

**MAINSTREAMING ENVIRONMENTAL MANAGEMENT IN CORPORATE  
ORGANIZATIONS: A CASE STUDY OF KENYA COMMERCIAL BANK (KCB)**

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**DECLARATION**

I, Sonje Caroline Wakesho (CANDIDATE), declare that this research report is my original work and has not been submitted for a degree in any other university.

Sign.....

Date.....

This project has been submitted for examination with our approval as the University Supervisors.

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Prof. Evaristus M. Irandu

Sign.....

Date.....

Dr. James M. Moronge

Sign.....

Date.....

## **DEDICATION**

To the entire Sonje family, for their great support towards my academic endeavours.

## **ACKNOWLEDGMENTS**

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Thanks to the assistance I received from Patrick Oloo, and all the others who in one way or the other assisted me in data collection, data entry, data analysis and production of the report. Last but not the least many thanks go to my own family including my father Norbert Arnold Sonje Deche, mother Susan Mghoi Sonje and siblings for their continued support, encouragement and inspiration. The errors in the project report if any are mine.

## **ACRONYMS AND ABBREVIATIONS**

ATM-	Automated Teller Machines.
COMESA-	Common Market of the East Africa
CEM-	Corporate Environmental Management
CSR-	Corporate Social Responsibility
DRC-	Democratic Republic of Congo
DRSRS-	Department of Resource Surveys and Remote Sensing
DSE-	Dar-Es-Salaam Stock Exchange.
EAC-	East African Community
ECOWAS-	Economic Community of West African States
EIA-	Environmental Impact Assessment.
EMCA-	Environmental Management and Coordination Act
EMS-	Environmental Management System
ICC-	International Chamber of Commerce
IFC-	International Finance Corporation.
ISO-	International Organization for Standardization
KCB-	Kenya Commercial Bank
MENA-	Middle East and Northern Africa
NEMA-	National Environmental Management Authority
NSE-	Nairobi Stock Exchange.
OSHA-	Occupational Safety and Health Administration
PPCSCA-	Permanent Presidential Commission on Soil Conservation and Afforestation
RCM-	Rwanda Over the Counter Market.
SME-	Small and Medium Enterprises
SADC-	Southern African Development Community
SRB-	Sustainable Responsible Business
UN-	United Nations
UNEP-	United Nations Environment Programme
USA-	United States of America
USE-	Uganda Securities Exchange
WBCSD-	World Business Council for Sustainable Development.

## **ABSTRACT**

In recent years, the emerging trend for corporates is to be involved in environmental matters. That is both the physical as well as the social aspect. This is viewed as part of best practice. Institutions are also being pushed into this to mitigate their negative impacts to the environment through resource utilization, emissions, waste production and accumulation.

The objectives of this study were: to examine the existing environmental management framework in Kenya Commercial Bank (KCB); to discuss the driving forces of integrating environmental management in KCB.; to discuss the specific environmental practices in place; to assess the level of involvement of KCB's employees in the implementation and operation of the environmental management system and to investigate the benefits of mainstreaming environmental management in KCB's operations. The hypotheses of the study were: There is no significant relationship in KCB profit levels and staff motivation; and there is no significant difference in cost savings before and after the introduction of environmental conservation initiatives in KCB.

KCB was used as a case study as it is a corporate with branches located in five countries namely Kenya, Tanzania, Uganda, Rwanda and South Sudan. Questionnaires were administered to branches in all the five countries. Branches were sampled using proportionate random sampling whereby the different countries were used as strata; subsequently branches from the strata were picked at random. There were two respondents from each branch. Interviews were also conducted for senior management. Secondary data was obtained from books, journals, financial reports, environmental and social reports as well as the company's website.

The results indicated that KCB just like many other companies in Africa does not have an environmental management system (EMS) to govern the social and environmental concerns of the organization. It was also found out that the key driving force for corporates to be involved in environmental and social issues is for a good public reputation. The other main driving force is compliance to governing bodies' for instance National environment management agency (NEMA) and Occupational safety and health agency (OSHA). This still boils down to trying to maintain a good reputation in the public eye. The other notable driving force is for KCB to increase their market opportunities by either: meeting community needs in the quest to alleviate poverty.

Consequently, the government should make it mandatory for all organizations to have departments charged with environmental concerns. On the other hand, it is imperative for companies to have a strong senior management commitment to social and environmental issues as well as adopt an EMS which should be functional, well staffed and fully operational to ensure that environmental concerns are mainstreamed into the daily operations of the company. In addition, training and awareness of environmental issues should be vehemently conducted to the staff and other stakeholders of the company to ensure a general understanding and positive adoption of environmental concerns.

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## **CHAPTER ONE: INTRODUCTION**

### **1.0 Background to the study**

The world is beginning to experience a new era in corporate organizations. Corporate bodies are now more aware and involved in environmental matters as part of business best practice. Furthermore there is a change in corporate reporting and accountability whereby companies now have sustainability reporting, which encompasses the aspects of sustainable and green business (i.e. social, environmental and economic). (Visser 2010). A business is sustainable if it has adapted its practices for the use of renewable resources and holds itself accountable for the environmental and human rights impacts of its activities. This includes businesses that operate in a socially responsible manner and protect the environment. (Miles, 2007)

Companies are viewed as being the main source of environmental problems. This is through the operational processes, in both the production companies as well as the service industries. These processes tend to negatively impact the environment through resource utilization, emissions, waste production and accumulation. In most cases companies tend to increase the ecological footprint of the area they operate in. (Visser 2010)

Corporate bodies should take up the responsibility of eradicating social and environmental degradation. Some of the issues are poverty reduction which is a major challenge in Africa, health issues including the HIV/AIDS pandemic (which is prevalent in Sub-Saharan countries. On a national level it is estimated to be between 12% and 26% of the population. (World Bank, 2009)); skills development and education (which is a challenge most acute in Africa but unfortunately the fiscal and administrative capacity of African states to meet these goals is limited (Johanson & Adams, 2004); youth development which The World Bank Institute *et al.* (2007) indicates that the one area that resonates strongly among companies and governments in the Middle East and Northern African (MENA) region and where a manifestation of Corporate Social Responsibility (CSR) could have a positive multiplier effect on the region's growth, is in the private sector's engagement with the youth. Creating meaningful employment and opportunities for young people throughout the Arab world is one of the most critical sustainable development challenges facing the region. The same is echoed in sub Sahara Africa. ); socio-economic development and environmental sustainability (whereby a major obstacle to substitutability lies also in the multi functionality of many natural resources. Forests, for example, do not only provide the raw material for paper (which can be substituted quite easily), but they also provide shelter for plants and animals, regulate

the flow of rain water, absorb Carbon dioxide and may contain plants with valuable pharmaceutical properties). Another problem of natural and social capital deterioration lies in their irreversibility (Visser 2010)

The most popular causes supported by companies are the environment, education & health. The greatest internal hindrance to CSR is “lack of funds”. The external hindrances include lack of tax incentives, beneficiary management practices and potential for brand mileage. Most companies give based on requests made to them (re-active approach) (Ararat, 2006)

In recent years driven by stock market, firms have tended to overemphasize short term gains by concentrating more on quarterly results than the foundation for long term success. This obsession with short term profits is contrary to the spirit of sustainability. The existence of an economic discount rate tends to value short term gains (for instance yearly performance results) higher than distant cost caused by social and environmental degradation. (Hess 2003)

### **1.1 Statement of the problem**

Most corporate bodies in the world are involved in environmental and social management, through CSR activities. However, environmental and social management are still at infancy stages in Africa. For instance majority of corporates in East Africa do not have a specific department charged with environmental and social issues. Environmental management is not mainstreamed in the daily operations of the organizations as an internal process, leveraging core operations, strategy and long term planning. Although some countries and corporates in Northern Africa are further ahead than others, environmental and social issues, are still primarily considered as something peripheral to business. Studies reveal that philanthropy is the most common manifestation of corporations’ social agenda in North African countries (Ararat, 2006). Furthermore environmental and social concerns in the region are mostly driven by rational choices of business or political choice rather than by societies’ expectations or pressure from the grassroots level. (World Bank Institute *et al*, 2007). Most of these references underscore the main problem of disconnect between environmental management and the daily operations in corporate bodies.

In sub-Saharan Africa, the case is the same. Environmental and social concerns resemble corporate philanthropy more than an embedded practice. As a result, these issues are seldom related to the company’s core business, but rather tends to be ‘positive payback’ philanthropy, with public relations benefits. However, this also varies. For instance, Ofori & Hinson (2007) compared the adoption of social responsibilities by internationally connected firms with those

of indigenous Ghanaian firms and found that the former are more strategic, moral and ethical in their approach to environmental and social issues. One of the study objectives is to discuss the driving forces on integrating environmental management in KCB. The results will then indicate if the bank resonates with the other corporates in previous researches, or if, it is different, in that they are genuinely concerned about the environment.

Environmental and social concerns in African corporates tend to be characterized by ad-hoc projects focused at the community level and driven by the dominant cultural context of the individual countries within the region as opposed to the main issues at hand. These ad-hoc projects are a result of limited attention paid to environmental and social issues by organizations and the general absence of supportive national strategies, policies and structures.

Owing to the fact that Environmental and social issues are viewed to be to be a charitable case, sustainability in Africa is most often associated with medium to large corporates and particularly with multinationals or large foreign investors as opposed to all organizations getting involved. Most corporates in Africa are mainly focused on creating a positive corporate image instead of dealing with the actual problems of environmental and social degradation. They also resemble corporate philanthropy more than an embedded practice. (Utting, 2000). The aim of the study is to examine the existing environmental management framework in KCB, to see if the bank is any different from the other corporates, in that they have actually mainstreamed environmental management in their operations.

Another emerging problem is that most employees in these corporate bodies, view environmental management as a way for the company to increase profits through savings, but yet fail to reward the employees accordingly (that is not share with the employees on the savings made). This is due to the fact that environmental management is not mainstreamed into the day to day operations so it is not fully understood and owned by the employees. (Visser 2010). The study intends to assess the level of involvement of KCB's employees in the implementation and operation of the EMS. This will shed light on employee knowledge and understanding of environmental concerns, subsequently their genuine participation in environmental conservation.

Research on mainstreaming environmental management into corporates in Kenya and more specifically in financial institutions has been limited. For instance (Wafula 2003) research

compared environmental management in two different organizations of which none was a financial institution. This research aims to bridge this gap

This study therefore aims to evaluate corporate institutions in mainstreaming environmental and social management in their operations. In so doing the study should be able to address the paradox of corporate institutions reaction to environmental and social issues, which is reactive, reputation based, as well as viewed as a philanthropic gesture as opposed to genuinely caring for the community and the environment. Kenya Commercial Bank (KCB) is used as a case study.

### **1.3 Research questions**

1. Is there an existing environmental management framework in KCB?
2. What are the driving forces for integrating environmental management in corporate institutions?
3. What are the specific environmental practices in KCB?
4. What is the level of involvement of the KCB's employees in the implementation and operation of the environmental management programme?
5. What are the perceived benefits of mainstreaming environmental management in KCB's operations?

### **1.4 Objectives**

1. To examine the existing environmental management framework in KCB
2. To discuss the driving forces for integrating environmental management in corporate institutions.
3. To discuss the specific environmental practices in KCB.
4. To assess the level of involvement of the KCB's employees in the implementation and operation of the environmental management programme.
5. To investigate the benefits of mainstreaming environmental management in KCB's operations

### **1.5 Hypotheses**

H<sub>0</sub>: There is no significant relationship in KCB profit levels and staff motivation.

H<sub>1</sub>: There is a significant relationship in KCB profit levels and staff motivation.

H<sub>0</sub>: There is no significant difference in cost savings before and after the introduction of environmental conservation initiatives in KCB.

H<sub>1</sub>: There is a significant difference in cost savings before and after the introduction of environmental conservation initiatives in KCB.

### **1.6 Justification of the study**

There is not much research which has been carried out on mainstreaming environmental management into corporates in Kenya and more specifically in financial institutions. Mostly financial institutions are viewed not to harm the environment as compared to their manufacturing counterparts, and in so doing they have been left out in studies. Conversely these financial institutions have stakeholders who have major impacts on social and environmental issues, hence making it imperative to adopt environmental and social concerns in their daily operations.

It is a case study of Kenya Commercial Bank (KCB). KCB was carefully selected as it is an indigenous bank and company. This will give a true picture of how local corporate organizations relate to environmental and social concerns, unlike international organizations operating in the local market, which could have mainstreamed environmental and social issues in their daily operations as a result of their mother companies in the developed world. KCB is also operational in five countries, namely Kenya, Uganda, Tanzania, Rwanda and Southern Sudan. This will give a representation of various countries.

This study contributes to the understanding of sustainable and green business as well as how corporate organizations are mainstreaming environmental and social issues in their operations, whether they are embarking on environmental and social projects just for a good reputation, or doing it genuinely to eradicate environmental and social degradation. The study aids in developing clear indicators for firms to use in their strategy development where environment and social matters are concerned. The study also adds on to the knowledge of benefits and achievements of sustainable and green business integration into the operations of the corporate institutions. The benefits here are social as well as environmental. By corporate organizations having a clear understanding of green sustainable business, as well as the benefits, more organizations will follow this cause, hence getting closer to achieving sustainable development, which cares for the people, profits and the planet.



### **1.7 Scope and limitations of the study**

The study addresses mainstreaming of environmental management into day to day operations of corporate bodies. This study examines both the physical as well as the social aspects of the environment. In the physical aspect of the environment, the study focuses on the resource utilization on the bank, that is water, paper, energy consumption.

In the social aspect of the environment, the study mainly focuses on employees as they are considered to be a key stakeholder of any organization and to some extent; they are an extension of the community where the organization operates in. Furthermore, a company in itself constitutes a complex social structure and its value creation depends on numerous social factors such as the qualifications and motivation of employees.

The research does not address the economic aspect as most, if not all corporate organizations are profit making hence this is in their daily operation, as opposed to social and environmental concerns.

### **1.8 Operational definition of terms**

#### *Sustainable development*

It is development that “meets the needs of the present without compromising the ability of future generations to meet their own needs.” (Our common future, Brundtland commission 1987). The field of sustainable development can be conceptually divided into four general dimensions: social, economic, environmental and institutional.

#### *Sustainable or green business*

Sustainable business, or green business, is enterprise that has limited negative impact on the global or local environment, community, society, or economy. (Gibbs et al,1996)

#### *Triple bottom line*

Triple bottom line accounting means expanding the traditional reporting framework to take into account ecological and social performance in addition to financial performance.

The phrase was coined by John Elkington in 1994. It was later expanded and articulated in his 1998 book *Cannibals with Forks: the Triple Bottom Line of 21st Century Business*.

### *Environmental Management Systems (EMS)*

Environmental management system (EMS) refers to the management of an organization's environmental programs in a comprehensive, systematic, planned and documented manner. It includes the organizational structure, planning and resources for developing, implementing and maintaining policy for environmental protection. (Darnall et al, 2006)

### *Environmental management*

It is the sound use and conservation of natural resources, protection of habitats and control of hazards. It is a purposeful activity with the goal to maintain and improve the state of an environmental resources affected by human activities. (Constanza , et al, 1992)

### *Corporates/ corporate bodies/ organizations/ companies*

It is a body created under the law of a state as a separate legal entity that has privileges and liabilities that are distinct from those of its members. Despite not being natural persons, corporations are recognized by the law to have rights and responsibilities like natural persons ('people'). (Robert, 1984).

### *Corporate Social Responsibility (CSR)*

Corporate social responsibility is also known as corporate responsibility, corporate citizenship, responsible business, sustainable responsible business (SRB), or corporate social performance. It is a form of corporate self-regulation integrated into a business model. Essentially, CSR is the deliberate inclusion of public interest into corporate decision-making, and the honouring of a triple bottom line: People, Planet, and Profit. (Visser, 2010)

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.0 Introduction**

The objective of this review was to underscore some important information that is available on mainstreaming environmental concerns in corporate bodies and sustainable development, in the world, Africa, and Kenya. This was deemed necessary in revealing emerging trends in the integration of environmental concerns in corporate. It also looked at the driving forces for this phenomenon as well as environmental management systems. The review was also meant to reveal current problems and shortcomings in how corporate bodies handle and respond to environmental issues. Literature review was also undertaken to compare the information already available, to the one collected during the actual field visit.

### **2.1 Integration of environmental concerns in corporate bodies**

The integration of environmental and other sustainable development considerations into everyday business is a long-term challenge for the business community. Cleaner Production is the United Nations term for “sustainable business”, reducing environmental impacts from processes, products and services by using better management strategies, methods and tools. Cleaner production is called Pollution prevention in North America, and Produccion Mas Limpia in Latin America. Related terms include green business, sustainable business/management, eco-efficiency, and waste minimization. (Visser 2010)

Sustainability management is a business strategy implemented by a company to realize its aspiration of growing into a sustainable corporation, leveraging social and environmental responsibilities to build competitive advantages and to fulfill its economic responsibility to ultimately becoming an ongoing concern. “Sustainability is now a pre-requisite to operate profitable in order to stay in business.” (Hess 2003). This has elucidated that one of the reasons corporates are mainstreaming environmental management in their daily operations, is so they can remain profitable and not wiped out by competitors adopting emerging trends.

When we have ecological balance and social progress, then we get economic growth. Economic vitality, employment creation and environmental protection are strongly interrelated, and business continues to be an integral contributor to all three, not only in terms of its external relations with its customers, shareholders, governmental authorities and community, but also in its own facilities and places of business. Business also recognizes that in light of globalization and the opening of trade and investment that accompanies it, large

multinational companies can, through changes in their business practices, impact sustainable development significantly.

Sustainability issues can impact the value creation of financial institutions through:

- Reputation (changing stakeholders' perception in such a way that the business is influenced) corporates have to manage reputational risk.
- Credits (creating a default or increasing the loss in case of default.).
- Insurances (creating liability claims).
- Asset management (by changing the value of investments). Management of investments, equity capital, assets under management for third party investors. (Hess 2003).

Most researches show that various organizations adopt sustainability due to reputational consequences as opposed to genuine care for the environment and society. The same was replicated in the study of (Hess 2003), whereby the survey found that 74.5% of financial managers think that name or reputation is important for their company and 19.4% think it is of very high importance. Reputation is viewed to be important for banks and insurance bodies as their business depends on the trust of their clients and their ability to provide products and services discreetly and professionally.

Many multinational enterprises operate according to a company-wide policy or set of principles worldwide, and therefore have a strong beneficial impact on environmental management in the countries in which they operate. Experience has shown that the international practices of large multinationals by and large spread good environmental management practices to joint venture partners, suppliers, and contractors in all areas where such practices are applied.

Nevertheless, there is much to be done by enterprises and industry associations to promulgate and improve environmental assessment methodologies, management methods and international standards. The special situation and role of small and medium size enterprises, especially in developing countries, must receive particular attention from both the public and the private sectors. Strategies show that for generating a positive sustainability impact and for capturing the Corporates should assess their business operations and processes in order to

localize relevant sustainability risks and opportunities that are inherent to their proper management.

## **2.2 Triple bottom line**

It is about environmental protection and resource conservation, economic prosperity and continuity, as well as social well being and equity. The triple bottom line concept underscores the fact that corporates & other organisations create value in multiple dimensions. Given the nature & focus of modern accounting, the financial bottom line is generally an inadequate (& often actively misleading) expression of the total value equation. (John Elkington, Founder of Sustainability). This lead to triple bottom line accounting which means expanding the traditional reporting framework to take into account ecological and social performance in addition to financial performance. In most organizations who have adopted sustainability, they practise this through the promulgation of their sustainability report.

Corporates can propagate their message in several ways: articles in newspapers, articles in corporate publications, speeches by top management, participation in conferences, colloquiums etc. “In many cases much time is spent by corporate units on generating environmental, sustainability or CSR reports. Yet, different perceptions exist about the value of reports, as our interviews revealed: one group of interviewees thinks that sustainability reports are unimportant because they do not find readers. Media reports or newspaper articles are, in their eyes, more effective. Information concerning the in-house management are placed on the Internet and other issues are covered from time to time in a corporate journal. Another group, however, is keen on pushing sustainability reporting in the direction of “value reporting” and to place it in the company’s main annual report to better demonstrate the link between corporate sustainability efforts and other business issues. Different perceptions also exist about the timing of reports. Whereas one group maintains that a complete environmental report should be published annually, another group thinks this is not necessary: in this instance, in-house management information is available on the Internet and reports are published every two to three years. This is considered sufficient as changes within a one-year time span are seen as incremental. (Hess 2003). In the case of corporates in developing nations, which do not have EMS, sustainability reporting or any form of propagating environmental information is still a far off thing. Although this study revealed that KCB commenced sustainability reporting, most of their employees are ignorant about this, echoing the sentiments of (Hess 2003) that the reports do not find readers.

Economic vitality, employment creation and environmental protection are strongly interrelated, and business continues to be an integral contributor to all three, not only in terms of its external relations with its customers, shareholders, governmental authorities and community, but also in its own facilities and places of business. Business also recognizes that in light of globalization and the opening of trade and investment that accompanies it, large multinational companies can, through changes in their business practices, impact sustainable development significantly. International chamber of commerce (ICC) and WBCSD recognize that all companies, regardless of size, sector or location, can make significant contributions to sustainable development by improving their internal management of environment, health and safety.

Internal environmental management should not be underestimated as it is visible and tangible for the whole organization. Environmental in-house management saves money by reducing consumption of paper, electricity, water and mileage but the relative direct impact of financial firms is perceived as being limited compared to that of their commercial clients. However financial institutions can influence the way their clients conduct their business through policies and processes. In general the sustainability issues financial institutions are exposed to are quite diverse compared to other sectors, owing to the fact that, they are closely linked to their often mixed portfolio of customers and stakeholders at large. (Hess 2003).

A new development in the context of sustainability is the rising importance of some contextual stakeholder groups (which do not have a direct business relation with the organization) especially activists and other civil society groups are increasingly placing environmental and social demands on corporates. For instance in Ogoni region Nigeria, environmental damages and exploitation of local people linked to Shell oil company sparked extensive, highly publicized protest against the company. They were forced to withdraw operations from the most profitable oil region in Nigeria, while contending with intense allegations of abuse. ([www.ifc.org](http://www.ifc.org)). this indicates that albeit no clear cut legislation to govern these concerns, the public will still demand for their right. Indicating that, especially in developing nations, there is a gap on legislation to shield the public and environment from unscrupulous corporates.

This development has been spurred by developments in information technology (social media), which permit rapid and in expensive diffusion of information worldwide. This novel development accentuates that, one of the main driving factors corporates embark on the

environmental agenda, is reputational. Corporates would go through great lengths just to ensure they maintain a good reputation in the public eye.

The Swiss bank UBS describes this new environment in one of its reports UBS Handbook 2001/2002 (p.111) “We realize that simply meeting existing legal requirements is not sufficient. Society’s expectations are constantly evolving and often precede formal legal and regulatory requirements; we find that we are being held to ever higher standards. Globalization has added to these demands as multinationals are accused of arbitrating social standards to boost their bottom line.”

These contextual stakeholder groups are not replacing governments but are an additional influence to persuade corporates of societies' interests. These civil society groups are seen as welcome “referees” pointing out the wrongdoing, the shedding of standards in other countries and the need for transparency. (Hess 2003).

For these reasons, ICC and WBCSD have emphasized the introduction and development of environmental management practices and systems within enterprises as an essential contribution to sustainable development. Business firmly believes that the first step to improved environmental performance of business is to bring environmental considerations into the daily process of decision making and operations, as the principal objective of an environmental management system. Without this foundation of an environmental management system (EMS), there is little chance an enterprise can promulgate sustainable development to other stakeholders, joint venture partners, and society as a whole.

### **2.3 Corporate sustainability**

Corporate sustainability can be defined as meeting the needs of a firm’s direct and indirect stakeholders (e.g. shareholders, employees, clients, pressure groups, media, communities etc.) needs without compromising its ability to meet the needs of the future stakeholders as well. Towards this goal, firms have to maintain and grow their economic, social and environmental capital base while actively contributing to sustainability in the political domain.

The most broadly accepted criterion for corporate sustainability constitutes a firm’s efficient use of natural capital. This eco-efficiency is usually calculated as the economic value added by a firm in relation to its aggregated ecological impact (Schaltegger and Sturm, 1990, 1992, 1998). This idea has been popularized by the World business council for sustainable development (WBCSD) as the ‘business link to sustainable development’ (Schmidheiny,

1992; Ayres *et al.*, 1995; DeSimone and Popoff, 1997): Eco-efficiency is achieved by the delivery of competitively-priced goods and services that satisfy human needs and bring quality of life, while progressively reducing ecological impacts and resource intensity throughout the life-cycle to a level at least in line with the earth's carrying capacity (DeSimone and Popoff, 1997,). This resonates well with the fact that whatever is good for the environment, is good for business, as some of the benefits realized on integrating environmental management into operations of a company, are fiscal.

In their quest to find a single concept to sum up the business end of sustainable development (WBCSD, 2000,), most firms have opted for eco-efficiency as their guiding principle. Current indicators used include energy, water and resource efficiency, as well as waste or pollution intensity (e.g. Von Weizsaecker *et al.*, 1997). Similar to the eco-efficiency concept (but has been so far less explored) is the second criterion for corporate sustainability: socio-efficiency. Nature Society Business.

In the corporate world it is realized and agreed that economic sustainability alone is no sufficient condition for overall sustainability. (Gladwin et al, 1995a). All the three dimensions of the "triple-bottom-line" concept (Elington 1997) are inter-related and may influence each other in multiple ways. Corporate sustainability implies a much broader interpretation of the concept of capital than is used normally by either economists or ecologists. These three different types of capital, economic, natural and social have different properties and thus require different approaches. Sustainability is dynamic as the three pillars face different challenges. But the key thing is we must always be sustainable.

One thing is certain. The days when corporates were judged solely in terms of economic performance and wealth creation have disappeared. "For us, Brent Spar was the key turning point. It was a wake up call, not only to Shell, but to the entire oil and gas industry, and to industry in general." (A quote by Malcolm Brinded, former Shell UK Country Chairman). Another quote by Sir Geoffrey Chandler, Amnesty International UK Business Group states that, "Doing right because it is right, not because it pays needs to be the foundation of business. Financial failure can destroy individual organizations. Moral failure will destroy capitalism." Financial institutions have until recently largely escaped the wrath of environmental groups and this is because up to the late 90s, pressure groups focussed on putting pressure on "dirty customers" of financial institutions for instance oil, gas and chemical companies. The old view was that, the financial institutions were a service industry



which only shift papers. They never thought that they would be questioned about the activities of their clients. ([www.foe.org/camps/inlt/declaration.html](http://www.foe.org/camps/inlt/declaration.html)) financial institutions are called to implement more socially and environmentally responsible lending policies.

Sustainability has become a mantra for the 21<sup>st</sup> century. It embodies the promise of societal evolution towards more equitable and wealthy world in which the natural environment and our cultural achievements are preserved for generations to come. This promise touches upon elementary hopes and fears, which have both guided and challenged scores of scholars previously. Most part of the past 150 years, the quest for social equity and economic growth, by adding concern for the carrying capacity of natural systems, has been a major concern. Sustainability thus ties together the current main challenges facing humanity. There has been extensive work on all the three problems over the past four decades; however it was only the 1992 Rio Earth Summit that brought the widespread acceptance of business leaders, politicians and NGOs that none of the three problems can be solved without also solving the other two. (Keating, 1993).

Nudged along by relentless encouragements from NGOs, many governments initiated programmes towards national sustainability. In the case of Switzerland, sustainable development has even been elevated to a constitutional goal (Schwizerische Bundesverfassung amended on 18<sup>th</sup> April 1999, Article 2.2). furthermore, in response to chapter 28 of the Agenda 21 document (Keating 1993), numerous local authorities have started so called Local Agenda 21 action plans aiming at local sustainability this has trickled down to corporate bodies in their quest to become the best corporate citizens. In the U.K Tony Blair the Prime Minister, required each local authority to produce its own Local Agenda 21 strategy by the year 2000 (LA 21 UK, 2001). Today most managers have accepted corporate sustainability as a precondition for doing business (IFOK, 1997; Hedstrom et al: 1998; Holliday, 2001). Unfortunately in most developing nations this is not so. Most corporates if they integrate environmental management in their operations, it is entirely by choice and not due to compliance with governmental legislation.

A group of concerned business leaders, in the run-up to Rio, formed the World Business Council for Sustainable Development. (WBCSD) in order to facilitate the dialogue with politicians about the means of reaching sustainability. A decade later, the WBCSD grew to a coalition of about 150 international companies (WBCSD, 2001) numerous firms (especially in the 1<sup>st</sup> world but now trickling to developing countries) appoint corporate sustainability

officers; publish sustainability reports and incorporate sustainability into their corporate communication strategies. Conversely corporates in developing nations are still laggards concerning this, as it is evident, that most of them do not have a clear, well structured environmental management system (EMS). The same was reverberated in this research, whereby it was realized that the company under survey (KCB) had no clear EMS.

There are some examples of sub Saharan countries trying to adopt this for instance, Democratic Republic of Congo (DRC) under the Responsible Business Investment; the following strategic focus areas are targeted: creating awareness about corporate citizenship; developing Small & Medium Enterprises (SMEs) through supply chain management; and linking public with private interests. In Kenya, the Kenya Bureau of Standards has been involved in drafting some guidelines on CSR. These standards, as well as those that corporates have voluntarily adopted and the ISO standards being developed, form a backdrop against which to measure CSR in Kenya. (Gathii, 2008). In Ghana, a coalition of organizations has agreed on the Ghana Business Code, which is aligned to the UN Global Compact and its 10 principles. A major new development in Africa has emerged. Trading groups like the Common Market of the East and Southern Africa (COMESA), Southern African Development Community (SADC), East African Community (EAC), and the Economic Community of West African States (ECOWAS) are beginning to look at CSR, although this remains secondary to increasing trade to the United states of America (USA) and Europe.

Businesses are now a major actor, unlike in the mid-1990s where local authorities were probably the most active players trying to implement sustainable development. A quote by Paul Hawken, states that, "Business is the only mechanism on the planet today powerful enough to produce the changes necessary to reverse environmental and social degradation." This clearly indicates that corporate bodies have a major role to play in enhancing sustainability. (Lee Scott Junour...Wall mart) said that "whether it is the world's rapidly growing population or the worsening problem of global warming, we see the need for sustainable business practices as increasingly urgent, and perhaps more than anything else, we see sustainability as mainstream." Sustainable development is dependent on responsible economic growth, with business as the engine of such growth. Hence, it is critical for the planet and its people that there be a business case for sustainable development. (Bjorn Stigson, CEO WBCSD). A sustainability business case is present when sustainability issues in a company have an impact on value creation as a threat or opportunity.

### **2.3.1 Economic sustainability.**

Economic sustainability requires firms to manage several types of economic capital: financial capital (that is equity debt), tangible capital (that is machinery, land, stocks) and intangible capital (that is reputation, inventions, know-how, organizational routines). The use of income calculations gives people an indication of the amount which they can consume without impoverishing themselves. Following this idea, (Hick, 1946) defines a sustainable man's income as the maximum value which he can consume during a week, and still be expected to be as well off at the end of the week as he was at the beginning. A company ceases to exist once no economic capital is left, but in reality a company will become unsustainable long before. Economically sustainable organizations guarantee at any time cash flow sufficient to ensure liquidity while producing a persistent above average return to their shareholders.

### **2.3.2 Environmental sustainability.**

Corporate environmental management (CEM) is an umbrella term that encompasses policies, tools, systems and strategies that can be put in place to enhance the environmental performance of a company. Business is shifting from a disconnected and fractured view of environment and development issues to a holistic, integrated concept of business and sustainable development. This involves a transition from:

- Seeing only costs and difficulties in the concept of sustainable development to seeing saving and opportunities;
- End-of-pipe approaches to pollution to the use of cleaner, more efficient technology throughout entire production systems, and further, to seeing sustainable development as integral to business development;
- Linear, "through-put" thinking and approaches to systems and recycling approaches;
- Seeing environment and social issues as responsibilities only for technical departments or experts to seeing these as company-wide responsibilities;
- A starting premise of confidentiality to one of openness and transparency;
- Narrow lobbying to more open discussion with stakeholders.

The first five aspects of this trend are particularly relevant to corporate environmental management systems.

Ecological sustainability research is based on the realizations that on a finite earth the depreciation of 'natural capital' (Lovins *et al.*, 1999) cannot go on endlessly. There are two main types of natural capital: It can first take the form of natural resources. These are consumed in many economic processes, and can either be renewable (e.g. wood, fish, corn) or non-renewable (fossil fuel, biodiversity, soil quality). On the other hand, natural capital takes the form of ecosystem services (e.g. climate stabilization, water purification, soil remediation, reproduction of plants and animals). Although the value of these services is quite considerable, they are much less understood than natural resources. The need to understand the links between the industrial and eco-system has led to the notion of an 'industrial metabolism' (Ayres, 1989, 1994). This idea conceives of industry as a living organism consuming energy and materials and creating desired output (in the form of products and services) as well as undesired output (in the form of waste emissions). If the industrial organism consumes more energy and materials than can be reproduced or if it emits more emissions than can be absorbed through natural sinks the industrial system becomes ecologically unsustainable

(Ayres, 1995, Lovins *et al.* (1999) estimate the annual economic value of services provided by the global natural capital to be at least \$33 trillion, roughly equivalent to the world gross product, but this comparison can be dangerously misleading. For many services provided by the natural environment, there is no known substitute or one is available only at a prohibitive price. A definition for corporate ecological sustainability could accordingly read as follows. Ecologically sustainable organizations use only natural resources that are consumed at a rate below the natural reproduction, or at a rate below the development of substitutes. They do not cause emissions that accumulate in the environment at a rate beyond the capacity of the natural system to absorb and assimilate these emissions. Finally they do not engage in activity that degrades eco-system services. Put succinctly the company should have a well structured and functional EMS.

### **2.3.3 Social sustainability.**

A definition for corporate social sustainability could accordingly read as follows. Socially sustainable organizations add value to the communities within which they operate by increasing the human capital of individual partners as well as furthering the societal capital of these communities. They manage social capital in such a way that stakeholders can understand its motivations and can broadly agree with the company's value system. Social

sustainability issues in industrialized countries, the spotlight is on issues connected to the widening of social inequalities. (Hess 2003). The same is replicated in developing nations.

The ‘business case’ of corporate sustainability Socio-efficiency (Hockerts, 1996, 1999; Figge and Hahn, 2001) describes the relation between a firm’s value added and its social impact. While it can be assumed that most business impacts on the environment are negative, this is not true for social impacts. They can be both positive (e.g. corporate giving, creation of employment) and negative (e.g. work accidents, mobbing of employees, human rights abuses). Depending on the type of impact, socio-efficiency thus implies minimizing negative social impacts (i.e. accidents per value added) or maximizing positive social impacts (i.e. donations) in relation to the value added. Both eco-efficiency and socio-efficiency are concerned primarily with increasing economic sustainability.

There are two different types of social capital: human capital and societal capital. Human capital concerns primarily aspects such as skills, motivation and loyalty of employees and business partners. Societal capital, on the other hand, includes the quality of public services, such as a good educational system, infrastructure or a culture supportive of entrepreneurship. The notion that firms have to manage social capital is not new. The concept of ‘corporate social responsibility’ started to generate broader interest in the 1960s in the US (Likert, 1967) and the UK (Goyder, 1961), and then spread to continental Europe in the early 1970s. However, from the mid-1980s to the mid-1990s hardly any systematic attention was paid to the issue. Only in the very recent past has the topic once again started to attract the interest of academics, pressure groups and businesses alike. If social sustainability is to be achieved, an equitable solution will have to be found for the distribution of natural capital. Unfortunately, indicators to guide firms on this sustainability criterion do not yet exist.

In the sub Saharan Africa region, the priority for CSR is on socioeconomic development that is providing the means for sustainable access to the mainstream economy for the poor and marginalized communities. The focal areas and projects of the private sector in the region generally focus on: education, training, poverty alleviation or social welfare, health, environment, cultural events and sport. This is apparent in various corporates, whereby aside from planting trees in the quest of taking care of the environment, most of them heavily invest in education. The same is resonated in this study, since one of KCB’s main thematic area is education. Responsibility for the impact on human rights, both direct and indirect, is gaining ground. “What have been seen as ‘externalities’ to company business are increasingly seen to

need to be 'internalised', if corporates are to succeed and survive in a more critical world." (A quote by Sir Geoffrey Chandler, Amnesty International UK Business Group.)

To be a socially sustainable enterprise, Gladwin *et al.* (1995b) require that a firm needs to internalize social costs, maintain and grow the capital stock; avoid exceeding the social carrying capacities, encourage structures for self-renewal; foster democracy; enlarge the range of people's choices and distribute resources and property rights fairly. A problem with such a definition is that firms often cannot meet the expectations of all stakeholder groups simultaneously. They face trade-offs between the needs of different stakeholders. A possible solution to this dilemma could be a definition of socially sustainable corporations as those that are seen as fair and trustworthy by all stakeholder groups (Zadek *et al.*, 1997; Kaptein and Wempe, 2001). From this perspective, a firm can be viewed as managing social capital in a sustainable way when its stakeholders understand and can broadly agree with why a company is doing something, and not so much whether they think a particular act is a good thing. For example, imagine that a company decides to close a plant and layoff its workers. If the company can effectively communicate the reasons for closing the facility, and make clear why it had no alternatives, such a conduct could very well be considered socially sustainable.

The final two criteria of corporate sustainability concern social sustainability. While socioefficiency can be a helpful instrument for a relative increase in social sustainability, such a strategy might lead to islands of social excellence within a sea of social discontent. Many firms, for example, work hard to serve their clients even better and at lower costs. However, the consumers to whom these products and services are available only make up a small part of the world population. A large part of what Hart and Prahalad (1999) call the 'bottom of the pyramid' is excluded from even the most basic services and products such as food, health and financial services or communication. An example of a sector that has come under attack in recent years for failing to provide its products to poor countries is the pharmaceutical industry (Oxfam, 2001). From a socioeffectiveness perspective, business conduct should be judged not on a relative scale but rather in relation to the absolute positive social impact a firm could reasonably have achieved. Ecological equity stands at the nexus of the relationship between the management of natural capital and social sustainability. While current generations consume large parts of the earth's natural capital, the bulk of the damage is likely to be borne by future generations.

Ideally, CSR policy would function as a built-in, self-regulating mechanism whereby business would monitor and ensure its support to law, ethical standards, and international norms. Consequently, business would embrace responsibility for the impact of its activities on the environment, consumers, employees, communities, stakeholders and all other members of the public sphere. Furthermore, CSR-focused businesses would proactively promote the public interest by encouraging community growth and development, and voluntarily eliminating practices that harm the public sphere, regardless of legality.

#### **2.4 Environmental management systems.**

The ISO defines an Environmental Management System (EMS) as: "...that part of the overall management system which includes organizational structure, planning activities, responsibilities, practices, procedures, processes and resources for developing, implementing, achieving, reviewing and maintaining the environmental policy." An EMS should include strategic planning activities, the organization's structure and implementation of the environmental policy as an integrated part of the manufacturing process.

One particularly significant contribution is the concept of eco-efficiency, a management approach developed by the WBCSD. Eco-efficiency is about: producing more with fewer resources and less pollution; encouraging business to become more competitive, more innovative, and more environmentally responsible

Eco-efficiency makes seven demands on organizations:

- 1) Reduce the material intensity of goods and services
- 2) Reduce the energy intensity of goods and services
- 3) Reduce toxic dispersion
- 4) Enhance material recyclability
- 5) Maximize sustainable use of renewable resources
- 6) Extend product durability
- 7) Increase the service intensity of goods and services.

One important reason for developing an EMS is to improve the bottom line -- that is, reducing costs and/or increasing revenues, especially over the long term. Life-cycle thinking is essential in both regards: to help provide the least environmentally impactful product, while maximizing profits. In addition, it ensures that to the extent possible "hidden costs" of

environmental damage can be accounted for and reflected. An Environmental Management System (EMS):

- Serves as a tool to improve environmental performance
- Provides a systematic way of managing an organization's environmental affairs
- Is the aspect of the organization's overall management structure that addresses immediate and long-term impacts of its products, services and processes on the environment
- Gives order and consistency for organizations to address environmental concerns through the allocation of resources, assignment of responsibility and ongoing evaluation of practices, procedures and processes
- Focuses on continual improvement of the system

#### **2.4.1 Keys to a successful environmental management system**

- There must be strong senior management and staff level commitment to environmental responsibility;
- There must be a clear understanding of what actions are required and who is responsible and accountable for implementing the EMS;
- There must be a commitment to both the letter and the intent of the laws affecting the operation to which the EMS applies;
- There must also be a commitment to the remediation of unforeseen impacts, e.g. spills;
- There must be a monitoring or auditing function that assesses the effectiveness of the practice and initiates follow-up action to correct any deficiencies. This encourages continuous improvement of the process.

Pioneered by organizations like ICC, environmental audits are an essential component of an EMS. Environmental audits are becoming understood in an increasingly broad sense, to be applied to pollution control programs, health, employee safety, product safety, transportation safety and security. Although environmental audits are primarily compliance-oriented, as organizations strive to go beyond compliance, so too have audits. In any case, for an EMS to function properly, it must be assessed for effectiveness. The voluntary application of environmental audits remains an indispensable part of EMS, and business continues to



explore how environmental audits can embrace the full range of sustainable development issues in an individual enterprise.

Another emerging type of audit is the supply chain audit, which involves a company's requirement of comprehensive environmental and social information on the products and materials it purchases. Supply chain auditing is particularly important because of the "pressure" it places on small and medium sized companies to make improvements, and opportunities to network with larger companies.

## **2.5 EMCA**

The Environmental Management and Coordination Act (EMCA) was enacted in 1999 and received presidential assent on the 6<sup>th</sup> of January 2000. The act (EMCA no.8 of 1999), which became operational on 14<sup>th</sup> January 2000, was a milestone achievement in promoting sustainable environmental management in the country. The act provided an avenue for the harmonization of about 77 existing sectoral statutes, which address the various aspects of the environment. The act provides legal, institutional frameworks and procedures for management of the environment as well as modalities for conflict resolution.

This is what EMCA states on Annual Financial Reports

27.(1) As soon as practicable and not later than three months after the expiry of the financial year, the Director-General shall submit to the Council a financial report concerning the activities of the Authority during such financial year.

(2) The Report of the Director-General under subsection (1) shall include information on the financial affairs of the Authority and shall be appended to the Report:-

(a) An audited statement of income and expenditure of the previous financial year;

(b) Estimates of income and expenditure of the Authority for the next ensuing financial year.

(3) The Minister shall not later than fourteen days after the sitting of the National Assembly next after receipt of the Report referred to in subsection (1) lay it before the National Assembly.

On Deposit Bonds EMCA states

28.(1) The Authority shall create a register of those activities and industrial plants and undertakings which have or are most likely to have significant adverse effects on the

environment when operated in a manner that is not in conformity with good environmental practices.

(2) The Minister responsible for finance may, on the recommendations of the Council, prescribe that persons engaged in activities or operating industrial plants and other undertakings identified under subsection (1) pay such deposit bonds as may constitute appropriate security for good environmental practice.

(3) The deposit bond determined in accordance with subsection (2) shall be refunded to the operator of the activity, industrial plant or any other undertaking by the Authority after such duration not exceeding twenty-four months without interest where the operator has observed good environmental practices to the satisfaction of the Authority.

(4) The Authority may, after giving the operator an opportunity to be heard, confiscate a deposit bond where the operator is responsible for environmental practice that is in breach of the provisions of this Act, and the Authority may in addition cancel any license issued to the operator under this Act if the Authority is satisfied that the operator has become a habitual offender.

(5) Where an operator is dissatisfied with the confiscation of his deposit bond under this Act, he may refer the matter to a competent court of law.

(6) The proceeds of every refundable deposit bond levied under this section shall be paid into the Restoration Fund and shall be treated as part of the Restoration Fund until refunded to the depositor subject to subsection (3) or confiscated by the Authority.

(7) Any interest accruing from monies deposited into the Restoration Fund under this section shall be for the benefit of the Authority

On matters concerning Environmental Audit and Monitoring, EMCA states,

68.(1) The Authority shall be responsible for carrying out environmental audit of all activities that are likely to have significant effect on the environment. An environmental inspector appointed under this Act may enter any land or premises for the purposes of determining how far the activities carried out on that land or premises conform with the statements made in the environmental impact assessment study report issued in respect of that land or those premises under section 58(2).

(2) The owner of the premises or the operator of a project for which an environmental impact assessment study report has been made shall keep accurate records and make annual reports to the Authority describing how far the project conforms in operation with the statements made in the environmental impact assessment study report submitted under section 58(2).

(3) The owner of premises or the operator of a project shall take all reasonable measures to mitigate any undesirable effects not contemplated in the environmental impact assessment study report submitted under section 58(2) and shall prepare and submit an environmental audit report on those measures to the Authority annually or as the Authority may, in writing, require.

69.(1) The Authority shall, in consultation with the relevant lead agencies, monitor:-

(a) All environmental phenomena with a view to making an assessment of any possible changes in the environment and their possible impacts; or

(b) The operation of any industry, project or activity with a view of determining its immediate and long-term effects on the environment.

(2) An environmental inspector appointed under this Act may enter upon any land or premises for the purposes of monitoring the effects upon the environment of any activities carried on that land or premises.

Following this, it is evident that corporates in Kenya have a legislation governing environmental issues. The question which arises is whether the corporates are complaint or not. The gap noted here is EMCA addresses issues from the proponent's side, especially with matters to do with Audits and impact assessment. It has no guiding principles for the financial institutions that mainly finance these projects, since this would deter them from funding projects which are not environmental friendly. Subsequently this work is left to lobbying groups and NGO's, which unfortunately are not legally binding.

## **2.6 NEMA**

The National Environment Management Authority (NEMA) is established under the EMCA No.8 of 1999 as the principal instrument of Government for the implementation of all policies relating to environment. The authority became operational in 1<sup>st</sup> July 2002 following the merger of three existing Government departments; the National Environmental Secretariat, the Permanent Presidential Commission on Soil Conservation and Afforestation (PPCSCA)

and the Department of Resource Surveys and Remote Sensing (DRSRS). NEMA's mission, vision and mandate are:

### **2.6.1 Vision**

To be a world class environmental authority that ensures a healthy environment for all.

### **2.6.2 Mission**

Safeguard and enhance the quality of the environment through coordination, research, facilitation and enforcement while encouraging responsible individual, corporate and collective participation towards sustainable development.

### **2.6.3 Mandate**

General supervision and coordination of all matters relating to the environment and the principal instrument of Government in the implementation of all policies relating to the environment

## **2.7 ISO**

It is the International Organization for Standardization. ISO has developed over 18 000 International Standards on a variety of subjects and some 1100 new ISO standards are published every year.

Some ISO international standards are:

### **ISO 14001**

14001 was first ISO published in 1996 and specifies the actual requirements for an environmental management system. It applies to those environmental aspects which the organization has control and over which it can be expected to have an influence.

### **ISO 14004**

ISO 14004, also published in 1996, provides guidance on the development and implementation of environmental management systems and principles, and also their co-ordination with other management systems.

### **ISO 19011**

ISO 19011 offers guidelines for quality and/or environmental management systems auditing. It supersedes a number of standards, including ISO 14010, 11 and 12.

## **2.8 OSHA**

It is Occupational Safety and Health Administration. Various countries including Kenya have adopted this to govern companies and usually if not always, it is housed under labour ministry, for instance The United States Occupational Safety and Health Administration (OSHA) is an agency of the United States Department of Labor. It was created by Congress of the United States under the Occupational Safety and Health Act, signed by President Richard M. Nixon, on December 30, 1971. Its mission is to prevent work-related injuries, illnesses, and occupational fatality by issuing and enforcing standards for workplace safety and health. The agency is headed by a Deputy Assistant Secretary of Labor. OSHA takes care of employees who are a key stakeholder in any organization.

## **2.9 Similar studies**

In 2003 Wafula John, researched on Corporate Environmentalism and Sustainability: Emerging trends in Kenya. His study mainly divided the corporate world into 2 that is the manufacturing and the service industry. He compared and contrasted the issues in the 2 different sectors, unlike this study which looked at the corporate world as a whole. Wafula's study investigated the driving factors of corporate environmentalism, if they are the same in the 2 different sectors. He also looked at some of the activities of the 2 different sectors. This study looked at the extent to which the environmental management framework is mainstreamed in the operations of the organization as a whole.

In 2003 Hans-Joerg-Hess researched on the Business case for sustainability, financial sector. In his study, the focus on the banking side was on the credit business within corporate and investment banking. On the insurance side the focus was placed on the property & casualty and re-insurance sub-sectors that have strong business ties with multi-national and national companies. This study focused on financial institution, to specific a bank, but was not limited to corporate and investment banking, but also included retail banking. The study also did not focus on insurance.

## **2.10 Research gaps**

There is still not much inclusive research done on Sustainability especially in Kenya. Most of the research done focuses on one or the linkage of two of the sustainability pillars as opposed to the linkage in all the three pillars. As seen in Wafula John (2003) which the main focus was on integrating environmentalism into the corporate world. This is evident in the fact that the

proposed way forward is the adoption of an EMS as opposed to Social and Environmental Management System (SEMS). Much research has been done on EMS and not SEMS This is obvious with ISO having standards such as: ISO 14001 which specifies the actual requirements for an environmental management system; ISO 1400 provides guidance on the development and implementation of environmental management systems and principles, and also their co-ordination with other management systems; ISO 19011 offers guidelines for quality and/or environmental management systems auditing. For corporates and the world at large to confidently claim to have achieved sustainability, we must attain the triple bottom line approach and not single or double approach.

The other gap/ issue noted is that EMCA addresses issues from the proponent's side, especially with matters to do with Audits and impact assessment. It has no guiding principles for the financial institutions that mainly finance these projects, since this would deter them from funding projects which are not environmental friendly. Subsequently this work is left to lobbying groups and NGO's, which unfortunately are not legally binding.

With regards to Socio-efficiency which is the relation between a firm's value added and its social impact, the impacts can be both positive (e.g. corporate giving, creation of employment) and negative (e.g. work accidents, mobbing of employees, human rights abuses). Depending on the type of impact, socio-efficiency thus implies minimizing negative social impacts (i.e. accidents per value added) or maximizing positive social impacts (i.e. donations) in relation to the value added. Socio-efficiency in relation to sustainability, more often than not, research done is focused on maximizing positive social impacts as opposed to minimizing negative impacts. This is evident through many researches done on CSR as well as corporate reporting on CSR. Firms hardly report on their Occupational Safety and Health Standard performance, likewise researchers mainly don't focus on this aspect of socio-efficiency. This implies that company's as well as the society concern is mainly on the external community of an organization and not the internal community (employees).

If social sustainability is to be achieved, an equitable solution will have to be found for the distribution of natural capital. Unfortunately, indicators to guide firms on this sustainability criterion do not yet exist. This calls for research to be done on the identification and formulation of these guiding indicators for corporate bodies.

## **2.11 Contribution of this research**

### **Database**

This research will serve as a data base for both KCB as well as other Financial Institutions for information regarding the assimilation of environmental concerns into the day to day operations of an organizations. It gives the mistakes organizations make, mostly by taking a reactive approach as opposed to a proactive approach. It also highlights the challenges faced by organizations in the implementation of EMS or environmental initiatives at large. Since KCB are trying to implement an EMS and intergrate environmental concerns into their system, it will serve as a guide to other organizations who are still groping in the dark when it comes to environmental issues.

### **Shedding light to regulatory bodies**

As environmental matters are not a respector of geographical, administrative or generational boundaries, this research aids in shedding light to regulatory bodies both locally as well as internationally to the happenings in corporate bodies with regards to environmental issues. By the use of KCB as a case study one can follow the whole EMS intergration process. At the very begining, the knowledge of environmental issues, then the acceptance stage whereby corporates come to terms with the fact that they must care for the environment for the mere ability of continuance of humanity, then the proactive approach of the implementation of EMS. Since it is evident that most corporates employ the reactive approach as opposed to the proactive approach and are not so keen on environmental concerns, regulatory bodies should formulate stringent policies to ensure that every organization is brought up to speed.

## **2.12 The theoretical framework.**

To achieve sustainability, it is imperative for corporates to employ the triple bottom line approach. Several scholars (Arago´ n-Correa & Sharma, 2003; Hart, 1995; Russo & Fouts, 1997) argue that the realization of economic sustainability (i.e., the maximization of profits, production and consumption) solely will not suffice for the overall sustainability of corporations. Empirical evidence has shown that engagement with the natural environment can enhance firm performance (e.g., Sharma & Vredenburg, 1998). Organizations that are

narrowly focused on achieving economic outcomes alone might miss out on sustainability innovations and business opportunities that a focus on sustainability creates (Senge & Carstedt, 2001). Researchers have argued that the implementation of innovative products, services and business models is unlikely to happen without room for flexibility, learning and change (Dunphy et al., 2003).

The understanding behind corporate sustainability as ecological sustainability is based on the assumption that organizations are not separate from the natural environment, but are located and operate within it (Sharma, 2003). Organizational activities can have significant negative impacts on the natural environment, for instance through pollutant emissions or resource exploitation (Jennings & Zandbergen, 1995). In turn, environmental quality can impact on organizational activities, as evident through the impacts of climate change (Linnenluecke et al., 2008; Winn & Kirchgeorg, 2005). Some commentators argue that radical shifts and innovations in business practices and strategic thinking are necessary to bring about a lasting reversal of current levels of environmental destruction (e.g., Shrivastava, 1995). In order to achieve ecological sustainability, organizations are challenged to move beyond pollution control or prevention and to operate within the carrying capacity of the natural environment by minimizing their resource use and ecological footprint (Hart, 1995, 1997; Linnenluecke et al., Sharma, 2003).

Organizations dominated by a human relations culture will place greater emphasis on internal staff development, learning and capacity building in their pursuit of corporate sustainability. Corporates with a culture characterized by human relation values are largely focused on their internal arrangements. The human relations quadrant reflects (Barley and Kunda's, 1992) human relations ideology, which pays attention to work conditions, social interaction and group affiliation. This suggests that an organization with a high human relations orientation accepts responsibility for contributing to the process of renewing and upgrading human knowledge and skill formation, and is a strong promoter of equal opportunity, workplace diversity and work-life balance as workplace principles (Dunphy et al., 2003). It adopts a strong and clearly defined corporate ethical position on issues such as discrimination, business ethics, and fraud. The focus on internal staff development also suggests that the organization invests in human potential and capital, learning and education, and is interested in pursuing environmental health and safety, human welfare and wellbeing, as well as equitable and social just practices to achieve improved employee skills, satisfaction,



commitment, and productivity (Daily & Huang, 2001; Dunphy et al., 2003; Gollan, 2000; Wilkinson et al., 2001).

Previous research suggests that a strong focus on social or human relations values within an organization can support or attract social entrepreneurship (Berger et al., 2007). Social entrepreneurs display many of the characteristics traditionally associated with new business entrepreneurs, for instance, they are innovative, determined, and resourceful. However, rather than investing in a new business venture, social entrepreneurs invest their time and energy in advocating corporate sustainability principles within the organization and often assume considerable career risks while doing so (Berger et al., 2007). This suggests that employees within an organization dominated by internal process values have potentially strong non-economic interests, however, it might become challenging to focus on or to justify the authenticity of the organization's business purpose and goals. The organization might experience a tension between creating a business venture and pursuing a social purpose (Berger et al., 2007; Brammer & Millington, 2008). This brings us back to the point that to achieve sustainability organizations must employ the tripple bottom line approach, as the three aspects of sustainability have to be tackled simultaneously.

For corporates to incorporate sustainability into their business, more of ten than not, they need clear fiscal benefits. Organizations which are dominated by internal process values and seek to introduce a commitment to corporate sustainability might experience a strong tension between their existing culture based on stability and control, and a need to introduce curiosity, exploration and flexibility (Senge & Carstedt, 2001). These organizations might therefore only pursue corporate sustainability initiatives when they unambiguously translate into a competitive advantage for the firm measured by traditional bottom-line focused metrics and measurement systems (Berger et al., 2007).

Efficiency defined solely as cost reduction and the simplification of product, process and service flows is insufficient to achieve corporate sustainability. In addition, such efficiencies will only provide limited competitive advantage for organizations, as they can be easily copied by competitors. Resource efficiency means that there are real advantages to be gained by proactively instituting sustainability practices, especially if these practices are directed towards reducing costs and increasing operational efficiency. Some organizations capitalize on these cost savings and reinvest them in their employees to achieve sustainable longer-term gains by building the appropriate human systems that support value-adding and innovation.

For example, Scandic Hotels have had considerable success at reducing and eliminating waste and using these cost savings to build their employee skill base (Nattrass & Altomare, 1999). This new efficiency focus has led to huge cost savings, reduced ecological impacts and enhanced the reputation of the corporation. Many organizations use human resources and environmental policies and practices to reduce costs and increase efficiency. Investment in training may involve expense but result in compensating added value through increased quality of products and services. Technical and supervisory training is augmented with interpersonal skills training. Teamwork is encouraged for value adding as well as cost-saving purposes, and external stakeholder relations are developed for business benefits.

The understanding of corporate sustainability as social sustainability results from trends such as globalization and privatization, requiring organizations to assume wider responsibilities towards various stakeholder groups and the communities in which they operate (Carroll, 1999; Dunphy et al., 2003; Freeman, 1984). Numerous studies have been published on business-related social issues, including corporate philanthropy, minority concerns, community welfare, and stakeholder demands (e.g., Carroll, 1999; Shrivastava, 1995). These various issues have been summarized into concepts such as “corporate social sustainability” (Dyllick & Hockerts, 2002) and “socially sustainable businesses” (Gladwin et al., 1995). In general, social sustainability means an organization which attempts to deal proactively with its community base, and engages with its stakeholders by providing a business venture that serves a social purpose (Linnenluecke et al, 2008). This section has outlined a relationship between organizational culture and corporate sustainability orientation. It appears that there is not a single type of sustainability-oriented culture. Employees who belong to different organizational cultures types show different orientations towards corporate sustainability and are inclined to understand corporate sustainability differently. It is evident that the ideological underpinnings of organizational culture influence how corporate sustainability is implemented and, the types of outcomes that can be achieved.

### **2.13. Conceptual Framework**

The conceptual frame work first looks at the driving forces which lead the corporate bodies to mainstream environmental management in their operations. The driving forces are divided into two broad categories namely: internal factors; and external factors.

Internal factors are those which have a lot to do with internal operations. Some of the internal factors are: eco-efficiency which is based on the concept of creating more goods and services

while using fewer resources and creating less waste and pollution. (WBCSD, 1992.). This is a crucial driving factor, as it leads to cost reduction, which most corporates would be interested in; another driving force is new markets. Upon the adoption of sustainable or green business, corporates find they can venture into new markets, for instance both environmental as well as social products, case in point carbon trading; the other internal factors are reduced costs, as most corporates are profit making organizations; Improved quality of service is also a driving factor, as this translates to customer satisfaction, hence increased customer base and subsequently, fiscal benefits.

External factors are those which are not directly driven by the corporate, but somehow tend to affect or dictate how a corporate should be run. Maintaining a good reputation is key for any organization, as this will determine the customer base, partnerships as well as funding opportunities. This is a driving force for adopting a sustainable green business, as many corporates, would like to be considered good corporate citizens; another external factor is compliance demands. That is compliance from both national and international bodies. For instance a financial institution is to provide funding for projects which have undergone Environmental Impact Assessment (EIA) and have been certified. Corporate partners, plus financiers, especially international ones, have a proclivity of demanding corporates to mainstream environmental matters into their daily operations before they can provide funding or engage in any form of partnership. For instance International Finance Corporation (IFC), which is the private arm of World Bank.

These driving forces then act as an impetus for corporates to mainstream environmental concerns into the daily running of their business. Moreover corporates could adopt this, in one of the two ways namely: a reactive approach, which is an approach taken by corporates just for them to stay in business, for instance, since competitors are adopting Corporate Social Responsibility (CSR), they too go this way, to avoid questions and shunning, from customers as well as the public in general; the other approach is proactive, whereby corporates go beyond compliance requirements. They look at threats and opportunities before hand and formulate a business case beforehand; they are not forced into this by anyone, any group, or any organization.

The ensuing result of mainstreaming environmental concerns into corporate bodies is benefits. The benefits are in the form of: social; environmental; as well as economic. The social benefits have a lot to do with society that is the corporate mixed portfolio of stakeholders. An

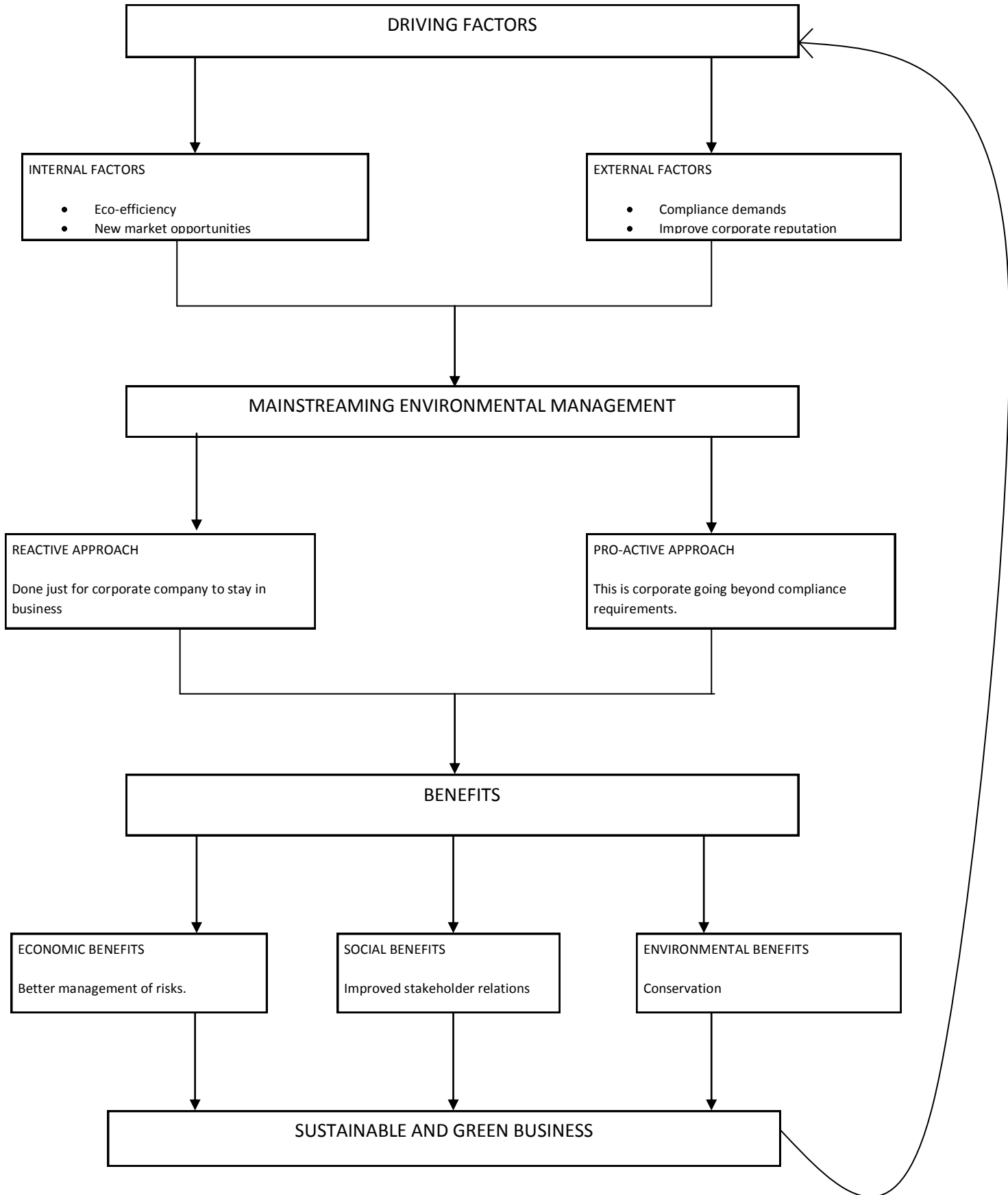
example of this is improved stakeholder relations, as they are involved more in the running of the business; furthermore they are kept in the knowhow through reporting. A vital stakeholder of any corporate body is the employees, and as long as the employee needs are met, they are kept happy and motivated, there is increased productivity and dedication to their work.

Environmental benefits are realized through eco-efficiency, whereby there is efficiency in resource consumption, proper waste management, and ecosystem replenishment, through initiatives like re-forestation (tree planting). These benefits are not only realized by the corporates solely, but also all their affiliations like, their service providers, as well as partners, whom the corporates tend to influence.

Economic benefits are straightforward, as it is a common worldview that whatever is good for the environment is good for business. Through eco-efficiency corporates can experience a reduction in their operational cost. As explained earlier, with a reduction in poverty, corporates can increase their customer base, subsequently their fiscal benefits. When employee needs are met, they are in turn motivated, translating into increased productivity, hence more profit for the corporate. Economic benefits are closely linked to both environmental as well as social performance of a corporate.

When a corporate has successfully mainstreamed environmental concerns into its daily operations, and in turn achieved the benefits, then it can be termed as a sustainable or green business, which in itself is a driving factor for adopting environmental issues by corporates, as the end result is a stimulus.

**Figure 2.1: Conceptual framework**



Modified from Wafula John (2003)

## **2.13 STUDY AREA.**

### **The History of KCB**

KCB started its operations in 1895 at Zanzibar Island as the National Bank of India. A year later, the bank opened a branch in Kenya, on Mombasa Island later growing to become one of Kenya's and East Africa's largest commercial bank. Upon independence in 1963, the government of Kenya acquired 60% shareholding in National and Grindlays Bank in an effort to bring banking closer to the majority of Kenyans.

In 1970, the Government acquired 100% of the shares to take full control of National Grindlays Bank. The bank was then renamed Kenya Commercial Bank (KCB). The government has since reduced its shareholding to 23.6% during the 2004 rights issue exercise. This was further reduced to 23.1% following the rights issue exercise in 2008. With the most recent rights issue of 2010 the government's shareholding is 17.75%.

In 1997, KCB set up business in Tanzania before expanding further to Southern Sudan in 2006 and Uganda in 2007. The youngest subsidiary, Rwanda began operations in 2008. (KCB Sustainability report, 2009).

### **KCB's Footprint**

KCB is the largest bank in the region in terms of branch network and balance sheet. It is a Public Limited Company with its shares trading at Nairobi Stock Exchange (NSE), Uganda Securities Exchange (USE), Dar-Es-Salaam Stock Exchange (DSE), and Rwanda Over the Counter Market (RCM). The bank's regional network covers five countries namely Kenya, Tanzania, Uganda, Rwanda and South Sudan.

KCB has a network of 210 outlets and over 400 Automated Teller Machines (ATM) across East Africa that are strategically located to provide synergies across markets. Most of the branches are found in rural administrative and business centers as a fully fledged commercial bank offering savings and lending services to individuals, entrepreneurs and companies of all sizes.

The bank is divided into five regions in Kenya, as well as subsidiaries (Tanzania, Uganda, Rwanda and South Sudan). The Kenyan regions are, Western, Central, Coast, Nairobi and Rift Valley. The tables below indicate branch distribution.

**Table 2.1: Branch distribution as per country (subsidiary)**

<b>Entity</b>	<b>No. of branches</b>
KCB Kenya	162
KCB mortgage centres	9
KCB Uganda	12
KCB Tanzania	10
KCB Sudan	8
KCB Rwanda	9
<b>Total</b>	<b>210</b>

Source: KCB rights Issue Information Memorandum July, 2010.

**Table 2.2: Branch distribution as per Kenya's regions.**

<b>Region</b>	<b>No. of branches</b>
Western	28
Central	39
Coast	25
Nairobi	41
Rift Valley	29
<b>Total</b>	<b>162</b>

Source: KCB rights Issue Information Memorandum July, 2010.

Figure 2.2: KCB's Foot print



Source: KCB rights Issue Information Memorandum July, 2010.



## CHAPTER THREE: RESEARCH METHODOLOGY

### 3.1 Study area

The research uses KCB as a case study. The study location was in the whole KCB region. The mother company in Kenya as well as its subsidiaries which are KCB Uganda, Tanzania, Rwanda and Southern Sudan.

### 3.2 Sampling

The study used proportionate stratified random sampling. This was made possible because, there is a complete list of all the branches which is a total of 210 across the region. KCB Kenya has 162 branches, Tanzania 10 branches, Uganda 12 branches, Rwanda 9 branches, Southern Sudan 8 branches and Mortgage centres 9 branches. The sample size was 30% of the total number of branches (210) which was a number of 64 branches. The different regions of KCB were used as strata whereby 30% of branches from each stratum were sampled. KCB Kenya had 49 branches sampled, Uganda 4 branches, Tanzania 3 branches, Rwanda 3 branches, Southern Sudan 2 branches and Mortgage centres 3 branches giving a total of 64 branches. Random sampling using a random numbers table was applied in all the strata to pick out the branches which were interviewed.

**Table 3.1: The total number of branches and the sample size from each country (strata). That is the number of branches as well as respondents.**

BRANCHES	KCB KENYA	KCB TANZANIA.	KCB UGANDA.	KCB RWANDA.	KCB SOUTH SUDAN.	KCB MORTGAGE CENTRES.	TOTAL
ACTUAL	162	10	12	9	8	9	210
SAMPLE SIZE	49	3	4	3	2	3	64
RESPONDENTS	98	6	8	6	4	6	128

Source: KCB Annual report Financial statement 2010

### **3.3 Data collection**

Data was collected using both primary as well as secondary sources. Primary data was collected through questionnaires which were administered to the sampled branches in the whole KCB region. Interviews were conducted with senior management staff of KCB that is the divisional directors of various divisions as well as the managing directors in the countries KCB operates in. This aimed to answer the question of the extent to which the Bank is involved in environmental concerns as well as the driving forces.

The questionnaires had structured questions mainly closed questions geared to provide quality data quickly which is not ambiguous. This made it easier to collect uniform responses which provided a better way of dealing with sensitive data as well as made it easier for processing, comparison and analysis. To avoid bias in the questionnaires, there was extensive literature review to give a wide range in the alternatives of choices to the questions as well as include a category of others to give room for other responses which may not have been included in the choices.

Secondary data was collected from books, journals, financial reports, environmental & social reports and any other books or internet website where KCB had published their results and information over years.

### **3.4 Data analysis**

Data analysis was in the form of Qualitative where responses of various questions were represented in the form of tables and charts, creating a visual, easy and quick way of inferring data.

In addition data was also analysed quantitatively. The statistical test Chi-square was used to test both the hypotheses: There is no significant relationship in KCB profit levels and staff motivation; and there is no significant difference in cost savings before and after the introduction of environmental conservation initiatives in KCB.

The test was befit in the first hypothesis as I was comparing data over a period of years, to indicate whether there is significant difference in KCB profit levels before and after the introduction of staff motivation by the Bank. Likewise in the second hypothesis I was comparing data over a period of years to point out whether there is a significant difference in cost savings before and after the introduction of environmental conservation. Chi-square test was also made possible as the data is not from a normally distributed population hence the

option of a non-parametric test. The chi-square requirements were met like: the data being in the form of frequencies counted in each of a number of categories; the total number observed were greater than 20; the expected frequencies under the null hypothesis in any one fraction were not normally less than five and; the observations were independent.

**CHAPTER FOUR**

**4.0 RESULTS AND DISCUSSIONS**

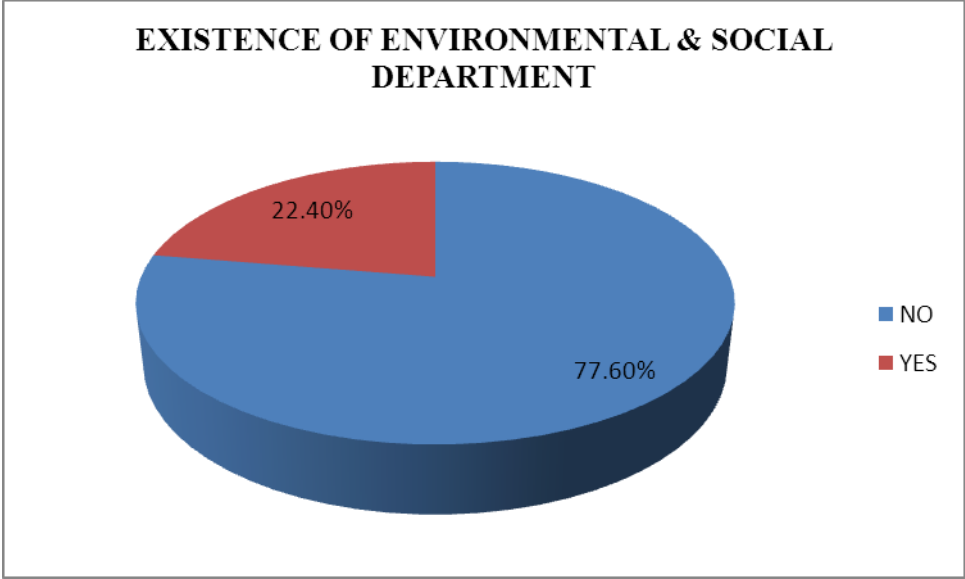
This chapter presents the data analysis and result findings according to the objectives of the study.

**4.1 Examining the existing social and environmental management framework in KCB**

**4.1.1 KCB SEMS**

From the sample of 64 branches with 128 respondents, of the whole KCB Group as well as discussions with senior management, it was realized that there is no well structured Social and Environmental Management System in KCB yet. As indicated in Figure 4.1, 77.6% of branches responded NO to knowledge of department charged with Social and Environmental issues. This echoes the literature review, where it was noted that most companies in developing nations do not have a clear operational Environmental Management System. However the Social and Environmental concerns are handled by the KCB Foundation.

**Figure 4.1 KCB staff knowledge of the department charged with social & environmental concerns.**



Source: Researcher’s data, 2010

**4.1.2 The KCB Foundation**

KCB Foundation was formed in 2006 and registered in 2007 as a charitable trust to plan, coordinate and implement KCB’s Corporate Social Responsibility (CSR). It facilitates the involvement of the KCB staff across the region in community support initiatives aimed at empowering needy members of society and responds to disasters and other unforeseen misfortunes on behalf of the business.

The KCB Foundation is a key tool for enhancing their corporate governance practices and implementing sustainable programmes that would benefit communities into the future and strengthen the bank’s reputation as a responsible and caring organization. The KCB Foundation works together with communities and other partners in identifying, responding and meeting key needs in a sustainable manner through provision of leadership and required resources.

The KCB Foundation focuses on five key thematic areas, in their sequential order: **Environment-** KCB recognizes that the sustenance of the human race is heavily dependent on the state of the environment and as such a lot of effort is made to contribute towards the conservation of ecosystems.

**Figure 4.2 KCB staff participating in a tree planting event**



**Education-** the KCB Foundation recognizes and supports every child’s right to universal education. The KCB Foundation’s intervention in this area is in facilitating access to education through provision of facilities and reading/learning materials.

**Figure 4.3 KCB staff donating learning material to a school**



**Enterprise Development-** the KCB Foundation has a unique advantage of helping develop businesses due to its relationship with the bank. Helping communities develop businesses for economical survival is a key focus for the Foundation. Through strategic partnerships with business schools, business development agencies and various associations, the KCB Foundation hopes to nurture, develop and promote enterprise with a long-term social impact.

**Health-** the KCB Foundation supports initiatives that cater for the health and well being of their communities through provision of medical equipment and consumables such as medicine, health education, medical facilities and the sponsorship of medical camps.

**Figure 4.4 KCB staff participating in an Anti-jigger campaign.**



**Humanitarian Intervention-** the KCB Foundation intervenes through response to disaster situations such. The Foundation also participates in various charitable events both as a donor and through the involvement of community champions. This provision of respite to needy members of the communities is the very essence of the Foundation’s mandate.

**Figure 4.5 KCB staff donating food stuff.**



### **The KCB Foundation governance**

The KCB Foundation is registered under the Companies Act of the Republic of Kenya and is governed by a board of Trustees. This Board of Trustees is drawn from the main Board and external experts.

The Board meets three times a year and is responsible for providing strategic guidance to the Foundation. It approves strategies, policies as well as key partnerships and grants. This board is answerable to the KCB Group Board.

The day – to – day activities of the Foundation are managed by the KCB Foundation Manager, the KCB Foundation Administrator, the Sustainability Manager, as well as interns from time to time.

### **KCB Foundation funding**

It was noted that there is no clear criteria on allocation of funds to the Foundation, by the Bank, however since the instigation of the Foundation, the monies have been incremental as



follows. 2007 Kshs 60 Million, 2008 Kshs. 70 Million, 2009 Kshs. 90 Million, 2010 Kshs 100 Million, and 2011 Kshs. 120 Million.

#### **4.1.3 The KCB Green Agenda**

The KCB Green Agenda is an environmental blue-print that aims to see The Bank focusing more on issues to do with waste management, carbon and greenhouse gas emissions as well as global warming. Moreover, the green agenda is the driving tool to the realization of the KCB's Environmental pillar with regards to sustainability. It was implemented in 2008 and is a 24 point agenda which focuses on conservation of energy, water, paper and waste management. The Green Agenda is to be implemented in 3 phases as follows:

- Phase 1 has a lot to do with behavioural changes.
- Phase 2 is working with Facilities, procurement and IT to achieve green operations, green procurement and green architecture.
- Phase 3 focuses on replacing resources and technologies with appropriate ones that are more productive and less energy intensive.

#### **KCB's environmental audits**

According to the discussions had with senior management as well as KCB Foundation staff, KCB has not undertaken an Environmental Audit hitherto. This was also evident from the branches, whereby out of the total 64 branches sampled, 63.3% responded negative to the administration of Environmental Audits. The other 36.7%, who responded YES, when further questioned, was realized they were referring to the normal internal Audits of processes and systems.

#### **Training and awareness**

Through the KCB Green Agenda, employee education and staff awareness campaigns have been organized.

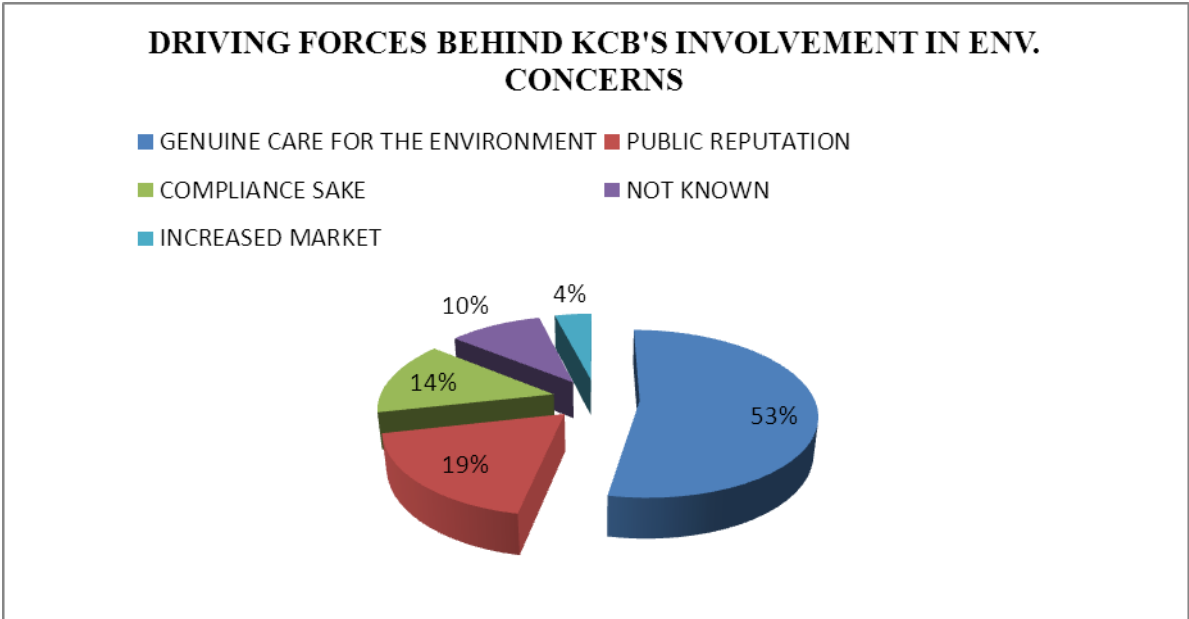
#### **4.1.4 Social and environmental reporting**

The social and environmental reporting is according to the triple bottom line approach, whereby the traditional reporting framework is expanded to take into account ecological as well as social performance in addition to financial performance.

KCB prompted this in 2008 by the launch of their first Sustainability report for 2007, which was followed by their second report for 2009. Their reporting is biennial. The KCB Sustainability Report follows the Global Reporting Initiative (GRI) format, and both their two reports were assured by one of the leading audit firms in Kenya. Price water house coopers (PwC). KCB prides itself to be the first local financial institution in the region to have undertaken this.

**4.2 The driving forces of integrating social and environmental management in KCB**

**Figure 4.6: Driving forces behind KCB’s involvement in environmental concerns**



Source: Researcher’s data, 2010

Figure 4.6 shows the results of KCB’s reasons of integrating environmental concerns into their core business according to the 49 sampled branches.

**4.2.1 Public reputation**

Public reputation is a major concern in corporate bodies, that they almost always have a Corporate/ Public Affairs department to handle this. This department monitors the general public’s view towards a company, media coverage as well as publicity of a company. It is a common worldview that it takes ages to build a good reputation, but a matter of minutes or seconds to ruin that very same reputation, bringing about adverse consequences. Corporate would go to great lengths just to safeguard their reputation in the eyes of their stakeholders.

According to the data drawn from both KCB branches and senior management, it is evident that this is the second main reason of integrating social and environmental concerns into their operations, save genuine concern.

The other reasons indicated above for integrating Social and Environmental concerns into the business, all still boil down to reputation. Compliance to governing bodies, for instance NEMA all serves to maintain a good reputation in the public eye, as well as the government who is one of the business stakeholders.

One of the other reasons of KCB adopting Social and Environmental concerns into their operations is increased market opportunities. When the Bank gives back to the community, by meeting them at their point of need, for instance funding their education; provision of health; enterprise development amongst others, it not only converts the potential customers to actual customers, but the aid recipients' somehow feel indebted to bank with them. On the other hand, international bodies find the bank a reputable organization to be associated with, hence easily partner with them, as well as provide financial aid.

### **4.3 KCB's social and environmental initiatives.**

#### **4.3.1 Environmental Initiatives**

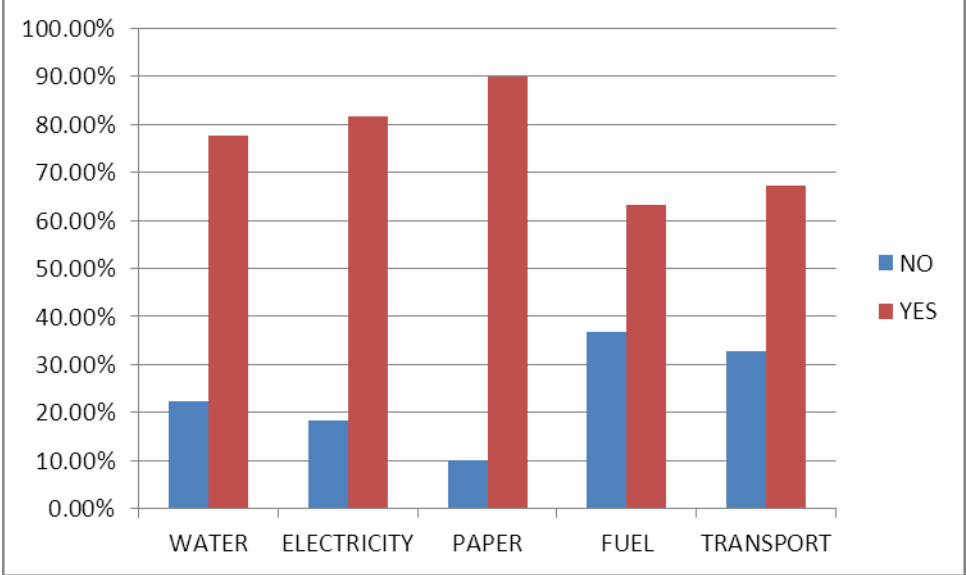
KCB has various Environmental and Social initiatives. A key highlight to their Environmental initiative is the annual KCB Community day, where staff from all branches across the region engage in a tree planting exercise.

In 2008 a total of 46,820 trees were planted, and this cost the Bank Kshs. 1.7Million in planting and maintenance, while in 2009 a total of 191,115 trees were planted and cost Kshs. 9.4 Million in planting and maintenance. In 2010 to 2014, the KCB Foundation, targets to plant over 3Million trees partly during the Community day and throughout the period in partnership with organizations such as United nations environmental programme (UNEP), Kenya Forest Services, the Kenya Armed Forces and community based organizations.

Other environmental initiatives include Clean ups, whereby some branches opt to do this as opposed to tree planting during community day. To boost environmental conservation by the Bank, KCB would like to put more effort in supporting waste management and recycling projects as well as soil conservation.

Within the Bank there are initiatives undertaken with regards to resource use. Figure 4.7 indicates responses for the presence or absence of conservation mechanisms for the specific resources from the 64 sampled branches.

**Figure 4.7: KCB’s conservation mechanisms**



Source: Researcher’s data, 2010

These conservation measures are mainly attributed to the KCB Green Agenda which was aimed to result in behavioural and attitudinal changes towards conservation by employees. The following are the specific conservation initiatives as per the Bank’s Green Agenda:

1. Reduction in paper consumption which was to be achieved through:
  - Adopting double sided printing.
  - Prohibition of email printing.
  - Procurement department was to supply the business with recycled printing papers.
  
2. Energy conservation through:
  - Switching off idle equipment and non security lights.
  - Use of energy efficient bulbs.

- Making use of natural light.
  - Setting all ACs at 24 degree centigrade or higher.
3. Water conservation by:
- Turning off taps
  - Installing sensors on taps
4. Minimize transport through:
- Prohibiting use of motor vehicles for distances less than 2km away.
  - Establishing a carbon fund and deposit Ksh.1 per km travelled by employees.
5. Purchase and use of energy efficient equipment.
- Procurement department was to ensure all equipment provided to the bank is ecofriendly and energy efficient.
  - Computers to be fixed with fax modems to enable staff to send faxes straight from their computers.
  - All printers and copiers to be enabled to perform double sided printing.
6. Resources sharing/ re-use/ recycle.
- Sustainability champions were to create a resource sharing/ exchange platform for their teams.
  - All branches/ units were to have recycling bins (for things like paper, plastic bags and metals)
7. Greening offices by:
- All office and working space to have a generous supply of potted plants.
  - New branches to plant 50 trees preferably within the precincts of the branch.

### **4.3.2 Social Initiatives**

These initiatives are the sole purpose of the KCB Foundation and they are administered as per the thematic areas earlier own discussed. KCB has dedicated eight days annually i.e. KCB community Day and the KCB Community Week for staff to personally and actively participate in community initiatives nearest to their branches. The KCB Community Week is dedicated to Education, where staff members provide learning materials to needy schools in their localities. In addition, there is one community champion at every branch and Head Office units to co-ordinate corporate social responsibility activities during the year on a voluntary basis.

KCB also provides scholarships for entry to secondary school through the Palmhouse Foundation and the mentoring of the beneficiary scholars and are working on a broader regional programme to incorporate students from tertiary institutions of learning.

In the Enterprise Development thematic area of the KCB Foundation, in the past, partnerships with organizations such as Ministry of Youth Affairs and Technoserve led to the Foundation's support of a national business plan competition. As well through AIESEC Nairobi's YES programme the KCB Foundation and Visa International played a part in the development of young practical entrepreneurship lessons for university students.

Most recently KCB partnered with the Acumen Fund to present the Acumen Fund East Africa Fellows Programme. This prestigious leadership programme seeks to empower successful applicants with skills and knowledge to create sustainable solutions to the challenging issues facing the Eastern Africa Region. The programme was open to applicants from Kenya, Uganda, Tanzania, Rwanda and Southern Sudan.

On Health, the KCB Foundation supports initiatives that cater for the health and wellbeing of the communities through provision of medical equipment and consumables such as medicine, health education, medical facilities and the sponsorship of medical camps.

Humanitarian intervention is another thematic area of the KCB Foundation, and in their spirit of being their brother's keepers, the Foundation intervenes through response to disaster situations such as Kenya's famine relief campaign in 2009 and the mudslide in Uganda in early 2010. The most recent is the Kenyans for Kenya campaign which was instigated by both the KCB Foundation as well as the Safaricom Foundation to take Food aid to the Northern Kenya region which was in a dire state.

The Foundation also participates in various charitable events both as a donor and through the involvement of community champions. This provision of respite to needy members of the community is the very essence of the Foundation’s mandate.

**Table 4.1: Employees participation in social and environmental initiatives.**

<b>EMPLOYEES PARTICIPATION IN S&amp;E INITIATIVES</b>		
<b>HOW DO EMPLOYEES PARTICIPATE IN S&amp;E INITIATIVES</b>	<b>NO. OF RESPONDENTS</b>	<b>PERCENTAGE OF RESPONDENTS</b>
MANDATORY	81	<b>63.3%</b>
BY CHOICE	47	<b>36.7%</b>
<b>TOTAL</b>	<b>128</b>	<b>100%</b>

Source: Researcher’s data, 2010

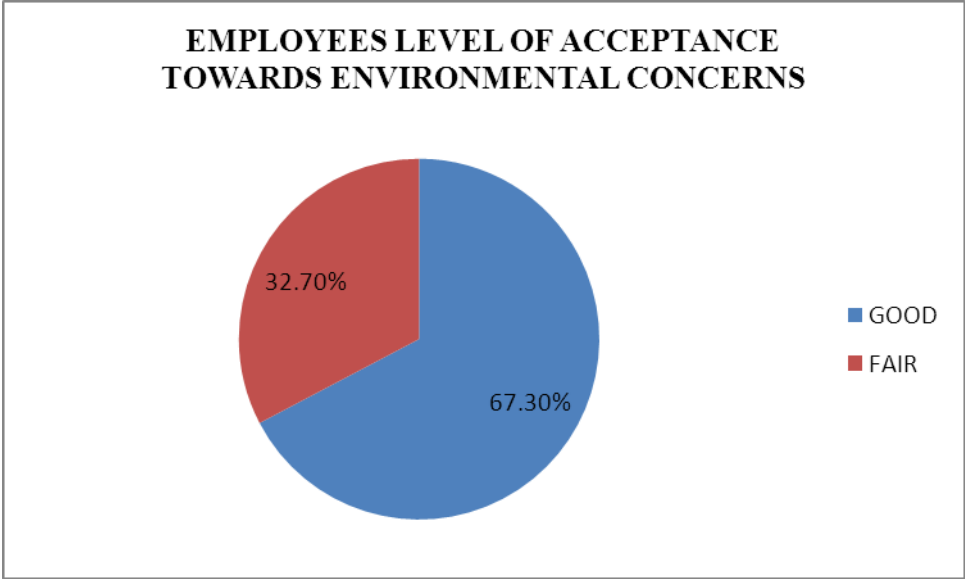
Table 4.1 indicates whether KCB’s employee participation in Social and Environmental concerns is mandatory. Information from senior management seconded this data from branches, and further explained that, their participation is governed in the employees’ performance appraisal. This participation accounts for 3% of each employee’s performance at the end of the year.

Employee involvement in KCB is mainly steered by one of the Bank’s five values, which is Caring for the Community (Be socially responsible). Whereby the Bank has dedicated eight days annually, i.e. KCB Community Day which all the staff participate in tree planting in a forest near them; and KCB Community Week, which is dedicated to education.

Every KCB Branch and Head Office units have a community champion to co-ordinate corporate social responsibility activities during the year. In addition the Bank has a KCB Tuungane initiative that helps teams to raise funds for localized needs and the KCB Foundation matches the contribution by staff 100% up to Kshs. 100,000.

Aside from it being mandatory for staff to participate in the KCB Community Day as well as the Community Week, there are other angles of voluntary support. These are like: tree planting in partnerships with organizations such as UNEP; participation in medical camps; mentoring sessions for fellows of the KCB Foundation/ Palmhouse Scholarship partnership and the Tuungane initiative which was earlier mentioned.

**Figure 4.8: Employees level of acceptance towards environmental concerns**



Source: Researcher’s data, 2010

Generally the level of KCB employee acceptance towards integrating social and environmental concerns into the Bank’s operation has been good as indicated by Figure 4.8

**4.4.1 Testing the Hypothesis: There is no significant relationship in KCB’s profit levels and staff motivation.**

On staff motivation I used Bonus as the variable as most of the other motivation, have always been operational as indicated in table 4.2. In addition the bonus is performance based, implying that the more employees attain their targets, the higher the bonus and the ensuing effect is a rise in profits.



**Table 4.2: KCB staff benefits and the time of introduction**

<b>KCB STAFF BENEFITS</b>	<b>WHEN IT WAS INTRODUCED</b>
Life insurance	has always been operational
Health care	has always been operational
Annual leave	has always been operational
Maternity/ paternity leave	maternity leave has been operational but paternity leave was introduced in 2007
Pension	has always been operational
Stock ownership	2009
Low financing in form of loans	has always been operational
Yearly increment	has always been operational
Bonus	2003
Individual development e.g. through training	has always been operational

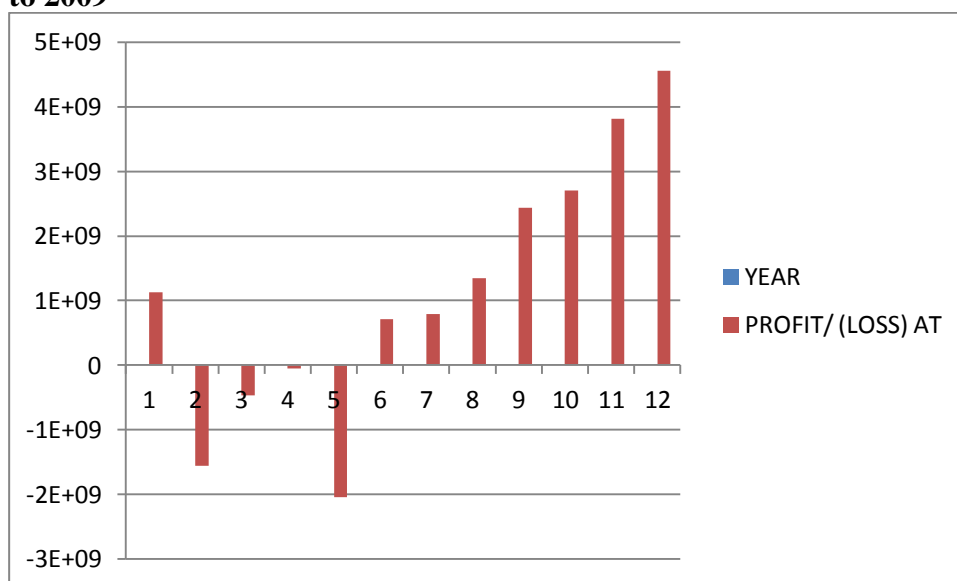
Source: Researcher's data 2010

**Table 4.3: KCB's economic performance for the period starting 1998 to 2009**

YEAR	PROFIT/ (LOSS) AFTER TAX
1998	1,126,245,000
1999	(1,554,665,000)
2000	(464,469,000)
2001	(52,996,000)
2002	(2,038,980,000)
2003	713,220,000
2004	793,105,000
2005	1,343,606,000
2006	2,431,878,000
2007	2,706,576,000
2008	3,811,485,000
2009	4,552,679,000

Source: KCB Annual Reports, Financial statement, 1998-2009

**Figure4.9: KCB's economic performance (After Tax) for 12 years period starting 1998 to 2009**



**Table 4.4: Chi-square table for KCB's economic performance before and after the introduction of Bonus**

YEAR	PROFIT IN KSHS. BILLIONS BEFORE INTRODUCTION OF BONUS (1998-2003)		PROFIT IN KSHS. BILLIONS AFTER INTRODUCTION OF BONUS (2004-2009)		ROW TOTAL OF (OF)
	Observed Frequency (OF)	Expected Frequency (EF)	Observed Frequency (OF)	Expected Frequency (EF)	
1	1.13	-0.32	0.79	2.24	<b>1.92</b>
2	-1.55	0.03	1.34	-0.24	<b>-0.21</b>
3	-0.46	-0.33	2.43	2.3	<b>1.97</b>
4	-0.053	-0.44	2.71	3.1	<b>2.66</b>
5	-2	-0.3	3.81	2.11	<b>1.81</b>
6	0.71	-0.87	4.55	6.13	<b>5.26</b>
<b>COLUMN TOTAL</b>	<b>-2.22</b>		<b>15.63</b>		<b>13.41</b>

$$X^2 = \text{SUM} (OF-EF)^2/EF$$

$$EF = \text{Row total} * \text{Column total}/N \text{ (Sum total of OF)}$$

$$1.92 * -2.22/13.41 = -0.32$$

$$1.92 * 15.63/13.41 = 2.24$$

$$-0.21 * -2.22/13.41 = -0.03$$

$$-0.21 * 15.63/13.41 = -0.24$$

$$1.97 * -2.22/13.41 = -0.33$$

$$1.97 * 15.63/13.41 = 2.3$$

$$2.66 * -2.22/13.41 = -0.44$$

$$2.66 * 15.63/13.41 = 3.1$$

$$1.81 * -2.22/13.41 = -0.3$$

$$1.81 * 15.63/13.41 = 2.11$$

$$5.26 * -2.22/13.41 = -0.87$$

$$5.26 * 15.63/13.41 = 6.13$$

$$X^2 = \text{SUM} (OF-EF)^2/EF$$

$$(1.13 - (-0.32))^2 / -0.32 = -2.1$$

$$(0.79 - 2.24)^2 / 2.24 = 0.94$$

$$(1.55 - 0.03)^2 / 0.03 = 83.2$$

$$(1.34 - (-0.24))^2 / -0.24 = -5.04$$

$$(-0.46 - (-0.33))^2 / -0.33 = -1.9$$

$$(2.43 - 2.3)^2 / 2.3 = 0.007$$

$$(-0.053 - (-0.44))^2 / -0.44 = -0.55$$

$$(2.71 - 3.1)^2 / 3.1 = 0.05$$

$$(-2 - (-0.3))^2 / -0.3 = -17.6$$

$$(3.81 - 2.11)^2 / 2.11 = 1.37$$

$$(0.71 - (-0.87))^2 / -0.87 = -0.23$$

$$(4.55 - 6.13)^2 / 6.13 = 0.41$$

$$X^2 = -2.1 + 83.2 + (-1.9) + (-0.55) + (-17.6) + (-0.23) + 0.94 + (-5.04) + 0.007 + 0.05 + 1.37 + 0.41$$

$$X^2 = \mathbf{58.56}$$

Degree of Freedom (DF) = (No. Of Rows-1) \* (No. Of Columns-1)

$$DF = 5 * 1$$

$$DF = 5$$

Critical Value at significant level 0.05 is **11.07**

The  $H_0$  (There is no significant relationship in KCB's profit levels and staff motivation.) is rejected since the calculated value of chi-square (58.56) is greater than the Critical Value (11.07) at 0.05 significance level.

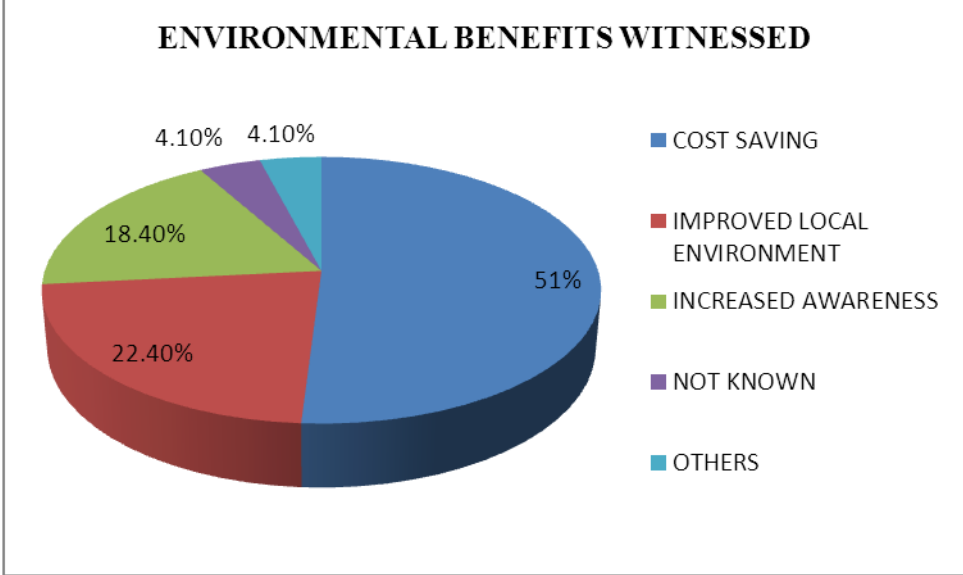
## **Discussion**

Since the null hypothesis has been rejected statistically, we can infer that there is actually a relationship in KCB's profit levels and staff motivation, specifically employee performance based Bonus. However there are other factors which in fact affect a corporate's and more precisely KCB's economic performance aside from staff motivation such as: regulatory requirements; inflation of a country; food and fuel prices; depreciation and appreciation of foreign currency; and political state of a country.

## 4.5 Benefits of mainstreaming social and environmental management in the operations of KCB

### 4.5.1 Environmental Benefits

Figure 4.10: environmental benefits



Source: Researcher’s data, 2010

Figure 4.10 shows the benefits realized by the bank due to environmental conservation and these benefits are: cost saving; improved local environment; and increased awareness.

#### Cost savings

Most of the branch respondents indicated that, thanks to environmental conservation, they have realized savings in cost.

#### Improved local environment

This is mainly due to the potted flower plants introduced in the branches and offices, as well as the trees planted by branches, in their compounds. In addition to this, the clean ups carried out by branches in their local towns, for instance Kampala (Uganda) branches who did a cleanup and purchased KCB branded bins on behalf of the city council. All these initiatives served to improve the aesthetic value of the specific localities.

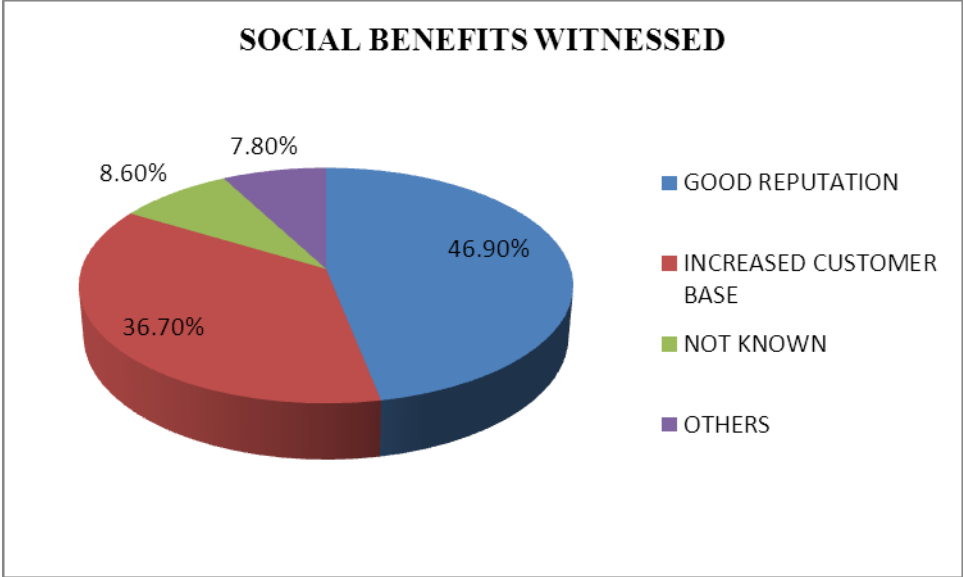
#### Increased awareness

Thanks to the KCB Green Agenda and awareness sessions, more staff, (especially the older generation, who did not learn environmental issues in school as opposed to their younger

counterparts), appreciate the knowledge gain, and unanimously agree, if they apply the same in their homes, they would equally realize cost savings.

### 4.5.2 Social Benefits

Figure 4.11: Social benefits



Source: Researcher’s data, 2010

Most of branches indicated that thanks to caring for the communities around them, they have gained a good reputation, in their specific localities, and the Whole Bank in general. As a result of this, their customer base has increased, because now more people want to bank and be associated with KCB as a brand.

### 4.5.3 Testing the Hypothesis: There is no significant difference in cost savings before and after the introduction of environmental conservation initiatives in KCB

**Table 4.5: KCB electricity and water consumption for the period 2006-2011**

<b>YEAR</b>	<b>CONSUMPTION IN (KES) FOR WATER &amp; ELECTRICITY</b>
2006	48,528,674.05 (48.53M)
2007	46,644,880.9 (46.65M)
2008	78,530,182.8 (78.53M)
2009	104,662,356.25 (104.66M)
2010	90,054,672.6 (90.05M)
2011	75,079,401.15 (75.08M)
<b>TOTAL</b>	<b>443,500,167.75 (443.5M)</b>

**Table 4.6: Chi-square table for KCB's cost of water and electricity before and after the introduction of environmental initiatives.**

<b>YEAR</b>	<b>COST OF WATER &amp; ELECTRICITY IN KSHS. MILLIONS BEFORE CONSERVATION INITIATIVES (2006-2008)</b>		<b>COST OF WATER &amp; ELECTRICITY IN KSHS. MILLIONS AFTER CONSERVATION INITIATIVES(2009-2011)</b>		<b>ROW TOTAL OF OF</b>
	Observed Frequency (OF)	Expected Frequency (EF)	Observed Frequency (OF)	Expected Frequency (EF)	
1	48.53	60	104.66	93.19	<b>153.19</b>
2	46.65	53.54	90.05	83.16	<b>136.7</b>
3	78.53	60.17	75.08	93.44	<b>153.61</b>
<b>COLUMN TOTAL</b>	<b>173.71</b>		<b>269.79</b>		<b>443.5</b>

$$X^2 = \text{SUM} (OF-EF)^2/EF$$

$$EF = \text{Row total} * \text{Column total}/N \text{ (Sum total of OF)}$$

$$153.19 * 173.71 / 443.5 = 60$$

$$153.19 * 269.79 / 443.5 = 93.19$$

$$136.7 * 173.71 / 443.5 = 53.54$$

$$136.7 * 269.79 / 443.5 = 83.16$$

$$153.61 * 173.71 / 443.5 = 60.17$$

$$153.61 * 269.79 / 443.5 = 93.44$$

$$X^2 = \text{SUM} (OF-EF)^2/EF$$

$$(48.53-60)^2/60 = 2.19$$

$$(104.66-93.19)^2/93.19 = 1.41$$

$$(46.65-53.54)^2/53.54 = 0.89$$

$$(90.05-83.16)^2/83.16 = 0.57$$

$$(78.53-60.17)^2/60.17 = 5.6$$

$$(75.08-93.44)^2/93.44 = 3.61$$

$$X^2 = 2.19 + 0.89 + 5.6 + 1.41 + 0.57 + 3.61$$

$$X^2 = 14.27$$

Degree of Freedom (DF) = (No. Of Rows-1)\*(No. Of Columns-1)

$$DF = 2 * 1$$

$$DF = 2$$

Critical Value at significant level 0.05 is **5.99**

The  $H_0$  (There is no significant difference in cost savings before and after the introduction of environmental conservation initiatives in KCB.) is rejected since the calculated value of chi-square (14.27) is greater than the Critical Value (5.99) at 0.05 significance level.

## **Discussion**

As the null hypothesis has been rejected statistically, we can deduce that there is a significant difference in cost savings before and after the introduction of environmental conservation initiatives. However from table 4.4 the costs went up in 2009, then started declining but never reached the level of the first year of data (2006). This indicates that the Bank's initiatives for eco-efficiency is not bearing fruit, or the initiatives have not been fully implemented and so more awareness should be created to get a buy in from the entire organization. However the staff argued that during that time (2009) there was a lot of branch expansion which could have led to the increase in resource consumption before the decline.



## **CHAPTER FIVE**

### **5.0 SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS**

#### **5.1 Summary**

Mainstreaming environmental concerns into corporate bodies is a new, emerging concept, even in the developed world where most of these ideas seem to originate from and subsequently make way to developing nations. Much research has indicated that most corporates, especially in sub-Saharan Africa, approach to environmental concerns is reactive as opposed to proactive. This is mainly as a result of not integrating these issues into the daily operation of the organization. That is not having a proper environmental management system, which takes into consideration environmental matters in the policy and processes of the organization.

The data was collected by the administration of questionnaires to the sampled KCB branches in Kenya, Tanzania, Uganda, Rwanda and South Sudan. There were two respondents from every branch. The sampling method used was stratified random sampling, whereby the countries served as strata, subsequently branches picked at random from the different strata. Interviews were also conducted for senior management.

The results indicated that KCB does not have an existing environmental management system. This is a replication of most corporates in sub-Saharan Africa, as earlier indicated in the literature review. It was also noted that one of the main reasons corporates are involved in environmental matters is for a good public image as opposed to genuine care for the environment. It was a common worldview that whatever is good for the environment is good for business, hence environmental conservation should be advocated for. Senior management was of the opinion that, environmental management should be integrated into the day to day operations of the bank, for them to realize optimum benefits.

#### **5.2 Conclusions**

The current environmental management and general corporate social responsibility is at its infancy stage. This is evident in KCB (a replication of other corporates) not having a specific department charged with environmental issues and the lack of an environmental management system. The management of environmental issues is largely reactive and not proactive. It is mostly driven by rational choices of the business rather than by societies' expectation.

As earlier discussed in the Literature review on the qualities of a successful EMS, it is evident that most of these qualities lack in KCB case in point: There is no clear understanding of what actions are required and who is responsible and accountable for implementing the EMS. Most staff are not aware of the existence of a functional environmental department as there is none. What the Bank has is the Foundation which mainly administers its CSR (which is giving back to the community.); with regards to commitment to both the letter and the intent of the laws affecting the operation to which the EMS applies, it was obvious that the Bank does not carry out yearly Environmental Audits as required by EMCA and NEMA.

A good EMS is the aspect of the organizations' overall management structure that addresses immediate and long-term impacts of its products, services and processes on the environment. It is apparent that KCB looks into its internal processes through the KCB Green Agenda but has completely side-lined their external stakeholders with regards to their environmental and social issues. No where has it been mentioned that they ensure that their supply chain is environmentally viable by adopting green procurement standards. In addition we also miss to see the inclusion of environmental and social concerns in their loan processes. It is also noted that the Bank lacks a monitoring or auditing function that assesses the effectiveness of the practice and initiates follow-up action to correct any deficiencies

It is evident that KCB has a number of initiatives towards environmental conservation as well as community development. However it was noted that the staff involvement in this is not at its optimum level, in fact most of them participate in the initiatives simply because it is a requirement in their yearly appraisal, just so as to avoid poor scoring. All this boils down to the fact there is poor understanding of environmental issues.

### **5.3 Recommendations**

The key recommendations of the study are;

#### **Staff involvement**

For KCB, just like other corporate bodies to realize optimum results with regards to environmental management, there must be a strong senior management and staff level commitment towards this. There must be a buy in by the whole organization at large.

Since it is apparent, that there is no clear understanding of environmental issues by corporate bodies, it is imperative for them to undertake intense training and awareness for all their staff,

both at senior and junior level. Staff should also be clearly enlightened on their role with regards to environmental management. This will result in a buy in by all the members of staff.

#### Adoption of an EMS

Every organization has a management system, which is a framework that includes policies and procedures needed for an organization to complete its tasks and to achieve its objectives. Likewise they should formulate an environmental management system, which basically is the adoption of environmental concerns in their framework, policies, procedures and strategy. This will lead to a proactive approach towards environmental issues.

#### Policy makers

Governments should make it mandatory for all organizations to have departments charged with environmental concerns, through policies. This will leverage institutions to mainstream environmental concerns in their day to day operations by the formulation and implementation of environmental management systems. In addition there should be an obligatory monitoring and evaluation as well as auditing of the environmental management systems of the organizations following their implementation. Incentives could also be awarded to organizations with the best operational EMS, as well as those who implemented the EMS out of their own volition.

#### Civil Society

There is growing recognition that regulation is not the exclusive domain of the state. The regulatory capacities of non-governmental actors are increasingly recognized and on occasions formally co-opted by the state. (Bridget M.H. 2006) Our country should emulate best practices from the West whereby the role of the civil society in putting pressure on cooperates for social and environmental management is recognised. A case in point is the residents of Woburn Massachusetts put into process a long train of action which lead to a civil suit against corporate giants W.R Grace & Beatrice foods who had negligently dumped chemicals on its property which was causing leukaemia to the local children. This case received much national attention and subsequently focussed public attention on corporate responsibility for toxic wastes and their resultant health effects. For sometime now civic activities have organized opposition to environmental contamination

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**APENDIX I**

**QUESTIONNAIRE FOR BRANCHES.**

**Name of Branch** .....

1.a.) Is there any specific department charged with social and environmental concerns?

- Yes .....
- No .....

b.) If the answer is yes, which department is this?

.....

c.) Who oversees the environmental conservation and community issues at the branch level?

- An individual. ....
- A group of people e.g. a department. ....

d.) Do you know of any existing Policy governing environmental and social concerns in the bank?

- Yes. ....
- No. ....

e.) Do you know of any existing strategy with clear set objectives concerning environmental and social issues?

- Yes. ....
- No. ....

f.) Does KCB have any Social and environmental reporting?

- Yes. ....
- No. ....

g.) If the answer above is yes how often is it done?

- Monthly .....
- Yearly. ....
- Biennial. ....

- Other (specify).....

h.) Are there Environmental Monitoring and Audits done?

- Yes .....
- No .....

If yes who does them?

- Internally. ....
- External party .....
- Other (specify).....

i.) Is there environmental training and awareness conducted?

- Yes .....
- No .....

If yes how often?

- Monthly .....
- Quarterly .....
- Yearly .....
- Others (specify).....

2.a.) Are there any social and environmental initiatives KCB does?

- List specific social initiatives
  1. Educating disadvantaged. ....
  2. Building facilities/ social amenities like schools, hospitals.  
.....
  3. Others (specify).....
- List specific environmental initiatives.
  1. Planting trees. ....
  2. Clean ups. ....
  3. Others (specify).....

b.) Are there conservation mechanisms in relation to resource use? If yes specify

- Water            Yes            No .....
- 1. Training on importance of conservation.....

- 2. Change of attitude and behavior.....
- 3. Use of technology e.g. use of sensor taps.....
- 4. Others (specify).....
- Electricity    Yes    .....    No    .....
- 1. Training on importance of conservation.....
- 2. Change of attitude and behavior.....
- 3. Use of technology e.g. motion sensors.....
- 4. Others (specify).....
- Paper            Yes    .....    No    .....
- 1. Training on importance of conservation.....
- 2. Change of attitude and behavior.....
- 3. Double sided printing.....
- 4. Others (specify).....
- Fuel              Yes    .....    No    .....
- 1. Use of technology like efficient generators.....
- 2. Others (specify).....
- Transport    Yes    .....    No    .....
- 1. Training on importance of conservation.....
- 2. Change of attitude and behavior.....
- 3. Encourage walking.....
- 4. Use of technology like teleconferencing.....
- 5. Others (specify).....

c.) What kind of waste do branches generate in their daily operations?

- Paper.....
- Tonners & cartridges.....
- Food stuff.....
- Others (specify).....

d.) How is this waste disposed off?

- Existing specific framework for handling waste? (systematic way of handling waste).....
- Use of a waste collection company?.....

- Other (specify).....

e.) Generally what is the physical working condition in terms of health and safety?

- Good. ....
- Fair. ....
- Bad. ....

f.) Are there any employee motivations/ benefits in KCB?

Yes ..... No .....

If yes specify.

- Life insurance.....
- Health care.....
- Annual leave.....
- Maternity/ paternity leave.....
- Pension.....
- Stock ownership.....
- Low financing e.g. low interest rate loans.....
- Yearly increment.....
- Bonus.....
- Individual development e.g. through training.....
- Others (specify).....

3.a.) What are the driving forces of KCB involvement in environmental concerns?

- Genuine care for the environment. ....
- For the sake of compliance e.g. NEMA and EMCA or international organizations like ISO .....
- Public reputation .....
- Increase market .....
- For the sake of partnership especially international .....
- Cost saving .....
- Others (specify) .....

b.) What are the driving forces behind KCB's involvement in social concerns?

- Genuine care for the community .....

- For the sake of compliance .....
- Public reputation .....
- Increase market .....
- For the sake of partnership .....
- For the sake of becoming the employer of choice. ....
- Others (specify) .....

4.a.) How do employees participate in environmental and social initiatives.

- By choice. ....
- Mandatory. ....

b.) If by choice who funds the projects?

- Self. ....
- The bank .....
- Others (specify). ....

c.) If mandatory, explain how it is governed e.g. in performance appraisal or not?

.....

d.) What is the attitude (level of acceptance) of employees towards environmental conservation by the bank?

- Good. ....
- Fair. ....
- Bad. ....

e.) What is the attitude (level of acceptance) of employees towards social concerns by the bank?

- Good. ....
- Fair. ....
- Bad. ....

5.a.) What benefits have you witnessed due to environmental conservation?

- Cost savings. ....
- Improved local environment. ....
- Increased awareness. ....

- Others (specify). .....
- b.) What benefits have you witnessed due to involvement in social concerns?
- Increased local markets. (increased customer base). .....
  - Good reputation. ....
  - Others (specify). .....

**APENDIX II**

**QUESTIONNAIRE FOR SENIOR MANAGEMENT**

- 1.a.) Is there an existing formal governance structure for environmental and social concerns?
- b.) If yes how is the governance, the department in terms of staffing and who is the most senior person in charge of this department?
- c.) Who is the most senior person responsible and accountable for environmental and social concerns?
- d.) Is there a specific budget for environmental and social concerns?
- e.) If yes how is the budget allocation?
- f.) Is there any existing policy, strategy with clear objectives governing environmental and social concerns? (Whereby social concerns include bank’s employees)?
- g.) Is the bank environmentally audited and monitored?
- h.) If yes who does it? And when was the last audit conducted
- Internally.
  - External party
  - Other (specify).
- i.) Is there any formal reporting by the bank on environmental and social matters?
- j.) If yes how often?
- Annually
  - Biennial.
  - Others (specify)

2.a.) Are there specific environmental initiatives the bank is involved in?

b.) If yes which ones are they?

- Tree planting
- Clean ups
- Others (specify)

c.) how often are these initiatives carried out?

- Monthly
- Quarterly
- Annually
- Others (specify)

d.) Are there specific social initiatives the bank does?

e.) If yes which ones are they?

- Educating disadvantaged.
- Building facilities/ social amenities like schools, hospitals.
- Others (specify)

f.) how often are these initiatives carried out?

- Monthly
- Quarterly
- Annually
- Others (specify)

g.) Are there any budgetary provisions for conservation mechanism in terms of water, electricity, paper, fuel, transport?

h.) If yes which ones are they?

- Technological improvements for instance the purchase of efficient equipments, teleconferencing,
- Investing in green buildings.
- Investing in training and awareness of employees.
- Contracting environmental agencies or consultancies.
- Waste management.

- For compliance sake.
- Others (specify).

i.) Are there any employee motivation/ benefits?

j.) If yes which are they at junior level?

- Life insurance
- Health care
- Annual leave
- Maternity/ paternity leave
- Pension
- Stock ownership
- Low financing
- Yearly increment
- Bonus
- Individual development e.g. through training
- Others (specify)

At senior level?

- Junior level benefits.
- Others (specify)

k.) When were these benefits introduced?

3.a.) What are the driving forces of KCB involvement in environmental concerns?

b.) What are the driving forces behind KCB's involvement in social concerns?

4.a.) How do employees participate in environmental and social initiatives?

- By choice.
- Mandatory.

b.) If by choice who funds the projects?

- Employees.
- The bank
- Others (specify)

c.) If mandatory, explain how it is governed e.g. in performance appraisal or not?



d.) What is the attitude (level of acceptance) of employees towards environmental conservation by the bank?

- Exceedingly good
- Good
- Bad
- Exceedingly bad.

e.) What is the attitude (level of acceptance) of employees towards social concerns by the bank?

- Exceedingly good
- Good
- Bad
- Exceedingly bad

5.a.) What benefits has the bank experienced due to environmental conservation?

- Cost savings
- Improved local environment
- Increased awareness.
- Others (specify)

b.) What benefits has the bank experienced due to involvement in social concerns?

- Increased local markets. (increased customer base)
- Good reputation.
- Become employer of choice
- Employee motivations hence increase in profit.
- Reduced turnover rate.
- Others (specify)