAGRAM 1 SHOWING

THE RELATIONSHIP BETWEEN ATTITUDE OF EXECUTIVES AND IMPLEMENTATION OF SOCIAL RESPONSIBILITY

SCALE :

X-axis ; 1cm rep 5 Units

Y-axis ; 2cm rep 1 Unit



APPENDIX VII: SCATTER DIAGRAM 2 SHOWING THE
 RELATIONSHIP BETWEEN AWARENESS
 OF EXECUTIVES AND IMPLEMENTATION
 OF SOCIAL RESPONSIBILITY.

SCALE: X-axis 1cm rep 1 unit
 Y-axis 2cm rep 1 unit

