

**ROLE OF CORPORATE SOCIAL RESPONSIBILITY AUDIT ON STRATEGIC
DECISION MAKING: A CASE STUDY OF SELECTED FIRMS IN THE
MOBILE TELEPHONY INDUSTRY IN KENYA**

BY

ABDIRIZAK HUSSEIN SHEIKH

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DECLARATION

This project is my original work and has not been presented in any other university or institution for a degree or any other award.

Signature..... Date

Abdirizak Sheik Hussein

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

Signature..... Date

Victor Monayo

Supervisor

ACKNOWLEDGEMENT

God entrusts us with passions and equips us with abilities to pursue them. He has been the inspiration and source of strength in all my endeavors.

Mr Victor Monayo has been a phenomenon during the life of this project. He bent over to facilitate the growth of a small idea. His intellectual guidance, diverse perspective, encouragement and advice have all created value in this study.

To the employees of Safaricom and Airtel Kenya without whom this undertaking would not make sense, I salute their unreserved support.

DEDICATION

I dedicate this project to my family for their love, encouragement and patience during the course of this work.

ABSTRACT

The present-day CSR, sometimes also called corporate responsibility, corporate citizenship, responsible business and corporate social opportunity; is a concept whereby business organizations consider the interest of society by taking responsibility for the impact of their activities on customers, suppliers, employees, shareholders, communities and other stakeholders as well as their environment. The study was a cross-sectional survey. The target population consisted of departmental heads and middle level staff in the following departments: Marketing, human resource, public relations, audit and operations in Airtel Kenya and Safaricom Ltd. Stratified random sampling was employed in carrying out the study. Primary and secondary data was collected for this study. Primary data was collected by administering a structured questionnaire. The data from the completed questionnaires were cleaned, re-coded and entered into the computer using the statistical packages for social sciences (SPSS) for Windows for analysis. Based on the findings of the study, the sampled employees agreed that the companies pay their employees more than similar local companies as supported with a mean of 3.820 and a standard deviation of 0.821. It was also revealed that Safaricom Kenya Ltd and Airtel Kenya encourages employee participation in community projects (mean- 4.028 and standard deviation-0.802) and that they have health and safety regulations in place in the workplace (mean-4.154 and standard deviation-0.835). According to the analysis of the findings, it was generally established that the two organizations were involved in improving infrastructure and social amenities such as health centres. Based on the respondents, the companies were involved in improving social infrastructure and living conditions in surrounding communities (mean-3.624 and standard deviation-0.554) and in building schools, health centres, and electricity connections for the local community (mean- 3.120 and standard deviation- 0.754). From the findings, the employees of the two firms are involved in the strategic integration of CSR into organizational strategies as evidenced by mean of 4.01 and a standard deviation of 0.82. The study results also indicated that CSR values have been incorporated into the explicit values of the organization (mean- 4.01 and standard deviation- 0.82) and that there are good bases for setting the organizational CSR goals, such as benchmarking to CS successful organizations or adopting generally accepted practices and standards (mean- 3.62 and standard deviation- 1.15). The study recommended that the management of Safaricom Ltd and Airtel Kenya should allocate more financial resources to the CSR kitty of their companies to cater for publicity and elaborate organization of the events. The current CSR programmes should be expanded to engage more employees and serve more needy cases in a wider geographical area. There is also urgent need to come up with a CSR model that delivers tangible benefits to all stakeholders from each CSR investment by Safaricom Kenya Ltd and Airtel Kenya.

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ACRONYMS AND ABBREVIATIONS

CCK-Communications Commission of Kenya

CSR-Corporate Social Responsibility

KCA-Kenya Communications Act

KPTC-Kenya Posts and Telecommunications Corporation

MOCT-Ministry of Communications and Transport

GoK-Government of Kenya

GPRS-General Packet Radio Services

GSM-Global System for Mobile Communications

EDGE-Enhanced Data GSM Environment

ETACS-Extended Total Access Communications

KCDF-Kenya Community Development Foundation

NGO's-Non Governmental Organizations

SMs-Short Messages

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

The present-day CSR, sometimes also called corporate responsibility, corporate citizenship, responsible business and corporate social opportunity; is a concept whereby business organizations consider the interest of society by taking responsibility for the impact of their activities on customers, suppliers, employees, shareholders, communities and other stakeholders as well as their environment (Swanson,2005). This obligation shows that the organizations have to comply with legislation and voluntarily take initiatives to improve the well-being of their employees and their families as well as for the local community and society at large. CSR simply refers to strategies corporations or firms conduct their business in a way that is ethical and society friendly. CSR can involve a range of activities such as working in partnership with local communities, socially sensitive investment, developing relationships with employees, customers and their families, and involving in activities for environmental conservation and sustainability (Cornelius, Wallace &Tassabehji, 2007).

CSR audits can present several problems. They can be expensive and time consuming, and selecting the auditors may be difficult if objective, qualified personnel are not available. Employees sometimes fear comprehensive evaluations, especially by outsiders, and in such cases, CSR audits can be extremely disruptive (Bowen, 1993). Although the

concept of auditing implies an official examination of ethical performance, many organizations audit their performance informally. Any attempt to verify outcomes and to compare them with standards can be considered an auditing activity. Many smaller firms probably would not use the word audit, but they do perform auditing activities.

1.1.1 Concept of CSR

Corporate social responsibility (CSR) promotes a vision of business accountability to a wide range of stakeholders, besides shareholders and investors. Key areas of concern are environmental protection and the wellbeing of employees, the community and civil society in general, both now and in the future. The concept of CSR is underpinned by the idea that corporations can no longer act as isolated economic entities operating in detachment from broader society. Traditional views about competitiveness, survival and profitability are being swept away (Buchholtz, 2006).

Some of the positive outcomes to the company as a result of CSR include; improved financial performance, lower operating costs enhanced brand image and reputation increased sales and customer loyalty, greater productivity and quality, more ability to attract and retain employees, product safety and decreased liability. Benefits to the community and the general public include; charitable contributions, employee volunteer programmes, corporate involvement in community education, employment and homelessness programmes (Feltus and Petit, 2009). Consequently, environmental benefits are; greater material recyclability, better product durability and functionality, greater use of renewable resources, integration of environmental management tools into

business plans, including life-cycle assessment and costing, environmental management standards, and eco-labelling.

There is increasing recognition of the importance of public-private partnerships in CSR. Private enterprise is beginning to reach out to other members of civil society such as non-governmental organizations, the United Nations, and national and regional governments. An example of such a partnership is the 'Global Compact'. Launched in 1999 by the United Nations, the Global Compact is a coalition of large businesses, trade unions and environmental and human rights groups, brought together to share a dialogue on corporate social responsibility. The 'Working with NGOs' section offers some insights into the way businesses and lobby groups are working together to mutual benefit. Management training plays an important role in implementation of CSR strategies, and there is a growing number of conferences and courses available on the subject (Davis and Kevin, 2007).

1.1.2 The Telecommunication Industry in Kenya

Telecommunications services in Kenya have a long history. Telecommunications services were first introduced in Kenya in 1888; ten years after Alexander Bell patented the telephone. Then, the earliest telecommunications connections to the outside world were the submarine cables (laid by the Eastern & South African Telegraph Company in 1888) linking Zanzibar, Mombasa, and Dar es Salaam. This began a long process of expansion of the telecommunications system countrywide, first along the railway line to the present near national network (Cleevely, and Walsham, 1980.) By 1908, Nairobi had its first

eighteen customers. Up to 1977 telecommunications services in Kenya were managed as part of the East African Community regional network with neighbouring Tanzania and Uganda. In 1977 the Community collapsed, and the Kenya Government established the Kenya Posts and Telecommunications Corporation (KPTC) to run telecommunications services. KPTC did this for twenty-two years on a monopoly basis until 1999 when the Government launched telecommunications sector reform, introducing competition in certain market segments and disbanding KPTC. Global trends in telecommunications industry reform-towards liberalization and privatization, the inability of the telecommunications monopoly to satisfy demand, and demand for advanced services forced the Government to reform the sector (Mureithi, 2002).

At this time, the country faced enormous challenges in the delivery of the benefits of telecommunications services to the majority of the population, particularly in rural areas. On one hand, poverty and low incomes made telephone services unaffordable to the majority of the population. On the other hand, Kenya had to import technology and skills for the telecommunications sector and therefore had limited leeway to control input costs (Mureithi, 2002). Presently, according to Communications Commission of Kenya (CCK) third Quarter Report for 2012/2013 released in April 2013, Kenya currently has around 30.4 million mobile phone subscribers, indicating a 77.2 percent penetration, according to a telecommunications sector report released today by the country's industry regulator the CCK. The report, for the period between July and September 2012, also indicates a rise in volume of mobile money transactions with KSh205 billion (US\$2.4 billion) deposited on

the mobile money transfer services, up from the previous KSh192 billion (US\$2.2 billion) in the previous period, representing a 6.7 percent growth.

Internet subscriptions in the country also continue to increase, with the number of internet subscriptions rising to 8.5 million up from 7.7 million in the previous quarter, representing a 10.2 percent increase. This brings the number of Internet users in the country to nearly 13.53 million, with 34.2 per cent of the population accessing the Internet via the mobile phone. Broadband subscriptions grew by 38.4 percent to about 1,006,000 subscriptions from some 726,800 subscriptions recorded during the previous period during the period under review (CCK quarterly report, 2012).

The upward trend was also attributed to Kenya's international internet connectivity (used) bandwidth, with the international internet used bandwidth recorded standing at 278,329 Mbps up from 264,584 Mbps recorded in the previous period, bringing the total available bandwidth in the country to 576,186 Mbps. In the voice calls and short messaging sector, a total of 7.0 billion minutes of calls were made on the mobile networks up from 6.3 billion minutes recorded in the previous period representing an increase of 10.5 per cent. About 1 billion SMS text messages were sent in the quarter up from 986 million in the previous period representing a 10.1 per cent increase. (CCK quarterly report, 2012)

According to CCK (2012), the mobile phone operator market in Kenya is comprised of Safaricom LTD with the market share of 63.3%, Airtel with 15.3%, Essar with 8.7% and Orange at 10.6%.

1.1.3 Safaricom Kenya Ltd

Safaricom Limited, which started as a department of Kenya Posts & Telecommunications Corporation, the former monopoly operator, launched operations in 1993 based on an analogue ETACS network and was upgraded to GSM in 1996 and awarded a license in 1999. Safaricom Limited was incorporated on 3 April 1997 under the Companies Act as a private limited liability company. It was converted into a public company with limited liability on 16 May 2002. By virtue of the 60% shareholding held by the Government of Kenya (GoK), Safaricom was a state corporation within the meaning of the State Corporations Act (Chapter 446) Laws of Kenya, which defines a state corporation to include a company incorporated under the Companies Act which is owned or controlled by the Government or a state corporation (www.safaricom.co.ke).

Until 20 December 2007, the GoK shares were held by Telkom Kenya Limited (“TKL”), which was a state corporation under the Act. Following the offer and sale of 25% of the issued shares in Safaricom held by the GoK to the public in March 2008, the GoK ceased to have a controlling interest in Safaricom under the State Corporations Act and therefore the provisions of the State Corporations Act no longer apply to it. (www.safaricom.co.ke).

Currently, Safaricom is one of the leading integrated communications companies in Africa with over 17 million subscribers (CCK 2013). Safaricom provides a comprehensive range of services under one roof: mobile and fixed voice as well as data services on a variety of platforms. It is engaged in the provision of mobile phone services such as, fixed line wireless telecommunication, Internet and data services. It provides

such products and services, as general packet radio services (GPRS), third generation (3G), enhanced data GSM environment (EDGE) and mobile money transfer solution M-Pesa. Its Safaricom Prepay service includes international dialing, voice mail and prepays roaming. Messaging includes ways of communication, such as short message service (SMS), e-mail and multimedia. With messaging service, customers also get daily updates for news, sports and entertainment. Other services include Safaricom Shop, which offers handsets and laptops. As of March 31, 2012 Safaricom Limited operated through PacketStream Data Networks Limited, its wholly owned subsidiary and One Communications Limited, in which it held a 51% stake. (www.safaricom.co.ke).

It is important to note that M-PESA service has grown from being a peer-to-peer money transfer service into a fully accepted financial mode of operation. With applications in m-Banking, Micro finance, salary payment, school fee payment and in Health services. Indeed, mHealth is a key pillar in Safaricom's strategy. So far Safaricom has rolled out several mHealth initiatives such as dial-a-doc and drug authentication and Tele-health solutions among others. Despite an onslaught by competitors, especially Airtel in the recent years in what has been dubbed Kenya's Mobile operators' war. Safaricom held its grip as leader in the market share and profitability as the recently released Annual financial report for the year ending March 2013 shows.

1.1.4 Airtel Kenya

Airtel Kenya is a subsidiary of Indian telecommunications company Barti Airtel that operates in 17 countries across Africa. It operates a GSM network in all countries,

providing 2G or 3G depending upon the country of operation. In March 2010, Bharti struck a deal to buy the Kuwaiti firm's mobile operations in 15 African countries, in India's second biggest overseas acquisition after Tata Steel's \$13 billion buy of Corus in 2007. Bharti Airtel completed its \$9 billion acquisition of African operations from Kuwait's Zain, making the firm the world's No. 5 wireless carrier by subscribers (Verma, 2011).

Airtel Kenya is ranked the second largest operator by users in the country with a 13.5% market share. The company has grown its customer base to 2.98 million as at September 2010 from 1.83 million a year ago. Bharti Airtel the world's third largest mobile operator owns the majority stake in the company. A spillover effect of the Bharti's economies of Scale in India to Kenya has seen Airtel Kenya adopt the low cost strategy of the parent which has triggered price wars in the industry. The telecom company has one of the cheapest call tariffs in the country. This has drawn a significant number of subscribers to the network with 60% (1.14 million subscribers) of net additions in the first quarter of 2010/11 subscribing to their network. Airtel was recently named the best quality mobile phone service provider in the country by CCK. The company which has a 4.6% stake in data market will be rolling out the 3G network by April this year in an effort to grow its market share (Verma, 2011).

In an unprecedented scramble for customers with rival Safaricom, on August 18, Airtel Kenya announced new unprecedented low rates for voice calls and SMS in what came to be known as mobile operator tariff war. The new rates for calls of Kshs 3/= (\$0.04) per

minute and for SMS of Kshs 1/= (\$0.01), applied across all networks and were available to all Zain subscribers. This trumped their main competitor, and market leader, Safaricom whose internal rates hovered around Kshs 8 for a phone call and Kshs 3.50 for an SMS, and 12/= and 5/= respectively to other networks. The company offers Airtel Money, Prepaid and Postpaid plans One Network, Blackberry devices and services, International roaming, Local and international text messaging, 24-hour customer care centre, Internet access, directory enquires and SMS information services.

Airtel Kenya also claimed a share of the mobile money market with the Airtel Money in August 2011 and in May 2012 a loan facility on its platform designed to woo the lower-income end of the market. The company partnered with microfinance institution, Faulu Kenya, to see its mobile money subscribers apply for and access short-term micro loans from their phones (www.Aitel Kenya.co.ke). Presently Airtel Kenya is the second leading mobile service operator in Kenya, with a market share of 15.3% in subscribers according to figures released by the regulatory authority Communication Commission of Kenya (CCK) in May 2013 (CCK 2013).

1.2 Problem Statement

Global calls by society to secure a sustainable future for humanity and to avoid a pending socio economic and environmental crisis is resulting in constituents increasingly holding the organizations accountable at the adverse social and environmental impact of their operations. However given that CSR practice is on voluntary disclosures, the risks exists that organizations may tend to only disclose information that places them in a

favourable light (Bertelsmann, 2009). Given the constituents demands for comprehensive and transparent disclosure on CSR related matters and accordingly increasingly organizational accountability, the crucial question arises is whether the completeness, validity, accuracy and reliability of CSR disclosure to stakeholders are verified and whether such verifications have an impact on strategic decision making (Brammer and Milligton, 2003). This research considers the de facto CSR situation within the mobile telephony industry and seeks to establish the role of CSR audit on strategic decision making.

Most research on CSR audit in developing countries to date has generalized CSR on all developing countries (Frynas, 2006). For instance a study on corporate social responsibility of multinational corporations by Ruggie (2008) generalized CSR practices in developing countries.

Locally studies have been done on CSR which include Nduku (2008) who undertook a study on the practice of CSR among multinational corporations in Kenya but did not shed light on the role of CSR on strategic decision making. Other previous research on the industry include; customer delight as a source of competitive advantage (Waiganjo, 2011), strategic change management in the orange Telkom Kenya (Ojwang, 2012) and challenges facing innovation strategies among mobile telephony firms in Kenya by Wanjiru (2012).

Also research has shown that most companies in Kenya do not have systematic mechanisms of monitoring and evaluating the impact of their giving (KCDF, 2010). Little

Designing effective CSR practices can give an organization an effective competitive edge. Based on this premise this study seeks to pertinent questions which include: What is the role of CSR audits in ensuring effectiveness of organizations' community investment programmes? What are the resource and budgetary implications of CSR on organizations strategic decision making? among others.

1.3 Research Objectives:

- i) To evaluate the role of CSR audits in ensuring effectiveness of organizations' community investment programmes.
- ii) To investigate the resource and budgetary implications of CSR on organizations strategic decision making.

1.4 Value of the Study

CSR Audit play a central role in supporting the implementation of the sustainability strategy, embedding sustainability into day-to-day operations and decision making, and developing relationships with stakeholders based on trust and legitimacy (Porter &Kramer, 2006). However, although CSR has received growing attention from academics and practitioners alike in recent years, relatively few organizations seem to have implemented comprehensive systems up to date. Companies in the mobile telephony industry can use the results of the study in understanding the role of corporate social responsibility audit on strategic decision making.

Lastly, the findings of the study can be used by academicians and researchers in Kenya in understanding the role of corporate social responsibility audit and its influence on

strategic decision making since the study presents useful empirical information supported by evidence. This study also creates a basis for further research in the area of Corporate Social Responsibility and strategic decision making. This study seeks to contribute to the body of knowledge into the sustainability reporting and disclosure practices by particularly focusing on the little known relationship between external sustainability reporting and internal accounting procedures and its effect on strategic decision making.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This section reviews the literature that relate to the role of CSR audit in strategic decision making. It covers theories guiding the study which include; strategic contingencies theories and integrative theories, key issues in CSR, corporate social responsibility audit, the strategic importance of CSR Auditing and the summary of literature review.

2.1 Theoretical Background

2.1.1 Integrative theories

Integrative theories demonstrate that business depends on society in a broad sense. Social demands are considered to be the way in which society communicates with business. Thus, a company should listen to the society and integrate social demands in its corporate management (Garriga 2004). According to this group of theories, there is no specific responsibility throughout different time periods and industries. It depends on the role of the company and the social context. The task of the company is to find out what the social demands are and take actions to respond (Preston and post, 1975). There are different ways of integrating social demands into business operations.

Social responsiveness and management is an approach which concerns identifying the gaps between the public expectations towards the organization and its actual performance

(Sethi, 1975). The organization should notice those gaps and close them. Issues management is a broader concept which includes the concept of social responsiveness. It emphasizes the decision-making process of a company responding to social issues. Issue management is the process by which the corporation identifies and responds to the social issues which may have a significant impact upon it (Wartich and Rude 1986). It could help the organization adapt to social changes through early identification of the threats and opportunities.

The principle of public responsibility guides the organization's responsibility by giving a scope to its corporate responsibility. Preston and Post (1975) suggest that public responsibility not only includes laws and regulations but also includes the broad pattern of social direction. The scope of a corporation's responsibility is analyzed as —the primary involvement and —secondary involvement. Primary involvement is the economic responsibility of the corporation, such as establishing its facilities, procuring suppliers and carrying out its producing functions. Secondary involvement is as the consequence of the primary involvement. For instance, selecting and engaging an employee is a primary involvement. It results in providing working opportunities to some individuals, which is an example of secondary involvement (Preston and Post 1975).

2.2 Key Issues in CSR

Society has perceived business differently over time. Business has often been viewed negatively as being exploitative. The industrial revolution and its focus on wealth creation exacerbated this view, since it separated business from social concerns. Over

time, along with the growth of socio-regulatory pressure, business gradually became more aware of its impact on and relationship with society and the environment. This led business to assume more responsibilities for society (Panwar et al. 2006). Corporate social responsibility (CSR) has emerged as a leading issue in business (Cramer 2004). For example, more than 80 percent of Fortune 500 companies refer to CSR related information on their websites (Smith 2003). An increasing number of companies now embrace the idea of CSR. How can one conduct business in a more responsible and ethical way? What is the actual meaning of CSR? These issues draw much attention in both academic and managerial debates. A great number of definitions are proposed (Cramer 2004, Marrewijk 2003).

Rhys Jenkins argues that, while the current wave of interest in corporate social responsibility (CSR) dates from the early 1990s, it is only a new manifestation of ‘a longstanding debate over the relationship between business and society’ (Jenkins 2005: 526). Since the rise of the corporation in the late nineteenth century, this debate has continued, through periods ‘when the power of corporations is in the ascendancy and periods in which society attempts to regulate the growth of corporate power’ (Ibid). In these periods when corporations have become subject to public criticism and attempts at regulation, they have attempted to re-establish their legitimacy by adopting CSR style strategies. As Moon (2004) has pointed out, CSR is a difficult concept to pin down. It overlaps with other such concepts as corporate citizenship, sustainable business, environmental responsibility, the triple bottom line; social and environmental

accountability; business ethics and corporate accountability. It is highly contextual not only in terms of its corporate environment but also in terms of its national environment. Moreover, CSR is an essentially contested concept. Thus any definition will necessarily be challenged by those who wish to contest the reach and application of any version of CSR. Franck Amalric and Jason Hauser (2005) argue that the potential benefits companies derive from CSR activities arise from two sources. The first source is expectations held by the immediate stakeholders of a company - its consumers, employees and investors - for responsible corporate conduct. The second driver behind the adoption of CSR activities by corporations is the threat that the state will impose new binding regulations on companies. This is clearly a neoliberal view that focuses on the potential threats to a company's bottom line that might emerge should the company's activities create an adverse reaction amongst its stakeholders.

2.3 Corporate Social Responsibility Audit

A corporate social responsibility audit is a type of evaluation regarding how well a business entity is managing its commitment to engage in business activities that are considered to be ethical and responsible as they relate to the communities in which the company resides and sells its goods and services. Considered part of a broader process known as social accounting, the corporate social responsibility audit will look closely at the day-to-day operational procedures used by the business, the impact of the operation on the local environment, and even how the finished products of the company are packaged to eliminate the accumulation of waste products in landfills. This type of audit

will also look at how the business participates in the life of the local community, utilizing its resources to help maintain an equitable standard of living. One of the key areas of consideration with a corporate social responsibility audit is the basic operation of the company itself. This often begins with assessments of the raw materials used in the production process, the strategies used to eliminate waste during the production cycle, and even what is done with that waste at the end of the cycle. Often, the process will extend to considering how the company manages its accounting records, calculates and pays taxes to the appropriate agencies, and in general fills the role of a good corporate citizen.

This should include, but is not limited to, human resource management, physical working conditions, production processes and waste management. As noted earlier, a CSR approach is not a compliance-based activity. It is all about the voluntary choices a company makes to improve its performance and the way it relates to society. Given this condition, a required step is to ensure that the business already respects existing laws and regulations, with regard to such things as governance, taxation, bribery, labour, or the environment. A good CSR strategy and the company's reputation can be quickly damaged if it is found to be in breach of basic laws. This means, in addition to a review of internal documents, a review of local rules and regulations that may affect business operations should be also considered.

In addition to thoroughly examining internal operations for CSR-related challenges and opportunities, it may be useful for a company to examine the activities of its business

partners (particularly supply-chain partners), since their misbehaviour can also significantly and negatively affect the company. In coupling with the paper-based review, a consultation with key managers who represent key business functions inside the company and with CSR and industry experts can offer further insight. Another practical CSR audit methodology relies on dialogue with various interested and knowledgeable stakeholders. This methodology appears especially relevant, as CSR auditing that engages stakeholders through dialogue can in turn help the company not only to identify CSR priorities, but also to help build trust, identify commitment, and promote cooperation among stakeholders and corporations. s

2.4 The Strategic Importance of CSR Auditing

The CSR audit, like the financial audit, should be conducted regularly instead of only when there are problems or questions about a firm's priorities and conduct. In other words, the CSR audit is not a control process to be used during a crisis, although it can pinpoint potential problem areas and generate solutions. A CSR audit may be comprehensive and encompass all of the social impact areas of a business, or it can be specific and focus on one or two areas. One specialized audit could be an environmental-impact audit in which specific environmental issues, such as proper waste disposal, are analyzed. Other areas for specialized audits include diversity, ethical conduct, employee benefits, and workplace conditions. CSR audits can present several problems. They can be expensive and time consuming, and selecting the auditors may be difficult if objective, qualified personnel are not available. Employees sometimes fear comprehensive evaluations, especially by outsiders, and in such cases, social audits can be extremely

disruptive. Although the concept of auditing implies an official examination of ethical performance, many organizations audit their performance informally.

Successful corporate responsibility requires an integration of CSR into business's strategy as well as its in-process operations. Business should be able to deliberately identify, prioritize, and address the social causes that matter most, or at least the ones on which it can make the highest impact to society and business's future. Business and society are interdependent, and any decision made must benefit both sides. If either business or society pursues actions that benefit the interests of one side at the expense of the other, it will find itself on a difficult path. This means CSR practice should seek a balance between business and social benefits. Companies also need to balance their long-term objectives against any short-term costs. Thus, to achieve these ends, a company needs guidelines to balance all of these concerns. A strategic framework for CSR design and implementation consequently helps a company in planning and executing its CSR practices. The framework should align the company with the dynamic demands of the business and social environment, as well as the confluence of stakeholder expectations.

2.5 Summary

Given the enormous tug towards CSR, without the accompanying discipline, the question for corporations is not whether to engage in CSR, but what the best way forward is for crafting CSR programs that reflect a company's business values, while addressing social, humanitarian and environmental challenges. Considering the many disparate drivers of CSR within a company, and the many different motivations underlying the various initiatives, we find it naïve to expect a company to somehow weave all this together and

incorporate it as part of business strategy. Some CSR programs will lend themselves to such an exercise, but many other elements will not. Instead of attempting that futile exercise, it is prudent to bring discipline and structure to the many fragmented components. Its components will in some cases support the core strategy and in some others may appear adjacent and discretionary. The fundamental problem with CSR practice is that companies usually don't have a CSR strategy, but rather numerous disparate CSR programs and initiatives. This study attempts to bring these disparate pieces together in the form of a coherent strategy. It is argued that every corporation should have a CSR strategy that unifies the diverse range of a company's philanthropic giving, supply chain, "cause" marketing, and system level initiatives all under one umbrella. Note, however, that the notion of CSR Strategy does not equate to a complete absorption into the company's core business strategy.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter examines the proposed research design instruments used to collect data and specific tools and techniques used in data analysis.

3.2 Research Design

A research design is the plan, structure of investigation conceived to obtain answers to research questions that includes an outline of the research work from hypothesis, methods and procedures for collecting and analysing data and presenting the results in a form that can be understood by all (Mugenda & Mugenda, 1999)

The study was a cross-sectional survey. Mugenda and Mugenda, (1999) notes that a survey research attempts to collect data from members of a population and describe existing status of two and more variables at a given point in time.

3.3 Population

A population is the 'aggregate of all cases that conform to some designated set of specifications (Paton, 2002). Hence the target population consisted of departmental heads and middle level staff in the following departments: Marketing, human resource, public relations, audit and operations in Airtel Kenya and Safaricom Ltd.

3.4 Sample and Sampling Method

Stratified random sampling was employed in carrying out the study. Kothari (2004) notes that stratified random sampling is a process of selecting respondents using well defined strata. In this study, the departments will form the strata. Simple random sampling was used to select individuals from the strata. Mugenda and Mugenda (2003) defines simple random sampling as a process of selecting respondents without any particular sequence where all subjects in the study population have an equal chance of being selected. According to Kombo and Tromp (2010), an effective sample should possess diversity, representativeness, reliability, accessibility and knowledge, this process was applied in this study. Mugenda and Mugenda (2003) advise that 10% of the accessible population would suffice for descriptive study if the population units are more than 30.

3.5 Data Collection Method

Data collection is the process of acquiring subjects and gathering information needed for a study; methods of collection varied depending on the study design, (Kothari, 2004). Primary and secondary data was collected for this study. Primary data was collected by administering a structured questionnaire. The questionnaire was divided into two parts A and B. Part A targeted the demographic information of the respondents in the organization under study. Part B was intended to capture data relevant to the core objectives of the study. The questionnaire had both closed and open-ended questions. Closed questions had predetermined answers and usually collected quantitative data while open-ended questions gave the respondents freedom to express their views and

usually collect qualitative data. The drop and pick method was used to administer the questionnaires. Secondary data on the other hand collected through review of both empirical and theoretical data from books, journals, dissertations, magazines and the internet.

3.6 Data Analysis

The questionnaires were checked for completeness and consistency of information at the end of every field data collection day and before storage. In order to test the reliability of the instrument used in the study, a pilot study was carried out and a reliability coefficient computed. Data capturing was done using Excel software. The data from the completed questionnaires were cleaned, re-coded and entered into the computer using the statistical packages for social sciences (SPSS) for Windows for analysis. The SPSS computer program was commanded to produce frequency tables, graphs, pie charts and the necessary measures of variances for interpretation. Mean score analysis was utilized to establish the most relevant practices in CSR and their influence on strategic decision making.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter is a presentation of results and findings obtained from field responses and data, broken into two parts. The first section deals with the background information of the respondents, while the other sections present findings of the analysis, based on the objectives of the study where both descriptive and inferential statistics have been employed.

4.2 Response Rate

From the data collected, out of the 40 questionnaires administered, 29 were filled and returned. This represented a 72.50% response rate, which is considered satisfactory to make conclusions for the study. According to Mugenda and Mugenda (2003) a 50% response rate is adequate, 60% good and above 70% rated very good. This also collaborates Bailey (2000) assertion that a response rate of 50% is adequate, while a response rate greater than 70% is very good. This implies that based on this assertion; the response rate in this case of 72.50% is very good.

This high response rate can be attributed to the data collection procedures, where the researcher pre-notified the potential participants (employees of Airtel Kenya and Safaricom K. Ltd) of the intended survey and used an electronic version of the questionnaire.

Table 4.1 Response Rate

Company	Questionnaires administered	Questionnaires filled & returned	Percentage
Safaricom K. Limited	20	16	80.00
Airtel	20	13	65.00
Total	40	29	72.50

Source: Research data, (2013)

4.3 Pilot Test Results

To establish validity, the research instrument was given to experts who were experienced to evaluate the relevance of each item in the instrument in relation to the objectives. The same were rated on the scale of 1 (very relevant) to 4 (not very relevant). Validity was determined by use of content validity index (CVI). CVI was obtained by adding up the items rated 3 and 4 by the experts and dividing this sum by the total number of items in the questionnaire. A CVI of 0.854 was obtained. Oso and Onen (2009), state that a validity coefficient of at least 0.70 is acceptable as a valid research hence the adoption of the research instrument as valid for this study.

The questionnaires used had likert scale items that were to be responded to. For reliability analysis Cronbach's alpha was calculated by application of SPSS. The value of the alpha coefficient ranges from 0 to 1 and may be used to describe the reliability of factors extracted from dichotomous (that is, questions with two possible answers) and/or multi-point formatted questionnaires or scales (i.e., rating scale: 1 = poor, 5 = excellent). A higher value shows a more reliable generated scale. Cooper & Schindler (2008) indicated 0.7 to be an acceptable reliability coefficient. Since, the alpha coefficients were all

greater than 0.7, a conclusion was drawn that the instruments had an acceptable reliability coefficient and were appropriate for the study.

Table 4.2: Reliability Results

Variable	Cronbach's Alpha
Corporate Social Responsibility Issues	.79
Corporate Social Responsibility Dimensions	.77
Corporate Social Responsibility Audit	.78
Motivations And Benefits Of Corporate Social Responsibility	.77

Source: Research data, (2013)

4.4 Demographic Information

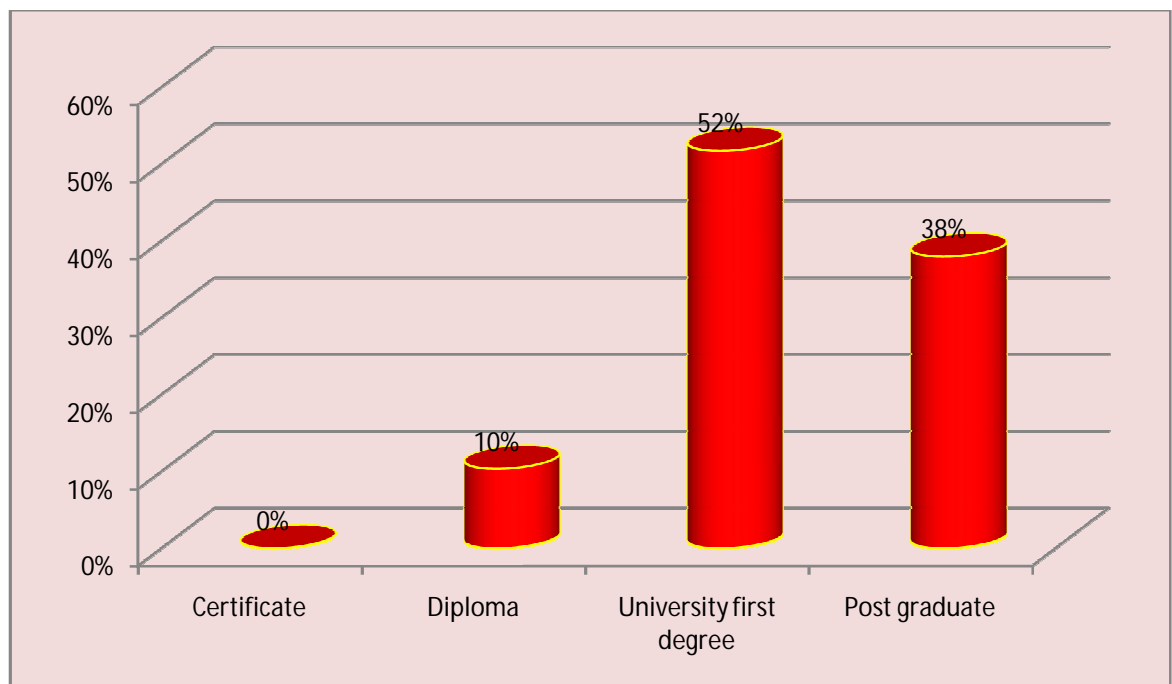
The study sought to find out the demographic information of the respondents which included level of education, gender and work experience. The findings of the study are summarized in section below.

4.4.1 Level of Education

The study further found it of paramount to determine the respondents' level of education in order to ascertain if they were well equipped with the necessary knowledge and skills in their respective areas of specialization. From the study findings majority (52%) indicated that they had university first degree, followed by those who indicated that they had post graduate qualification with few (10%) indicating that they had diploma. It however emerged that non had certificate qualification as their highest level of education since the study targeted middle and high level staff in the selected firms.

The findings therefore indicate that the respondents have the capacity, skills and management acumen to steer the firms operations successfully. These skills make help them handle and interpret their respect business environments and the emerging issues related to CSR to the best level possible.

Figure 4.1 Level of Education



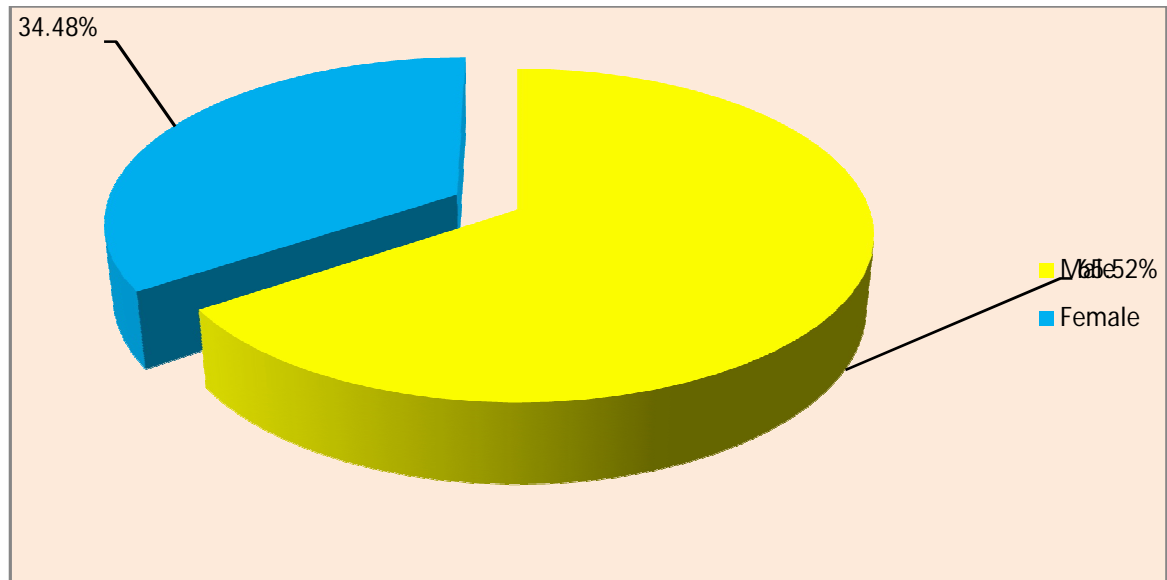
Source: Research data, (2013)

4.4.2 Gender Distribution

Further the study sought to determine the gender distribution of the respondents in order to establish if there is gender parity in the positions. From the findings as indicated in Figure 4.2, majority (65.52%) were male respondents with (34.48%) being females

respondents. This implies there were more males than female among the employees of the sampled firms.

Figure 4.2 Respondents Gender Distribution

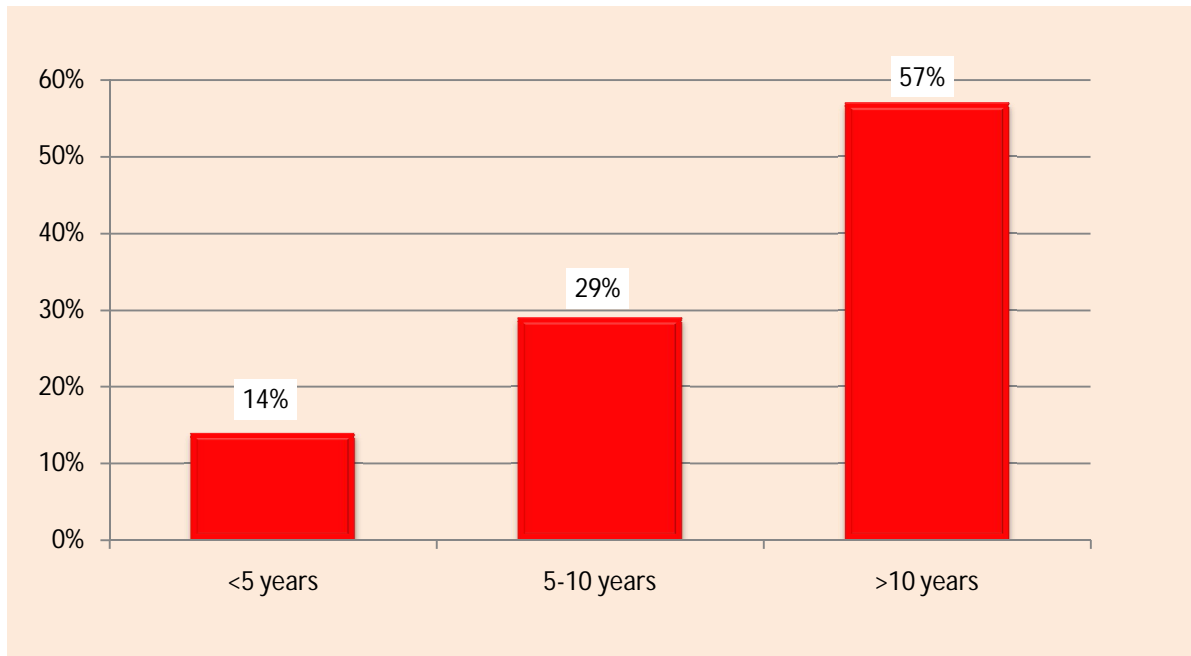


Source: Research data, (2013)

4.4.3 Respondents Work Experience

The study found it necessary to find out the respondents years in service as employees of Aitel and Safaricom K. Ltd. Based on the findings, majority (57%) of the respondents had over 10 years experience while 29% had between 5-10 years. It was also revealed that 14% of the respondents had an experience not exceeding 5 years.

Figure 4.3 Respondents Work Experience



Source: Research data, (2013)

In a study on the relationship strategic decision making and human capital, (Maria, 2011) found that strategy implementation depends highly on the skills of the human resource handling them. She indicated that the skills can be acquired through experience. From the findings therefore majority of the respondents were experienced and hence can be highly informative on issues that relate to CSR audit and strategic decision making.

4.5 Corporate Social Responsibility Issues

The study found it of paramount importance to find out the CSR issues in the selected firms. The issues included environment, employees and community as discussed in the following subsection.

4.5.1 Employees Issues

The study sought to find out how the selected firms were involved in the well-being of its employees. Based on the findings of the study, the sampled employees agreed that the companies pay their employees more than similar local companies as supported with a mean of 3.820 and a standard deviation of 0.821. It was also revealed that Safaricom Kenya Ltd and Airtel Kenya encourages employee participation in community projects (mean- 4.028 and standard deviation-0.802) and that they have health and safety regulations in place in the workplace (mean-4.154 and standard deviation-0.835). The study also established that the selected firms also provides clean, healthy and safe working conditions and have a process to monitor compliance with relevant employment laws and regulations with means of 4.050 and 3.715 respectively. Other findings also indicated that the companies had a process to ensure that no forms of harassment, bullying or discrimination are tolerated (mean-3.624 and standard deviation-0.861), employs locals where possible (mean- 2.770 and standard deviation- 1.061), engages in open communication with employee (mean- 3.520 and standard deviation- 0.736) and promotes gender equality in the workforce (mean- 3.623 and standard deviation- 0.849). The findings are displayed in table 4.3.

Table 4.3: Employees Issues

Statement	Mean	Standard Deviation
The company is paying its employees more than similar local companies	3.820	0.821
The company encourages employee participation in community projects	4.154	0.835
The company has health and safety regulations in place in the workplace	4.028	0.802
The company provides clean, healthy and safe working conditions	4.050	0.783
There is a process to monitor compliance with relevant employment laws and regulations	3.715	0.765
There is a process to ensure that no forms of harassment, bullying or discrimination are tolerated	3.624	0.861
The company employs locals where possible.	2.770	1.061
The company engages in open communication with employee (complaints system, employee rights).	3.520	0.736
The company promotes gender equality in the workforce	3.623	0.849

Source: Research data, (2013)

It was also established that the company is committed to CSR from top to bottom, to demonstrate this commitment; the company has established a foundation through which all CSR activities are carried out and any efforts by staff are matched by the company. The researcher found out that CSR is a key component of both the corporate- and business strategies of the company.

4.5.2 Community Issues

The employees selected were asked to indicate the ways in which their companies were involved with surrounding communities. According to the analysis of the findings, it was generally established that the two organizations were involved in improving infrastructure and social amenities such as health centres. Based on the respondents, the

companies were involved in improving social infrastructure and living conditions in surrounding communities (mean-3.624 and standard deviation-0.554) and in building schools, health centres, and electricity connections for the local community (mean- 3.120 and standard deviation- 0.754). The study also established though with a low mean of 2.611 and a standard deviation of 0.098 that the companies foster reciprocal relationships with the local community, in which it operates. Additionally, the organizations were involved in environmental and social impacts of the surrounding communities as evidenced with a mean of 3.715 and a standard deviation of 0.954.

Table 4.4: Community Issues

Statements	Mean	Standard Deviation
The company improves social infrastructure and living conditions in surrounding communities.	3.624	0.554
The company is involved in building schools, health centres, and electricity connections for the local community	3.120	0.754
The company fosters reciprocal relationships with the local community, in which it operates.	2.611	0.098
The company is involved in environmental and social impacts of the company in surrounding communities.	3.715	0.954

Source: Research data, (2013)

Airtel Kenya donated 25 computers to facilitate e-learning for students at Nyamira Girls Secondary School in Bondo. The Company also funded the rehabilitation of infrastructure at the school as part of its program to enhance learning amongst students in Kenya. Such engagement in the development of education in Kenya is in line with Bharti

Airtel's Corporate Social Responsibility vision to uplift the standard of living in the communities through the improvement of infrastructure in the institutions, ensuring access to better quality education for the students and communities in general.

4.5.3 Environmental Issues

As one of the CSR issues, the study sought to find out how the companies limited their impact on the environment. From the analysis of the study results, the firms identify and mitigate impacts of its operations (mean-3.24 and standard deviation-0.761) and products on the local environment and takes action to reduce its greenhouse emissions (mean- 2.62 and standard deviation- 1.098). It is also worth noting that the organizations had set up processes to: to monitor compliance with environmental regulations and industry-specific codes of practice (mean- 3.77and standard deviation- 1.142), encourage environmentally responsible use and disposal of products within the value chain (mean- 4.01 and standard deviation- 0.954) as well as encourage employees and contractors working on the companys behalf to participate actively in environmental (mean- 3.02 and standard deviation- 1.800) . In general, the companies sampled takes into account the potential environmental impacts when developing new products and services as supported with a mean of 2.83 and a standard deviation of 0.871.

Table 4.5: Environmental Issues

Statement	Mean	Standard Deviation
The company identifies and mitigates impacts of its operations and products on the local environment.	3.24	0.761
The company is taking action to reduce its greenhouse emissions	2.62	1.098
There is a process to monitor compliance with environmental regulations and industry-specific codes of practice.	3.77	1.142
Where appropriate, there is a process to encourage environmentally responsible use and disposal of products within the value chain.	4.01	0.954
There is a process to encourage employees and contractors working on the companys behalf to participate actively in environmental	3.02	1.800
The company takes into account the potential environmental impacts when developing new products and services	2.83	0.871

Source: Research data, (2013)

For instance Safaricom Foundation extended a Kshs. 155 million grant to Rhino Ark Charitable Trust to support a four-year conservation project of the Mau Eburu Forest and its wider ecosystem. The forest, within one of Kenya’s five main water towers has over the past two decades experienced severe destruction partly due to increased demand for agricultural land as a result of increasing population. This has in turn affected the hydrological cycle in the water tower and resulted in water shortages across the country. Mau Eburu Forest is one of the 22 forest blocks within the Mau Eco-system.

4.6 Corporate Social Responsibility Dimensions

Carroll (1978) identifies 4 categories or dimensions of CSR; philanthropy, ethical, legal and economic. The respondents were required to provide their opinion rated on a five

point likert scale. The findings of the study are discussed in the following sub sections.

4.6.1 Economic Dimension

Analysis of the findings revealed that the selected firms in the mobile telephony industry engage in initiatives contributing to local development because it has a positive influence on the overall profitability of the business evidenced by a mean of 4.11 and a standard deviation of 1.011. It was further established that both Safaricom Kenya Limited and Airtel Kenya strives for competitive return on investment (mean- 3.52 and standard deviation- 1.054) and encourages fair competition and prevents anti-competitive behavior (mean- 3.01 and standard deviation- 0.998). However, the companies to a very low extent support its suppliers in improving their environmental, social and economic performance as evidenced by a low mean of 2,49 and a standard deviation of 1.054. Table 4.6 shows the findings of the study.

Table 4.6: Economic Dimension

Economic Dimensions	Mean	Std Dev
The company is engaging in initiatives contributing to local development	4.11	1.011
The company strives for competitive return on investment	3.52	1.054
The company encourages fair competition and prevents anti-competitive behaviour	3.01	0.998
The company supports its suppliers in improving their environmental, social and economic performance.	2.49	1.054

Source: Research data, (2013)

4.6.2 Legal Dimension

Based on the analysis of the findings, the respondents agreed that there was a process to monitor compliance with relevant employment laws and regulations as well as a process to monitor compliance with environmental regulations and industry-specific codes of practice as supported with means of 4.313 and 3.902 respectively. It was also established that the two firms had a process to assess the compliance of corporate governance with relevant local codes was in place as evidenced with a mean of 3.011 and a standard deviation of 0.786. With a mean of 4.210 and standard deviation of 1.001, the respondents agreed that the selected firms provided clean, healthy and safe working conditions and have health and safety regulations in place in the workplace. The findings of the study are displayed in table 4.7.

Table 4.7: Legal Dimension

Legal Dimension	Mean	Standard Deviation
There is a process to monitor compliance with relevant employment laws and regulations.	4.313	0.998
There is a process in place to monitor compliance with environmental regulations and industry-specific codes of practice.	3.902	0.641
There is a process to assess the compliance of corporate governance with relevant local codes.	3.011	0.786
The company provides clean, healthy and safe working conditions.	4.210	1.001
The company has health and safety regulations in place in the workplace	3.883	0.891

Source: Research data, (2013)

4.6.3 Ethical Dimension

In regard to ethical consideration, the study findings indicated that the environmental and social impacts of the company on the surrounding communities are mitigated (mean- 4.31 and standard deviation- 0.991) and where activities have a potentially significant impact on the community, the company has a process to minimize the negative impacts (mean- 4.01 and standard deviation-1.002). Safaricom Kenya Limited and Airtel Kenya, engages in meaningful dialogue with the community where there are concerns about its products or operations (mean- 3.88 and standard deviation- 0.925) and identifies and mitigates impacts of its operations and products on the environment (mean- 4.45 and standard deviation- 0.991). As earlier established, the companies takes into account the potential environmental impacts when developing new products or expanding operations as evidenced with a mean of 3.66 and a standard deviation of 0.871. The summary of the findings are shown in table 4.8.

Table 4.8: Ethical Dimension

Ethical	Mean	Standard Deviation
The environmental and social impacts of the company on the surrounding communities are mitigated	4.31	0.991
Where activities have a potentially significant impact on the community, the company has a process to minimize the negative impacts	4.01	1.002
The company engages in meaningful dialogue with the community where there are concerns about its products or operations.	3.88	0.925
The company identifies and mitigates impacts of its operations and products on the environment.	4.45	0.991
The company takes into account the potential environmental impacts when developing new products or expanding operations.	3.66	0.871

Source: Research data, (2013)

4.6.4 Philanthropic Dimension

According to the analysis of the findings, the two companies are involved in infrastructure projects for the local communities (schools health centres, electricity connections, etc.) and caters for the communities demands and needs as indicated by the respondents with means of 3.12 and 3.33 respectively. The respondents also reported with a mean of 3.21 and a standard deviation of 0.765 that the selected firms have programme of support for community projects and activities that is appropriate to the company and the needs of the community. It is also worth noting that with a low mean of 2.55 and a standard deviation of 0.551, the study established that established that the two firms had in place a process to encourage employees and contractors to participate actively in environmental protection.

Table 4.9: Philanthropic Dimension

Philanthropic	Mean	Standard Deviation
The company is involved in infrastructure projects for the local communities (schools health centres, electricity connections, etc.)	3.12	1.077
The company caters for the communities demands and needs	3.33	0.877
There is a programme of support for community projects and activities that is Appropriate to the company and the needs of the community.	3.21	0.765
There is a process to encourage employees and contractors to participate actively in environmental protection.	2.55	0.551

Source: Research data, (2013)

4.7 Corporate Social Responsibility Audit

The respondents were presented with statements concerning CSR audit to rate on a five point likert scale. From the findings, the employees of the two firms are involved in the strategic integration of CSR into organizational strategies as evidenced by mean of 4.01 and a standard deviation of 0.82. The study results also indicated that CSR values have been incorporated into the explicit values of the organization (mean- 4.01 and standard deviation- 0.82) and that there are good bases for setting the organizational CSR goals, such as benchmarking to CS successful organizations or adopting generally accepted practices and standards (mean- 3.62 and standard deviation- 1.15). The respondents also indicated that there is a centralized unit to take charge of CSR planning (mean- 3.31 and standard deviation- 0.783) and that the representation on the steering committee well-balanced (mean- 3.12 and standard deviation- 0.765). Further findings

indicated that the leaders' actions and behaviours congruent with the CSR goals and values (mean- 3.61 and standard deviation- 0.861), CSR educational programs are in place (mean- 3.95 and standard deviation- 1.061), different types of communication channels are available for CSR information, employees perform in the CSR awareness exercises (mean- 3.09 and standard deviation- 0.736), CSR values are congruent with those of the organization (mean- 4.25 and standard deviation- 0.811) and Employees have autonomy in their CSR related work (mean- 4.96 and standard deviation- 1.008).

Table 4.10: Corporate Social Responsibility Audit

Statements	Mean	Standard Deviation
Employees are involved in the strategic integration of CSR into organizational strategies	4.01	0.82
CSR values have been incorporated into the explicit values of the organization	3.62	1.15
There good bases for setting the organizational CSR goals, such as benchmarking to CS successful organizations or adopting generally accepted practices and standards	3.66	1.021
There is a centralized unit to take charge of CSR planning (steering committee)	3.31	0.783
The representation on the steering committee well-balanced	3.12	0.765
The leaders' actions and behaviours congruent with the CSR goals and values	3.61	0.861
CSR educational programs are in place	3.95	1.061
Different types of communication channels are available for CSR information	3.09	0.736
Employees perform in the CSR awareness exercises	3.14	0.849
CSR values are congruent with those of the organization	4.25	0.811
Employees have autonomy in their CSR related work	4.96	1.008

4.8 Motivations and Benefits of Corporate Social Responsibility

The study sought to find out motivations and benefits of CSR. The study results showed that firms are motivated to engage in CSR in that it generates new business opportunities (mean- 3.09 and standard deviation- 0.786), improves company's social standing (mean- 3.76 and standard deviation- 0.765) and company's brand reputation (mean- 3.51 and standard deviation- 1.865). The study further established CSR activities: increases employee motivation (mean- 3.03 and standard deviation- 0.919), supports company's philanthropic priorities initiatives (mean- 3.40 and standard deviation- 1.354), reflects preferences of operating managers (mean- 3.06 and standard deviation- 0.765), improves supply chain performance (mean- 3.01 and standard deviation- 0.732), improves company's environmental impact (mean- 4.02 and standard deviation- 1.901), creates markets to socially responsible consumers (mean- 3.87 and standard deviation- 0.342), promises long-term gains by significantly changing its business environment (mean- 3.89 and standard deviation- 1.652) among other benefits. The other findings of the study are summarized in table 4.11.

Table 4.11: Motivations and Benefits of Corporate Social Responsibility

Statements	Mean	Standard Deviation
Generates new business opportunities	3.09	0.786
Improves company's social standing	3.76	0.765
Improves company's brand reputation	3.51	1.865
Increases employee motivation	3.03	0.919
Supports company's philanthropic priorities Initiatives	3.40	1.354
Reflects preferences of operating managers	3.06	0.765
Reduces operating costs	2.37	0.881
Improves supply chain performance	3.01	0.732
Improves company's environmental impact	4.02	1.901
Markets to socially responsible consumers	3.87	0.342
Promises significant and new business/ market opportunities	2.91	1.561
Promises long-term gains by significantly changing its business environment	3.89	1.652
Fulfills senior management or chief executive's social mission	3.91	0.991

Source: Research data, (2013)

The rationale is that when motivations for CSR are instrumental CSR can be a source of competitive or economic advantage, since it is exploited as an intangible asset. When CSR is driven by hedonic motivations, strategy tends to incorporate social goals, which, in turn, makes relationships with all the stakeholders much more cohesive. Employees motivation and commitment are higher, which, in turn, increases their productivity. Furthermore, CSR is arguably rooted in firm resources and competences, which enables it

to have a greater (positive) impact on stakeholders. With social as well as economic goals in mind and feeling enjoyment in serving stakeholders needs, firm key decision makers are expected to exploit all the opportunities to leverage on firm resources and competences to benefit stakeholders, provided that it is sustainable from a financial standpoint in the long period. Corporate strategy becomes 'sense making' and a source of motivation and commitment.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter is a synthesis of the entire study, and contains summary of research findings, exposition of the findings, commensurate with the objectives, conclusions and recommendations based thereon.

5.2 Summary of Findings

The study sought to find out how the selected firms were involved in the well-being of its employees. Based on the findings of the study, the sampled employees agreed that the companies pay their employees more than similar local companies. It was also revealed that Safaricom Kenya Ltd and Airtel Kenya encourages employee participation in community projects and that they have health and safety regulations in place in the workplace. The study also established that the selected firms also provides clean, healthy and safe working conditions and have a process to monitor compliance with relevant employment laws and regulations. Other findings also indicated that the companies had a process to ensure that no forms of harassment, bullying or discrimination are tolerated, employs locals where possible, engages in open communication with employee and promotes gender equality in the workforce.

The employees selected were asked to indicate the ways in which their companies were involved with surrounding communities. According to the analysis of the findings, it was

generally established that the two organizations were involved in improving infrastructure and social amenities such as health centres. Based on the respondents, the companies were involved in improving social infrastructure and living conditions in surrounding communities and in building schools, health centres, and electricity connections for the local community. The study also established though with a low mean that the companies foster reciprocal relationships with the local community, in which it operates. Additionally, the organizations were involved in environmental and social impacts of the surrounding communities.

As one of the CSR issues, the study sought to find out how the companies limited their impact on the environment. From the analysis of the study results, the firms identify and mitigate impacts of its operations and products on the local environment and takes action to reduce its greenhouse emissions. It is also worth noting that the organizations had set up processes to: to monitor compliance with environmental regulations and industry-specific codes of practice, encourage environmentally responsible use and disposal of products within the value chain as well as encourage employees and contractors working on the company's behalf to participate actively in environmental. In general, the companies sampled takes into account the potential environmental impacts when developing new products and services.

Analysis of the findings revealed that the selected firms in the mobile telephony industry engage in initiatives contributing to local development because it has a positive influence on the overall profitability of the business. It was further established that both Safaricom Kenya Limited and Airtel Kenya strives for competitive return on investment and

encourages fair competition and prevents anti-competitive behavior. However, the companies to a very low extent support its suppliers in improving their environmental, social and economic performance. Based on the analysis of the findings, the respondents agreed that there was a process to monitor compliance with relevant employment laws and regulations as well as a process to monitor compliance with environmental regulations and industry-specific codes of practice. It was also established that the two firms had a process to assess the compliance of corporate governance with relevant local codes was in place. The respondents also agreed that the selected firms provided clean, healthy and safe working conditions and have health and safety regulations in place in the workplace.

In regard to ethical consideration, the study findings indicated that the environmental and social impacts of the company on the surrounding communities are mitigated and where activities have a potentially significant impact on the community, the company has a process to minimize the negative impacts. Safaricom Kenya Limited and Airtel Kenya, engages in meaningful dialogue with the community where there are concerns about its products or operations and identifies and mitigates impacts of its operations and products on the environment. As earlier established the companies take into account the potential environmental impacts when developing new products or expanding operations. According to the analysis of the findings, the two companies are involved in infrastructure projects for the local communities (schools health centres, electricity connections, etc.) and caters for the communities demands and needs as indicated by the respondents. The respondents also reported that the selected firms have programme of

support for community projects and activities that is appropriate to the company and the needs of the community. It is also worth noting that the two firms had in place a process to encourage employees and contractors to participate actively in environmental protection.

The study results also indicated that CSR values have been incorporated into the explicit values of the organization and that there are good bases for setting the organizational CSR goals, such as benchmarking to CS successful organizations or adopting generally accepted practices and standards. The respondents also indicated that there is a centralized unit to take charge of CSR planning and that the representation on the steering committee well-balanced. Further findings indicated that the leaders' actions and behaviours congruent with the CSR goals and values, CSR educational programs are in place, different types of communication channels are available for CSR information, employees perform in the CSR awareness exercises, CSR values are congruent with those of the organization and Employees have autonomy in their CSR related work.

The study results also showed that firms are motivated to engage in CSR in that it generates new business opportunities, improves company's social standing and company's brand reputation. The study further established CSR activities: increases employee motivation, supports company's philanthropic priorities initiatives, reflects preferences of operating managers, improves supply chain performance, improves company's environmental impact, creates markets to socially responsible consumers,

promises long-term gains by significantly changing its business environment among other benefits.

5.3 Conclusion

It was concluded that Safaricom Limited and Airtel Kenya is involved in CSR. The main areas of focus were in staff welfare, education, community development, the environment, Health, disaster funding and arts, culture and sports. It was also concluded that the companies are committed to CSR from top to bottom. To demonstrate this commitment; Safaricom Limited has established a foundation through which all CSR activities are carried out and any efforts by staff are matched by the company. The researcher also concluded that CSR is a key component of both the corporate- and business strategies of the companies. The CSR activities are guided by the needs of the society in which it operates and the wider national objectives of the hosting country. The management of Safaricom Limited and Airtel Kenya view CSR as a key component of their business success. Safaricom and Airtel Kenya are involved in CSR as they view issues affecting the society as part of the issues affecting them as a business, they believe an empowered society is good for business. One of the key hallmarks of Safaricom's CSR, the study established, is the appreciation by the company for success, and in this regard, the company seeks to establish partnerships with likeminded organizations, private, public and nongovernmental who have competencies in the various sectors in the implementation of CSR activities. The study concluded that, the company is involved in CSR activities that are aimed at empowering society with the hope of a better society for tomorrow, this essentially having a generic social impact, and through this, the company

may grow to truly have a CSR program that can create competitive advantage for the firm as it benefits society.

5.4 Recommendations

The management of the Safaricom and Airtel should allocate more financial resources to the CSR kitty of their companies to cater for publicity and elaborate organization of the events. The study further recommends that the current CSR programmes should be expanded to engage more employees and serve more needy cases in a wider geographical area.

There is urgent need to come up with a CSR model that delivers tangible benefits to all stakeholders from each CSR investment by Safaricom Kenya Ltd and Airtel Kenya. The study also recommends that the policy makers and regulators like CCK should come with laws and regulations that stipulate the minimum ratio of CSR kitty to Profits after tax to guard against insignificant allocations to CSR investments. Finally, the two companies should strive to attract more co-sponsors in order to benefit from the economies of scale.

5.5 Limitations of the Study

The researcher acknowledges certain limitations of the study. First, although, the researcher controlled in the empirical specifications both for observable time-varying firm characteristics and unobservable firm heterogeneity, it is still possible that the results suffer from a correlated omitted variable. For example, it might be the case that companies that receive more public attention adopt CSR policies and that analysts and auditors are more optimistic for these firms. Second, to the extent that the CSR ratings are noisy indicators of actual CSR strategies we might be underestimating the effect of a firm being socially responsible.

5.6 Further Research

A longitudinal study that addresses the long-term relationship between CSR performance and firm performance by measuring the CSR initiative over time (Sweeney, 2009) could also be constructed when the CSR data for subsequent year is available.

Future research in this area could proceed in a number of directions. First, more extensive studies are needed to explore the causal mechanisms linking CSR to profitability and to determine whether or not those relationships hold consistently over time. The source of the connection between CSR and profitability has rarely been systematically investigated. It is also important to posit the timing in the relationship, since it would be valuable to investigate and to ascertain how long it takes for the impact of CSR on financial performance to be revealed. For the above to be realized, more data on CSR should become available. The reliability of the CSR data is also an important issue, as data from different sources have significant differences regarding how to evaluate the CSR performance of a firm.

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APPENDIX 1- QUESTIONNAIRE

SECTION A: GENERAL INFORMATION

1. Name of the Branch.....
2. Position of the person filling the questionnaire.....
3. Please indicate your highest level of formal education
 Certificate Diploma University first degree Post graduate
4. What is your gender?
 Female Male
5. For how long have you worked in the company?
 Less than 5 years 5-10 years above 10 years

SECTION B: CORPORATE SOCIAL RESPONSIBILITY ISSUES

EMPLOYEES					
How is the enterprise involved in the well-being of its employees?					
Please specify:					
Please indicate to what extent you agree with the following statements with reference to the activities of the company:					
1 = not at all 2 = not really 3 = undecided 4 = Somewhat 5 = Very much					
Statement	1	2	3	4	5
The company is paying its employees more than similar local companies					
The company encourages employee participation in community projects					

The company has health and safety regulations in place in the workplace					
The company provides clean, healthy and safe working conditions					
There is a process to monitor compliance with relevant employment laws and regulations					
There is a process to ensure that no forms of harassment, bullying or discrimination are tolerated					
The company employs locals where possible.					
The company engages in open communication with employee (complaints system, employee rights).					
The company promotes gender equality in the workforce					
COMMUNITY					
In what way is the company involved with surrounding communities?					
Please specify:					
The company improves social infrastructure and living conditions in surrounding communities.					
The company is involved in building schools, health centres, and electricity connections for the local community					
The company foster reciprocal relationships with the local community, in which it operates.					
The environmental and social impacts of the company on surrounding in surrounding communities.					
The company is involved in building schools, health centres, and electricity connections for the local community.					

ENVIRONMENT				
How does the company limit its impact on the environment?				
Please specify				
The company identifies and mitigates impacts of its operations and products on the local environment.				
The company is taking action to reduce its greenhouse emissions				
There is a process to monitor compliance with environmental regulations and industry-specific codes of practice.				
Where appropriate, there is a process to encourage environmentally responsible use and disposal of products within the value chain.				
There is a process to encourage employees and contractors working on the company's behalf to participate actively in environmental				
The company takes into account the potential environmental impacts when developing new products and services				

SECTION C: CORPORATE SOCIAL RESPONSIBILITY DIMENSIONS

Carroll (1978) identifies 4 categories or dimensions of CSR; philanthropy, ethical, legal and economic. To find out whether which dimensions of CSR Telecommunication firms in Kenya focus most on the statements of the likert scale question are divided into the four categories of CSR of Carroll. This is done in the following way:

CORPORATE SOCIAL RESPONSIBILITY CATEGORIES	1	2	3	4	5
Economic					
The company is engaging in initiatives contributing to local development because it has a positive influence on the overall profitability of the business.					
The company strives for competitive return on investment					
The company encourages fair competition and prevents anti-competitive behaviour					
The company supports its suppliers in improving their environmental, social and economic performance.					
Legal					
There is a process to monitor compliance with relevant employment laws and regulations.					
There is a process in place to monitor compliance with environmental regulations and industry-specific codes of practice.					
There is a process to assess the compliance of corporate governance with relevant local codes.					
The company provides clean, healthy and safe working conditions.					
The company has health and safety regulations in place in the workplace					
Ethical					
The environmental and social impacts of the company on the surrounding communities are mitigated					

Where activities have a potentially significant impact on the community, the company has a process to minimize the negative impacts					
The company engages in meaningful dialogue with the community where there are concerns about its products or operations.					
The company identifies and mitigates impacts of its operations and products on the environment.					
The company takes into account the potential environmental impacts when developing new products or expanding operations.					
Philanthropic					
The company is involved in infrastructure projects for the local community (schools, health centres, electricity connections, etc.).					
The company caters for the communities demands and needs					
There is a programme of support for community projects and activities that is Appropriate to the company and the needs of the community.					
The company is engaging in initiatives contributing to local development because it has a positive influence on the overall profitability of the business.					
There is a process to encourage employees and contractors to participate actively in environmental protection.					

SECTION D: CORPORATE SOCIAL RESPONSIBILITY AUDIT

Please indicate to what extent you agree with the following statements with reference to the activities of the company:

Use the following scale. 1-strongly agree, 2- agree, 3- neutral, 4-disagree and 5- strongly disagree.

Statements	1	2	3	4	5
Employees are involved in the strategic integration of CSR into organizational strategies					
CSR values been incorporated into the explicit values of the organization					
There good bases for setting the organizational CSR goals, such as benchmarking to CS successful organizations or adopting generally accepted practices and standards					
There is a centralized unit to take charge of CSR planning (steering committee)					
The representation on the steering committee well-balanced					
The leaders' actions and behaviours congruent with the CSR goals and values					
CSR educational programs are in place					
Different types of communication channels are available for CSR information					
Employees perform in the CSR awareness exercises					
CSR values are congruent with those of the organization					
Employees have autonomy in their CSR related work					

SECTION E: MOTIVATIONS AND BENEFITS OF CORPORATE SOCIAL RESPONSIBILITY

Please indicate to what extent you agree with the following statements with reference to the activities of the company:

Use the following scale. 1-strongly agree, 2- agree, 3- neutral, 4-disagree and 5- strongly disagree.

Statements	1	2	3	4	5
Generates new business opportunities					
Improves company's social standing					
Improves company's brand reputation					
Increases employee motivation					
Supports company's philanthropic priorities Initiatives					
Reflects preferences of operating managers					
Reduces operating costs					
Improves supply chain performance					
Improves company's environmental impact					
Markets to socially responsible consumers					
Promises significant and new business/ market opportunities					
Promises long-term gains by significantly changing its business environment					
Fulfills senior management or chief executive's social mission					

APPENDIX II: LIST OF MOBILE PHONE FIRMS IN KENYA

- i. Safaricom Kenya Ltd
- ii. Airtel Kenya
- iii. Yu mobile
- iv. Orange Telkom

APPENDIX III: LETTER OF INTRODUCTION



UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA PROGRAMME

Telephone: 020-2059162
Telegrams: "Varsity", Nairobi
Telex: 22095 Varsity

P.O. Box 30197
Nairobi, Kenya

DATE 28/8/2013

TO WHOM IT MAY CONCERN


The bearer of this letter ABDIRIZAK HUSSAIN SHAKELI
Registration No. D61/73395/2009

is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate your assistance to enable him/her collect data in your organization.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.


PATRICK NYABUTO
MBA ADMINISTRATOR
SCHOOL OF BUSINESS

