A management research proposal submitted in partial fulfilment of the degree of Master of Business Administration (MBA) School of Business, University of Nairobi

OCTOBER, 2008
DECLARATION

This research project is my original work and has not been submitted for any other degree in this or any other university or learning institution.

Signed.................................................. Date 11/11/2008

Ms. Nancy Awino Ajima
D61/P/7377/05
University of Nairobi

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

Signed.................................................. Date 12/11/2008

Dr. Raymond Musyoka
Lecturer: Department of Business Administration
School of Business
University of Nairobi
September 2008
DEDICATION

I thank God for giving me the strength and wisdom to undertake this research.

I wish to dedicate this research project to the memory of my late dad who taught me the importance of education and whose inspiration has made it possible for me to accomplish my hearts desires. Also to my mum for her continued encouragement, prayers, support and inspiration throughout my MBA program. To my brother and sister for their prayers and encouragement.

All these people have greatly contributed to my success.
ACKNOWLEDGEMENT

The finalization of this project would not have been possible without the valuable support from the following people.

Dr. Raymond Musyoka, my supervisor for the invaluable guidance, advice and dedication towards the completion of the project.

To all my MBA lecturers, for their various challenges that they presented that provided room to develop higher knowledge and insight used to develop and complete this project.

My fellow MBA colleagues who provided knowledgeable input directly and indirectly through the various knowledge sharing forums.

All my family members who were always understanding and supportive during the study period.

To all respondents who shared their busy time to respond to the questionnaire.
ABSTRACT

Corporate social responsibility is a mode of business engagement and value creation, allowing to meet and even exceed legal, ethical and public societal expectations and action in a manner that respects the legitimate goals and demands of all stakeholders. Strategic CSR is strategic philanthropy aimed at achieving strategic business goals while also promoting societal welfare. This study set to determine strategic CSR initiatives adopted by commercial banks in Kenya. The specific objectives were to determine CSR initiatives, analyse the impact and determine the challenges faced by commercial banks when implementing CSR programs. In the context of this study, interpretation of strategic CSR was based on Lantos 2001 model of CSR.

The data for the study was derived from a questionnaire. A list of questions providing the framework of topics was selected. To determine the strategic CSR initiatives as adopted by commercial banks in Kenya, the study drew respondents from various bank representatives occupying top managerial positions. The data after being received from respondents were analyzed in the form of tables and qualitative analysis. The results were then assessed by comparing them with Lantos (2001) classification of CSR.

The study established that within the commercial banking sector, the understanding of CSR seems to be anchored in the context of voluntary action, with economic, legal and ethical dimensions assumed as taken for granted. From the study, it clearly emerged that strategic philanthropy is not a myth. Nor is it very difficult to enact in practice. One bank was therefore used as an illustrated example of its attempt to enhance its strategic CSR orientation.

Finally the study has come up with discussions, conclusions, suggestions for further studies and recommendations for policy and practise based on the findings.
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CHAPTER ONE: INTRODUCTION

1.1 Background
The period between 1980 and 2003 the banking sector in Kenya witnessed the collapse of a number of banking institutions. This was mainly accredited to relaxed regulatory and supervisory system within the sector. This resulted in poor governance and management culture in the industry. The eighties thus witnessed the collapse of a number of banking institutions. The first casualty was the Rural Urban Credit Finance Company Limited which was placed in interim liquidation in 1984. The institution was eventually liquidated. After this the government made extensive changes in both the Banking and Central Bank of Kenya Act so as to stem further instability in the industry. The changes saw the capital adequacy requirement increased to Kshs 15 million for banks and Kshs 7.5 million for non-bank financial institutions.

Another major change was the creation of Deposit protection Fund and Insurance scheme paid for by the contributions by member banks to meet liabilities of small depositors. The capital was further tied to deposits with a maximum gearing ratio of 7.5 percent. To further protect the core capital from erosion by bad and doubtful advances, statutory reserve fund was established to be funded by banks’ declared profits. Of such profits 12.5 percent were to be transferred to reserves to guard against future loses. Such reserves were to be invested in government securities.

But it is worth noting that despite the government effort to streamline the banking sector by introducing statutory regulatory measures of containment, more banks have been liquidated or put in receivership in the period that followed the introduction of strict control mechanisms. During this period, more banks collapsed due to weak internal controls and bad governance and management practises. For instance, the Continental Bank of Kenya Limited and Continental Credit Finance Limited collapse in 1986, Capital Finance Limited collapse in 1987, seven banks which had collapsed were merged in to Consolidated Bank of Kenya in 1989, thirteen banks collapse in 1993 and five banks collapsed between 1996 and 1999. In 1999 Trust Bank, the sixth largest bank in Kenya in terms of deposits- collapsed due to mainly insider lending to directors and
shareholders. In June 2001, Delphis Bank limited was placed under receivership. Most recent is Charter House Bank which was placed under statutory management in 2006, following heightened adverse publicity related to its alleged malpractices.

In 2003, the Kenyan Government began to implement far reaching economic and structural reforms that have resulted in today's unparalleled transformation of the economy. The benefit of the transformation are evident not only in the banking sector but to the entire country. The benefits range from rapidly increasing loan-able resources from the banking system to the private sector to increasing access to social services and better prospects for the economy. The banking sector adopted monetary policy at the beginning of 2003 to support the economic recovery while ensuring macroeconomic stability with particular focus on inflation, stable interest rates and the exchange rates.

But with the developments and achievements realised, banks today are still under intense pressure to rebuild public trust and stay competitive in a global economy. The history of financial institutions collapse contributed greatly to a shaken public confidence in the banking system, increasing in turn the salience principles of accountability, transparency and integrity in all facets of the business relationships (Waddock et al. 2002). Banks seem to be facing the challenge of upholding these principles while remaining profitable and innovative. The delivery of shareholder value while also promoting societal value has thus evolved in recent years into a complex paradox for which even commercial banks in Kenya seem to be grappling with. Large scale enterprises in Kenya have done little in developing structures and mechanisms for sustaining CSR programs and benefits (Odhiambo, 2006).

1.1.1 Corporate Social Responsibility
The reconciliation of shareholder and societal value is frequently discussed within the CSR framework, which addresses the relationship between business and the larger society (Snider et al. 2003). Although an exact definition of CSR remains elusive, the term is generally used to refer to a mode of business engagement and value creation, allowing to meet and even exceed legal, ethical, and public societal expectations (Luetkenhorst 2004: Novak 1996) and acting in a manner that respects the legitimate
goals and demands of all stakeholders (Clarkson 1995; Waddock et al. 2002). CSR relates primarily to achieving outcomes from organisational decisions concerning specific issues or problems which have beneficial rather than adverse effects upon pertinent corporate stakeholders.

Corporations enjoy certain benefits from society. They gain finance capital and employees from society and they rely on the continuous support of customers, local communities, suppliers and others. Because businesses benefit from the good will of society they owe certain duties in return. (Campbell et al). The business case for CSR within a company rests on benefits such as risk management, human resource motivation, brand differentiation, license to operate through adherence to tax and legal regulations and so on.

1.1.2 Overview of the Commercial Banking Sector in Kenya
The banking industry in Kenya is governed by the Companies Act, Banking Act, the Central Bank of Kenya (CBK) Act and various prudential guidelines issued by the CBK. The banking sector was liberalised in 1995 and exchange control lifted. The central bank which falls under the Ministry of Finance docket is responsible for formulating and implementing monetary policy and fostering the liquidity, solvency and proper functioning of the financial system. The CBK publishes information on Kenya’s commercial banks and non-banking financial institutions, interest rates and other publications and guidelines.

The Kenyan banking sector comprises of 41 commercial banks. (Central Bank Supervision Annual Report, 2007). Out of the 41 institutions, 27 are private locally owned and 11 private foreign owned as shown in chart 1. The foreign owned banks comprise of 6 locally incorporated foreign banks and 5 branches of foreign incorporated. Also included in the 41 institutions are 3 public financial institutions. As of year ended 2007, the sector had a total of 658 branches up from 575 in 2006 and 617 automated teller machines (ATM) country wide.
Following the continued expansion of the sector, the industry has witnessed a 23.7% increase in the number of employees from 12,589 in 2005 to 15,568 in the year ended 2006. Other developments that have been witnessed have included continued investment in information and communication technology (ICT) infrastructure with the objective of improving quality of customer service through offering alternative ICT based products and delivery service. Some of the developments in the area have included the introduction of Electronic banking and Short Message Subscription (SMS) banking software’s by a number of institutions. The installation of additional ATMs and the expansion of the networks country wide during the year is also a significant development.

**Chart 1: Structure of the Commercial Banking Sector**

<table>
<thead>
<tr>
<th>CENTRAL BANK OF KENYA</th>
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</thead>
<tbody>
<tr>
<td>Public Financial Institutions</td>
</tr>
<tr>
<td>National Bank of Kenya</td>
</tr>
<tr>
<td>Consolidated Bank of Kenya</td>
</tr>
<tr>
<td>Development Bank of Kenya</td>
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</table>

*Source: Central Bank annual supervision report (2007)*
The growth in the number of ATMs has resulted in the decongestion of banking halls and reduction of long queues in banking halls. ICT based financial services have made a significant contribution in the lowering the cost of offering financial services. Similarly, a wide range of new products have been introduced by banks in response to increased competition and in embracing ICT and enhanced customer needs. Among the significant developments in new products has been the growth in Islamic banking products first introduction in December 2005.

According to the banking supervision annual report (2007) the balance sheet analysis of the banking sector by June 2007, the total assets expanded by 19.9% to Kshs 833.4 billion from Kshs 695.14 billion in June 2006. The growth in assets was funded by an increase in deposits, fresh capital injection and retained profits. The major components of the assets portfolio were loans and Government securities. The net loans and advances stood at Kshs 417.5 billion by June 2007 which was attributed to lending’s to private households, transport and communication, building and construction and manufacturing sectors. Government securities stood at Kshs 184.5 billion while deposit liabilities including accrued interests stood at Kshs 682.14 billion at the end of June 2007.

Key issues affecting the commercial banking industry in Kenya mainly includes changes in the regulatory framework, where liberalisation exists but the market still continues to be restrictive. Declining interest rate margins due to customer pressure has resulted to mergers and reorganisation of key institutions. There has also been increased demand for non-traditional services including the automation of a larger number of services and a move towards emphasis on the customer rather than financial products and the introduction of non-traditional players who offer financial services and products.

Therefore this section has provided relevant information about Commercial banking sector in Kenya which allowed for the results of the study to be interpreted within their proper contextual framework.
1.2 Statement of the problem

In various contexts, companies today are under intense pressure to rebuild trust and stay competitive in a global economy. The delivery of shareholder value while also promoting societal value has evolved in recent years into a complex paradox that responsible business corporations seem to be grappling with in different contexts.

The Kenyan commercial banking sector has evolved in the last decade from an industry characterised by a number of banks collapsing or being placed under statutory management, to a more stable and profitable industry. It is argued that the major reason for the developments in the banking industry can be attributed to an attempt by commercial banks to sustain growing public confidence of the sector by upholding corporate governance practices.

Research on corporate social responsibility as applied to financial intermediaries- more so banks- is indeed scarce. Most of the studies have centred on the extent to which CSR influences consumer purchase behaviour. (Makau 2006). Focus on commercial banks has included the research the factors that influence CSR behaviour in commercials banks in Kenya (Thuo 2006). Okeyo (2004) in his study of the level and determinants of CSR among commercial firms in Kenya found out that the sustainability of CSR programs among Kenyan firms is in doubt. Despite the subject of corporate social responsibility in developing economies receiving a lot of attention within the corporate world, strategic corporate social responsibility practises within the banking sector in developing economies has been limited. And although commercial banks in Kenya have initiated major CSR initiatives, limited evidence seems to suggest that the CSR motivation is attuned in light of limited CSR advocacy and awareness.

This scarcity demands urgent intervention which justified the relevance of this study. The study sort to determine and provide guidance towards realising sustainable CSR initiative in the context of the commercial banking industry within Kenya. The study provides therefore suggestions as to how commercial banks can strategically reconcile societal and shareholder value within the CSR framework.
1.3 Objectives

The objectives of the study include both the general objective and the specific objectives.

1.3.1 The general objective
The general objective of the study was to determine strategic CSR initiatives adopted by commercial banks in Kenya.

1.3.2 The specific objectives
The specific objectives of the study are as follows:

a) To determine the CSR initiative procedures applied within the commercial banking sector.

b) To analyse the impact of CSR in the commercial banking sector

c) To determine the challenges faced in implementing CSR initiatives applied within the commercial banking sector.

1.4 Significance of the study

The findings of the research will be useful especially to commercial banks as it will help the banks strategically adopt CSR strategies by reconciling societal and shareholders values. The commercial banking sector will therefore better appreciate the need for developing structures and mechanism that allows for delivery of shareholder value while also promoting societal value through sustainable CSR programs and benefits.

To the academics, the findings of the study will provide basic information for further research in strategic CSR implementation. Therefore the study seeks to improve the body of knowledge about CSR in the commercial banking sector and form a basis for further study.
CHAPTER TWO: LITERATURE REVIEW

2.1 Corporate Social Responsibility

CSR is the mode of business engagement and value creation, that allows corporations to meet and even exceed legal, ethical, and public societal expectations (Luetkenhorst 2004: Novak 1996) and acting in a manner that respects the legitimate goals and demands of all stakeholders (Clarkson 1995: Waddock et al. 2002). CSR relates primarily to achieving outcomes from organisational decisions concerning specific issues or problems which have beneficial rather than adverse effects upon pertinent corporate stakeholders.

Corporate Social Responsibility is one of the earliest and key conceptions in the academic study of business and society relations (Windsor 2001). The development history of the CSR construct is commonly divided into three phrases: rise and extension (1950s), further expansion (1960s-1970s), and full-fledged proliferation (1980-1990s) (Carroll 1999). The original ascendancy of CSR took place against a ruling economic paradigm emphasizing efficiency, competition and productivity gains. In the Kenyan banking industry, commercial banks have increased their level of CSR involvement steadily from the year 2004 and 2005 (Thuo, 2006). Yet the rise of CSR has continued unabated into the 21st century, making it less plausible to look at CSR as just the latest hype of a development community increasing disillusioned with the performance of the public sector (Luetkenhorst 2004).

The initial rise of CSR coincided with the fragmented postulations on the role of the business people as stewards not only of their personal resources but also of societal resources. Until the 1960s, the focus was on business people possibly because the prominence of the business corporation as vital centre of power and decision making had not yet been fully appreciated (Carroll 1999). The 1960s according to Carroll (1999) witnessed attempts at refining previous conceptualizations and the splintering of writing into alternative concepts and themes such as business ethics, stakeholders’ theory/management, social responsiveness, and public policy.
2.2 Carroll’s 1979 Model of Corporate Social Responsibility.

In 1979, Carroll differentiated between four types of CSR: economic, legal, ethical and discretionary. The first category that Carroll (1979) delineated is a responsibility that is economic in nature, entailing for example providing return on investment to owners and shareholders: creating jobs and fair play for workers: discovering new resources; promoting technological advancement, innovation and the creation of new products and services. Business from this perspective is the basic economic unit in society and its other roles are predicated on this fundamental assumption (Carroll 1979).

The legal responsibility is the second part of the definition, and entails expectations of legal compliance and playing by the “rules of the game”. From this perceptive, society expects business to fulfil its economic mission within the framework of legal requirements set forth by the societal legal system. But while regulations may successfully coerce firms to respond to an issue, it is difficult to ensure that they are applied equitably (Pratima 2002). Moreover, regulations are reactive in nature, leaving little opportunity for firms to be proactive. Laws therefore attempt to circumscribe the limits of tolerable business behaviour, but they neither define ethics nor do they “legislate morality” (Solomon 1994).

In essence, ethical responsibility overcomes the limitation of law by creating an ethics ethos that companies can live by (Solomon 1994). It portrays business as being moral, and doing what is right, just and fair. Therefore, ethical responsibility encompasses activities that are not necessarily codified into law, but are nevertheless expected of business by societal members such as respecting people, avoiding harm, and preventing social injury. Such responsibility is mainly rooted in religious convictions, humane principles, and human rights commitments (Novak 1996). However, one limitation to this type of responsibility is its blurry definition and the consequent difficulty for business to concretely deal with it (Carroll 1979).

The final type of responsibility is where firms have the widest scope of discretionary judgement and choice, in terms of deciding on specific activities or philanthropic
contributions that are aimed at giving back to society. The roots of this type of responsibility lie in the belief that business and society are intertwined in an organic way (Frederick 1994). CSR involvement is thought of as ploughing back to the society a portion of the profits to meet some of societal needs. Such involvement is seen as being consistent with the levels of profits attained (Thuo, 2006). Examples of such activities might include philanthropic contributions, conducting in-house training programs for drug abusers, or attempts at increasing literacy rates (Carroll, 1979). Other examples common within the banking sector in Kenya include youth programs, provision of water and support to disabled persons programs (Odhiambo, 2006). In the commercial banking sector in Kenya, such initiative are usually undertaken on a need basis and are not usually given priority in organisations’ CSR agenda. This type of responsibility is the most controversial of all since its limits are vague and its implications could conflict with economic and profit-making orientation of business firms.

2.3 Carroll’s 1991 Model of Corporate Social Responsibility.

In 1991, Carroll revisited his four-part definition of CSR and organized the notion of multiple corporate social responsibilities in a pyramid construct (Figure 1). In this pyramid, economic responsibility is the basic foundation and discretionary the apex. This revised conceptualization implies that the four responsibilities are additive or aggregative. From this perspective, economic and legal responsibilities are socially required (that is mandatory), ethical responsibility is socially expected, while philanthropy is socially desired (Windsor 2001) and each of these responsibilities comprises a basic component of the total social responsibility of a business firm.

Carroll’s conceptualization was useful and timely, and it represented a significant advance in CSR research by mapping the different types of business responsibilities, but failed explicitly between mandatory and voluntary responsibility types. While this is implicitly noted both in the terminology used for discretionary responsibility and in the revised pyramid-like structure placing discretionary responsibility at the apex of the hierarchy, it has not been explicitly dwelled upon. Ethical responsibility is also vaguely addressed in Carroll’s model. A clearer definition of ethical responsibility and a neat
distinction between voluntary and mandatory CSR, however, are nicely captured in Lantos' (2001) conceptualization.

Figure 1: A hierarchy of Corporate Social Responsibility (Adapted from Carroll 1991)
2.4 Lantos' 2001 Model of Corporate Social Responsibility

Lantos (2001) distinguishes between three types of CSR, which he referred to as ethical, altruistic and strategic. Ethical CSR is mandatory and goes beyond fulfilling firms' economic and legal obligations to its responsibility to avoid harm or social injuries, even in cases where the business does not directly benefit. Actions are taken because they are right, not merely because they are mandated by law or are profitable. Lantos (2001) argues in this respect that there is nothing commendable about this level of fulfilment of "social responsibilities" since it is what is ordinarily expected in the realm of morality. As illustrated in Table 1, according to this conceptualization, ethical CSR encompasses the economic, legal, and ethical responsibilities outlined by Carroll (1979, 1991).

Altruistic CSR according to Lantos (2001) is humanitarian/philanthropic CSR, which involves genuine optional caring, irrespective of whether the firm will reap financial benefits or not. Firms practising altruistic CSR go beyond their morally mandated obligations (ethical CSR) to assuming liability for public welfare deficiencies that they have not caused. Lantos (2001) argues in this respect that altruistic CSR, although noble and virtuous, could conflict with the profit making orientation of business firms, and hence may lie outside the proper scope of their activities.

Strategic CSR on the other hand is strategic philanthropy aimed at achieving strategic business goals while also promoting societal welfare. The company strives in this respect to identify activities and deeds that are believed to be good for business as well as for society. This is a type of philanthropy that is aligned with profit motives. (Quester and Thompson 2001). Expenditures on strategic CSR activities are typically intended as long term investments that are likely to yield financial returns (Vaughn 1999). Organisations therefore design their CSR policies in line with their business orientation (Odhiambo, 2006). The challenge in this respect is to identify interventions that allow the reconciliation of the interests of the corporation with those of one or more stakeholder groups, thus promoting win-win outcomes across the board.
Two important distinctions in Lantos’ (2001) conceptualization merit attention. The first distinction made by Lantos (2001) pertains to the nature of the CSR in question, which he classified as mandatory (ethical) versus voluntary (social). Ethical CSR from this perspective extends beyond economic and legal obligations to comprise the mandatory fulfilment of the various ethical duties of the firm in its capacity as a morally responsible agent. That the mandatory component of CSR includes more than economic and legal considerations has been articulated by early scholars including Joseph McGuire (1963) who insisted that the firm has obligation that extend beyond narrow economic and legal requirements. From a simple iron law of responsibility perspective, it is clear that responsibility is mandatory not just morally but also practically in the sense that any violations in this respect are likely to have serious repercussions for the firm in terms of long term viability and profitability.

The voluntary aspect of social CSR delineated by Lantos (2001) has similarly been touched by various authors including Walton (1967) for example suggested that an essential ingredient of a firm’s social responsibilities is a degree of voluntarism, and Manne and Wallich (1972) insisted that to qualify as a socially responsible social action, a business expenditure or activity must be purely voluntary. Davis (1973) suggested that CSR describes a condition in which the corporation is at least in some measure a free agent and that the coerced pursuit of social objectives is difficult to imagine. Hence, various early scholars conceived of social responsibility as voluntary, beginning where ethical responsibility ends, reinforcing in turn the mandatory versus the voluntary distinction articulated by Lantos.

The second distinction is based on the intended purpose of social CSR as serving pure societal goals (altruistic) or simultaneously serving business and societal interest (strategic). CSR has traditionally been conceptualized as altruistic, involving the acceptance of costs for which it may not be possible to gauge direct measurable economic interests (Walton 1967). Other conceptualizations of CSR as good neighbourliness and as active altruistic engagement in the solution of broad social problems are also commonly encountered in the literature (Backman 1975; Elbert and Parket 1973; Fitch 1976).
However, the legitimacy of altruistic-type arguments insisting that economic performance ought not to be compromised for social goals. Recent years have accordingly witnessed the ascendancy of an alternative optional social altruism that can nonetheless be directed to profit the firm or what Lantos (2001) refers to as strategic CSR.

<table>
<thead>
<tr>
<th>TABLE 1</th>
<th>CSR classification</th>
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<tbody>
<tr>
<td>Carroll (1979; 1991) Classification</td>
<td>Lantos (2001) Corresponding Classification</td>
</tr>
<tr>
<td><strong>Economic responsibility</strong>: Entails profitability for shareholders, good jobs for employees, and quality products for customers.</td>
<td><strong>Ethical responsibility</strong>: Mandatory fulfilment of a firm’s economic, legal and ethical responsibilities.</td>
</tr>
<tr>
<td><strong>Legal responsibility</strong>: Entails compliance with Laws and playing by the rules of the game.</td>
<td><strong>Altruistic responsibility</strong>: Fulfilment of an organization’s philanthropic Responsibilities, irrespective of whether the business will reap financial benefits or not.</td>
</tr>
<tr>
<td><strong>Ethical responsibility</strong>: Entails doing what is right, just and fair and avoiding harm</td>
<td><strong>Strategic responsibility</strong>: Fulfilment of philanthropic responsibilities that will simultaneously benefit the bottom line.</td>
</tr>
<tr>
<td><strong>Philanthropic responsibility</strong>: Entails making Voluntary contributions to society, by giving time and money to social activities.</td>
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</table>

(Source: Carroll, 1979, 1991; Lantos, 2001)

### 2.5 Appeal of Strategic CSR

The notion of strategic CSR has been around since the 1980s and has been the subject of much debate in recent years. Drucker (1984) for example emphasized that profitability and social responsibility are not necessarily incompatible and that business ought to convert its social responsibilities into business opportunities. Similarly, Porter and Kramer (2003) have suggested a context-focused philanthropic approach requiring companies to use their unique attribute to address social needs in the corporate context, thus promoting a convergence of interests between business and society (figure 2) and the reconciliation of social and economic goals.
As illustrated in figure 2, the basic idea of strategic CSR is the effective alignment of philanthropic contributions with business goals and strategies, thus allowing the reconciliation of social and economic benefits. In this respect, strategic CSR can be defined widely to encompass any philanthropic activity that can result in long-term gain for the company. Such gain can be direct and tangible as in new business opportunities and untapped financial returns, or intangible as in increased goodwill and loyalty among potential customers. Alternatively, strategic CSR can be defined more narrowly to encompass focused philanthropic interventions with a clear flow of financial returns. Owing to relentless pressure by investors for increased returns and accountability, the trend will likely be toward more strategic-type CSR interventions in the future (Lantos 2001; Carroll 2001).

The appeal of strategic CSR cannot be easily discounted. The delivery of shareholder value, while also promoting societal value (or doing well while doing good), is certainly a desirable scenario for business corporations. This is particularly the case in developing countries where drivers of CSR tend to be weak and where serious macroeconomic constraints may divert company attention to issues of basic viability and securing shareholder returns. However as will be illustrated in the case study section below, strategy CSR goes against the gain of current philanthropic practise, particularly in developing countries. Most often, philanthropic contributions are distanced from business goals, undermining impact and value added.
2.6 Criticisms of CSR

The drive towards strategic CSR has not been without hurdles. Goodpaster (1996) has been critical of CSR claiming that it uses stakeholders- principally those outside the stockholder group- as a means to the end of maximising shareholder wealth. This criticism is weak because the purpose of a corporation, among other things, is to generate wealth for its stakeholders and they have to market and sell to customers (who constitute part of their stakeholders) in order to survive. In fact, the whole purpose of this research paper is to argue that through strategic CSR, organizations can ultimately reconcile shareholder and societal value.

Another criticism of CSR has been that it puts the firm at a competitive disadvantage since social action entails costs that competitors need not to bear. But it should be noted that those who put fourth this argument fail to recognise the strategic element of CSR.
Strategic CSR is designed not only to eliminate this type of criticism, but also to give the company competitive advantage over its competitors.

Criticisms of companies that have clearly designed their CSR program as a marketing tool have sometimes come under heavy criticism. Example some firms have opted to brand their products in a way for the designs to raise money for specific charitable organization. Such participants have ended up spending more on campaigns and marketing rather than on the specific charities.

Others generally see corporations’ good works just as a public relations stunt. There is no doubt that companies practising social responsibility often benefit either in short-term or in the long-run, and have a right to do so. Strategic CSR allows for organizations to achieve strategic business goals while also promoting societal welfare.

Brenkert (1996) has noted that like every activity there is the possibility of crossing the ethical line. It has also been argued that many CSR efforts are said to foster the “materialization of society”. As Shaw and Barry (1992) rightly noted, this is already occurring through traditional marketing activities such as advertising and retailing. These companies are merely appealing to an already materialistic society.

Friedman (1996) claims that the rise in CSR activities is a problem, which has been caused by the separation of ownership and control, or in other words a conflict between the interest of the manager and shareholders where managers use CSR as a means to further their own personal agendas at the expense of shareholders (McWilliams and Siegel, 2001).

Corporate leaders engage in CSR activities especially sponsorships principally because of the non-pecuniary benefits which the managers enjoy from participating in such events, such as ego gratification and the pleasure (Cornwell et. al., 2001). While these might appear to be corporate caring and thereby generate some goodwill, their major motivation is really selfish interest. CSR is therefore seen as self serving and somehow impoverishes
the notion of citizenship (Brenkert, 1996). Such arguments are based on the misunderstanding of the role of the business society. As Porter and Kramer (2006) so aptly put it, there is a shared value between corporations and societies in which they operate, so instead of reviewing the relationship as a conflict, businesses and their stakeholders ought to work in collaboration.
CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design
The research is descriptive by objective because it sort to describe strategic CSR in the banking sector of Kenya. To answer the research question, the research attempted to obtain information concerning the current status of strategic CSR as applied within the commercial banking sector.

3.2 Population of the study
The target population of this study included all commercial banks operating in Kenya which stand at 41 with a total asset base of Kshs 833.53 billion as of June, 2007. (Central Bank Supervision Annual Report, 2007). (See appendix II).

3.3 Sample
A comprehensive list of all commercial banks in Kenya was drawn with a classification of large, medium and small size as determined by the individual banks market sharer. (Appendix III). The research was therefore conducted as a study of eighteen (18) commercial banks in Kenya which allowed for in-depth and detailed exploration of the phenomena of CSR. Stratified sampling method was used to select the sample. The strata or subpopulation classification was based on the banks market share peer group criteria namely large, medium and small (Central Bank Supervision Annual Report, 2006). The large peer group consisted of commercial banks with gross asset base of Kenya shillings 15 billion and above. The medium sized banks will include banks with gross asset base of Kenya shillings 5 billion but less than Kenya shillings 15 billion. The small sized banks will comprise of institutions with gross asset base of below Kenya shillings 5 billion.

The sample included a representation in terms of both local and foreign owned commercial banks in Kenya. Appropriate number of banks was randomly selected to allow for the comparison between locally and foreign owned commercial banks operating in Kenya including the large, medium and small banks have enriched the discussion.
3.4 Data Collection
To achieve the research objective, primary data was used which was be collected using a structured questionnaire which provides a framework of the topics and issues to be covered. The data that was be generated is qualitative in nature that is data mainly about the idea and theme of CSR rather than the quantities (Cooper and Schindler, 2003). The questions were divided into four parts in order to collect data on the organization profile, CSR initiative procedures, impact of CSR programs and lastly the challenges faced by commercial banks when initiating CSR programs.

The questionnaire was self administered to allow the respondent to complete at their convenience. The target respondents included managers, occupying top managerial positions in the respective banks such as heads of public relations/communications units, marketing managers, corporate affairs managers, communication managers, development directors and so on.

3.5 Data analysis
The data generated in this study is mainly qualitative in nature mainly on the theme rather than the quantity of CSR. Therefore in order to extract useful information on the data collected was edited for accuracy, uniformity, consistency and completeness and arranged to enable coding and tabulation before final analysis. The descriptive data on various aspects of CSR considered under the study was analyzed and summarised in the form of frequencies, percentage and tables. The results have then been assessed by comparing them with Lantos (2001) classification of CSR.
CHAPTER FOUR: FINDINGS AND DISCUSSIONS

4.1 Introduction
This chapter descriptively analyses the data gathered from the questionnaires. The study highlights the assessment of strategic CSR as applied by banks including the initiatives and impact of CSR within the commercial banking sector in Kenya. The study also establishes some of the challenges faced by banks in implementing CSR initiatives within the commercial banking sector in Kenya.

4.2 Response rate
There are 41 commercial banks in Kenya and 42% were sampled for the research study. The banks sampled have been in operation in Kenya for a period of 3 to 86 years. The services offered by the banks include commercial retail banking and corporate banking. The response rate of commercial banks involving managers occupying top managerial positions in the respective commercial banks is as shown in table 2 below. A total of 41 commercial banks were included in the study population with a sample size of eighteen banks. 14 responded which represents 77% response as shown in the table below. The response rate of 77% was high and was considered adequate for the purpose of the study.

Table 2: Percentage distribution of selected respondents

<table>
<thead>
<tr>
<th>Category as per Market Share Peer Group</th>
<th>Selected</th>
<th>Response</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large</td>
<td>7</td>
<td>6</td>
<td>33%</td>
</tr>
<tr>
<td>Small</td>
<td>6</td>
<td>4</td>
<td>22%</td>
</tr>
<tr>
<td>Medium</td>
<td>5</td>
<td>4</td>
<td>22%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>18</td>
<td>14</td>
<td>77%</td>
</tr>
</tbody>
</table>

4.3 Institution’s CSR initiative procedures
Of all the banks studied, 30% of the responses conceded that they were involved in community supports initiatives. 22% reported that they were mainly involved in community training programs, 21% in disaster management while only 11% had initiated community micro financing programs.
Table 3: Main CSR Programs

<table>
<thead>
<tr>
<th>CSR programs</th>
<th>Frequency</th>
<th>Percentages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental Support</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Community Training Program</td>
<td>3</td>
<td>21%</td>
</tr>
<tr>
<td>General Medicine and Health</td>
<td>3</td>
<td>21%</td>
</tr>
<tr>
<td>Community Sport initiatives</td>
<td>5</td>
<td>36%</td>
</tr>
<tr>
<td>Disaster Management</td>
<td>1</td>
<td>7%</td>
</tr>
<tr>
<td>Community Micro Finance</td>
<td>2</td>
<td>14%</td>
</tr>
<tr>
<td>Others</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>14</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

The study established that main determining factor that most commercial banks use in choosing the CSR program to be involved in was community needs and funds availability. Up to 29% of the responses agreed that community needs was a determining factor while another 29% choose funds availability as a contributing factor. 21% agreed that organizational core values and goals were crucial while shareholder’s, suppliers and customer’s and staff request had 7% of the respondents consider imperative. These results are reflected in table 4 below.

Table 4: Determining factor in choosing CSR programmes

<table>
<thead>
<tr>
<th>Factor</th>
<th>Frequency</th>
<th>Percentages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organization core value and goals</td>
<td>3</td>
<td>21%</td>
</tr>
<tr>
<td>Community needs</td>
<td>4</td>
<td>29%</td>
</tr>
<tr>
<td>Funds availability</td>
<td>4</td>
<td>29%</td>
</tr>
<tr>
<td>Shareholders request</td>
<td>1</td>
<td>7%</td>
</tr>
<tr>
<td>Suppliers and customers request</td>
<td>1</td>
<td>7%</td>
</tr>
<tr>
<td>Staff request</td>
<td>1</td>
<td>7%</td>
</tr>
<tr>
<td>Others</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>14</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>
When asked to determine the main players or strategic decision makers within the organization when selecting the CSR program to be involved in, 38% of respondents agreed that the main players included the bank’s management.

**Table 4: Main players or strategic decision makers in selecting CSR programmes**

<table>
<thead>
<tr>
<th>Factor</th>
<th>Frequency</th>
<th>Percentages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management</td>
<td>5</td>
<td>38%</td>
</tr>
<tr>
<td>Employees</td>
<td>2</td>
<td>16%</td>
</tr>
<tr>
<td>Customers</td>
<td>1</td>
<td>7%</td>
</tr>
<tr>
<td>Shareholders</td>
<td>2</td>
<td>17%</td>
</tr>
<tr>
<td>Community</td>
<td>3</td>
<td>21%</td>
</tr>
<tr>
<td>Suppliers and subcontractors</td>
<td>1</td>
<td>0%</td>
</tr>
<tr>
<td>Others</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>14</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Majority of commercial banks do not have a specifically assigned department or position with the sole responsibility of organizing and managing CSR programs as evidence in up to 64% of the respondents who said no. The respondents who said yes were 36%. From the results it can be interpreted that CSR programs within the banking sector are seen as adhoc activities that are initiated on a need basis.

**Table 5: Specific assigned role for CSR programmes**

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percentages</th>
</tr>
</thead>
<tbody>
<tr>
<td>YES</td>
<td>5</td>
<td>36%</td>
</tr>
<tr>
<td>NO</td>
<td>9</td>
<td>64%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>14%</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>
4.4 Impact of CSR initiatives

The findings of the study indicated that the main goal of commercial banks in Kenya when choosing CSR programs is to increase the bank’s annual turnover. 41% of respondents agreed with the objective of increasing the annual turnover. Another 27% stated that improvement of bank’s image was the main priority while 17% shared in the view that giving back to the community was the main motivation of running CSR programs. Only 15% agreed with the fact that staff morale was a crucial impact of CSR programs.

Table 6: Main goal of CSR programmes

<table>
<thead>
<tr>
<th>Factor</th>
<th>Frequency</th>
<th>Percentages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increasing bank annual turn over</td>
<td>6</td>
<td>41%</td>
</tr>
<tr>
<td>Improve staff morale</td>
<td>2</td>
<td>15%</td>
</tr>
<tr>
<td>Improve the bank’s image</td>
<td>4</td>
<td>27%</td>
</tr>
<tr>
<td>Giving back to the community</td>
<td>2</td>
<td>17%</td>
</tr>
<tr>
<td>Others</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Total</td>
<td>14</td>
<td>100%</td>
</tr>
</tbody>
</table>

From the respondents interviewed 42% stated that the objective of the CSR programs within their organisation had been achieved while the other 58% agreed that they had not achieved their main goal.

Table 7: Achievement of CSR goals

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percentages</th>
</tr>
</thead>
<tbody>
<tr>
<td>YES</td>
<td>6</td>
<td>42%</td>
</tr>
<tr>
<td>NO</td>
<td>8</td>
<td>58%</td>
</tr>
<tr>
<td>Total</td>
<td>14</td>
<td>100%</td>
</tr>
</tbody>
</table>

The bank representatives who responded to the research noted that they use different methods to measure whether the CSR goals or objectives have been achieved and the resulted are tabulated in table 7.
Table 8: Measure of the achievement of CSR goals.

<table>
<thead>
<tr>
<th>Factor</th>
<th>Frequency</th>
<th>Percentages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase in banks turnover</td>
<td>4</td>
<td>30%</td>
</tr>
<tr>
<td>Improvement in staff morale</td>
<td>2</td>
<td>14%</td>
</tr>
<tr>
<td>Positive media coverage</td>
<td>3</td>
<td>21%</td>
</tr>
<tr>
<td>Annual increase in client base</td>
<td>3</td>
<td>21%</td>
</tr>
<tr>
<td>Feedback from customers</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Number of CSR programs initiated</td>
<td>2</td>
<td>14%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>14</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Different banks use different tools to report back to stakeholders the results of initiated CSR programs. The respondents therefore gave varied results on the tools used as represented in table 9 below.

Table 9: Tools for reporting on CSR results to stakeholders

<table>
<thead>
<tr>
<th>Factor</th>
<th>Frequency</th>
<th>Percentages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banks annual reports</td>
<td>5</td>
<td>36%</td>
</tr>
<tr>
<td>Press release and documentaries</td>
<td>3</td>
<td>21%</td>
</tr>
<tr>
<td>Organisation website</td>
<td>4</td>
<td>29%</td>
</tr>
<tr>
<td>Brochures</td>
<td>1</td>
<td>7%</td>
</tr>
<tr>
<td>Others</td>
<td>1</td>
<td>7%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>14</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

4.5 Challenges of initiating CSR programs

Respondents were asked to state the main challenges facing their organisations in implementing CSR programs. 40% stated that the main challenge was budget constraints while 28% indicated that organizational internal constraints was limiting. 13% shared in the view that lack was technical know how a challenge was, 10% stated external constraints while 9% indicated varied other reasons. This is represented in table 9 as follows;
Table 10: Challenges of initiating CSR programmes.

<table>
<thead>
<tr>
<th>Factor</th>
<th>Frequency</th>
<th>Percentages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of technical know how</td>
<td>2</td>
<td>13%</td>
</tr>
<tr>
<td>Budget limitations</td>
<td>6</td>
<td>40%</td>
</tr>
<tr>
<td>Organisational internal constraints</td>
<td>4</td>
<td>27%</td>
</tr>
<tr>
<td>External constraints</td>
<td>1</td>
<td>10%</td>
</tr>
<tr>
<td>Others</td>
<td>1</td>
<td>10%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>14</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

The study revealed that the main future plans for majority of the bank representatives is to increase community involvement in planning of the bank’s CSR programs. 54% of the respondents shared this view. 32% stated that the future plans were to increase budget levels while 14% agreed that employee’s involvement was crucial. These results are indicated in Table 11 below.

Table 11: Future plans in CSR planning

<table>
<thead>
<tr>
<th>Factor</th>
<th>Frequency</th>
<th>Percentages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase budget levels</td>
<td>4</td>
<td>32%</td>
</tr>
<tr>
<td>Community involvement</td>
<td>7</td>
<td>54%</td>
</tr>
<tr>
<td>Employees involvement</td>
<td>3</td>
<td>14%</td>
</tr>
<tr>
<td>Others</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>14</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>
CHAPTER FIVE: SUMMARY, DISCUSSIONS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction
This chapter highlights the findings of the study as well as conclusions and recommendations thereof. The research main objective was to determine the strategic CSR initiatives adopted by commercial banks in Kenya. Furthermore, the research specific objective was to determine the CSR initiative procedures as applied by banks, the impact as well as the challenges of adopting CSR programs within the commercial banking sector.

5.2 Summary
From the research findings as presented in chapter four (4) and based on the research objective, the results of the study have been assessed by comparing them with Lantos (2001) classification of CSR. The study set to identify how commercial banks in Kenya have attempted to leverage their unique capabilities in support of their philanthropic programs. The study was able to identify one commercial bank has attempted to realise a more strategic CSR intervention. The study however also identified that majority of banks adhere to a voluntary type conception of CSR.

5.3 Discussions
The study indicated that 36% of the respondents adhered to a voluntary action or philanthropic type conception of CSR. The understanding of CSR within the commercial banking context thus seems anchored in the context of voluntary action, with the economic, legal and ethical dimensions assumed as taken for granted. Indeed when asked about the type of CSR performed, 36% consistently referred to philanthropic types of programs characterised by initiated sports programs, with no mention of ethical considerations, legal compliance or economic interventions. CSR within the commercial banking context is therefore largely understood to comprise the philanthropic contributions that business firms make over and above their mandatory mainstream contributions and activities.

The distinction between altruistic and strategic CSR on the other hand, was indirectly gauged by examining the nature of social programs that were selected for investment and
whether they relate to and leverage the banks’ unique capacities which includes community micro financing. In this respect, the scope of social intervention was focused more on community training programs, general medicine and health and community sports initiatives rather than the strategic consideration of micro financing. It is worth noting that the banking system acts as a medium through which national savings are mobilized for development. The banks do this by providing safe custody for depositors’ money and disbursement of loans for development and therefore micro financing would be considered a unique attribute that can support in the promotion of a convergence of interest between commercial banks and society.

It is interesting to note that only 36% of respondents had a dedicated CSR official/office. Most banks managed responsibility issues through adhoc committees comprising of marketing, public relations and management representatives. In some instances, the marketing department assumed the sole responsibility for social issues management in accordance to guidance set by top management. The management of CSR thus continues to be considered in the commercial banking context a public corporate affairs function, with public relations department assuming responsibility for devising and monitoring the company’s responses to social issues.

It is also worth noting that despite extensive description of monetary contribution and various community philanthropic programs, 29% of banks reported on their community investments and determined their CSR programs based on annual funds availability, describing committed input (example; money, equipment) rather than outcomes. Only 21% of banks systematically measured the impacts of their social investments in terms of organizational values and goals. 38% of banks had no formally institutionalised social programs, given that CSR budgetary allocations continue to be determined on yearly basis in relation to expected profits and at the discretion of managers.

While the added value of the varied contributions is not to be undermined, such types of philanthropic voluntarism will never, in view of business citizenship adherents, lead to the sustained commitment necessary to tackle serious issues and problems. (Godfrey
The lack of institutionalization also calls into question the sustainability of such CSR interventions. Requests for sustained investment inevitably call for strong argument as to the expected impact on the bottom line. Hence, continuity of such CSR interventions risks being undermined in view of their short-term orientation and distancing from business goals.

One bank however, stands out for their insistence on the alignment of CSR programs and interventions with core business goals and strategies. This bank attempted to leverage its unique capabilities in support of their philanthropic programs, thus remaining focused, and promoting a convergence of interests between business and societal goals. For a better understanding of the dynamics of strategic CSR, the CSR approach of this bank will be presented here.

5.4 Strategic CSR at Kenya Commercial Bank

The history of Kenya Commercial Bank (KCB) dates back to 1896 when its predecessor, the National Bank of India opened an outlet in Mombasa before expanding its operations to Nairobi in 1904. The next major change in the Bank’s history came in 1958. Grindlays Bank merged with the National Bank of India to form the National and Grindlays Bank. Upon Independence, the government of Kenya acquired 60% shareholding 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 the largest commercial bank in Kenya. National and Grindlays Bank was renamed Kenya Commercial Bank. In pursuit of its vision to be the best banks in the region, KCB has from 1997 extended its operations to Tanzania, Uganda and Sudan. The government over the years has reduced its shareholding to 23.1% through rights issue exercise which raised additional capital for the bank to up to Kenya shillings 8 billion.

KCB recognises that CSR is a business imperative and has incorporated it as part of the bank’s overall corporate strategy. KCB has been working in a systematic way on leveraging its unique capabilities/competence in support of more strategic CSR interventions. In this respect KCB has evolved clear guidelines for money allocation and a selective review process. The bank has a vibrant CSR program that has been in place
for 7 years. The bank launched the KCB foundation to manage its socio-economic and community activities across East Africa. This has also been followed by annual sustainability report from business on the bank’s CSR activities and the impact of the business operations on various stakeholders. While these examples are by no means exhaustive and are intended to only provide flavour of the CSR programs of KCB, they clearly confirm its strategic CSR orientation.

5.5 Conclusion
Strategic philanthropy is an increasing popular term in the CSR literature. As revealed through the study presented, strategic philanthropy is not a myth. Nor is it very difficult to enact in practise. At its core, strategic CSR involves a conscious attempt at establishing a connection between the company business and its social contributions. When systematically pursued, strategic CSR allows companies to maximise added value, provides direction and justification for investment of resources, and can unlock a vastly more powerful way to make the world a better place (Porter and Kramer 2003).

A common misconception is that strategic philanthropy is self serving and insincere (Jones 2007). This is the main reason why many commercial banks shun publicity and favour CSR initiatives that are distanced from their core business activities. However, in so doing, commercial banks may be missing tremendous opportunities to create greater value for society and themselves (Porter and Kramer 2003). Through Strategic CSR, corporations cultivate a broad view of their own self interest while instinctively searching for ways to align self interest with the larger good and reconciling their companies’ profit making strategies with the welfare of society. (Smith 2003).

This effort of reconciling self interest with the larger common good offers particular promise in the context of developing country. In view of the scarcity of resources and less that favourable contextual conditions. This makes it even more imperative for commercial banks to explore ways to tie their giving precious business funds more closely to corporate strategic plans and objectives. Indeed, in view of its tangential relevance to organizational goals and strategies, altruistic CSR can easily deteriorate into
a nice-to-have luxury that creates a feel-good factor for managers, but can be dispensed with when the times get tough.

Arguments against strategic CSR can easily be refuted by a simple insight, namely that all contributions are disguised profit-motivated expenditures (Hemingway and Maclagan 2004). It could indeed be argued that the motivation for engaging in CSR is always driven by some kind of self-interest (Moon 2001), regardless of whether the activity is strategically driven for commercial purposes alone, or whether it is also partly driven by what appears as an altruistic concern. As Rollinson (2002) observes, “it is always difficult to tell whether behaving ethically towards external stakeholders is prompted by altruism or self-preservation”.

Based on the simple realization that promoting societal welfare does not preclude the systematic pursuit of the strategic interests of the firm, strategic CSR implies the integration of philanthropy into corporate strategic management process. In practice, this translates into a systematic effort at professionalizing the contributions function, tying contributions to strategic goals, evolving a set of guideline for money allocation, as well as criteria for quantifying the impacts of social investment (Mescon and Tilson 1987). The underlying appeal of this new style philanthropy lies in its reconciliation of societal interests and bottom line performance, a consideration that developing country commercial banks can certainly not afford to overlook.

5.6 Recommendations

Embarking on a strategic CSR program is a major commitment, one that may require changes in the way responsibility management has traditionally been approached. It should not be taken lightly, nor be conceived as something apart from the business. Rather, it implies a new way of doing business, coupled with the judicious deployment of existing knowledge and processes to accommodate new expectations of the business sector. While fundamental re-orientation to responsibility management may be called for, the benefits of such strategic repositioning are likely to outweigh the costs, allowing in turn the nurturing and preservation of philanthropy- the oldest form of corporate social behaviour.
Based on the findings of this study, commercial banks need to reorganise their CSR objectives to allow sustainable programs line with their core competence. Such programs may include community micro financing which would allow the banks to breed micro-entrepreneurship such as support for the poor which in turn would create more livelihoods and raise the disposable income to target community. Emphasis should also be made to long term rather than adhoc effort at restoring overall community life when the occurrence of disasters such as 2008 post election violence that was witnessed in Kenya.

Lastly it is important that commercial banks embarking on CSR programs should consider establishment of CSR foundations. The study has revealed that combined within a CSR foundation and/or department is the best way to coordinate and integrate CSR into a sustainable corporate initiative.

5.7 Limitations of the study
This section discuss both the general and methodological limitation of the study and suggestions for further research. The study was descriptive by objective targeting 18 commercial banks in Kenya. The results were based on 14 commercial banks that responded. A major limitation was that some respondents never participated in the study citing lack of time especially as priority was given more to work. Additionally, the views of only one person per commercial bank were recorded, which may not reflect the genuine views of the whole bank. The content of the study would therefore have been better if these banks and different key representatives had been included and/or participated. The study was time constraint and thus exhaustive analysis could not be guaranteed. Not with standing the above limitations, reliable conclusion with regards to strategic CSR as applied within the commercial banking sector was reached.

5.8 Suggestion for further research
Within the banking sector, a similar study should also be carried out focusing not only to the middle and top management but also other key players within the commercial banking sector such as the employees, shareholders and so on. A similar study should
also be undertaken focusing on a different sector which would allow for comparison in terms of how different sectors have attempted reconciling shareholder and societal value. Such comparison would potentially be interesting allowing for comparison of the extent to which the CSR practise of different commercial sectors differ from one another as well as whether there are any key sector stakeholders who influence the philosophy and CSR approaches of other business sectors. Comparisons allow these lines would potentially enrich the study and practise of CSR.
REFERENCES.


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Jones, D. 1997. “Good works, good business.” USA today 25th April: 1B-2B.


APPENDIX 1: LETTER OF INTRODUCTION

School of Business
University of Nairobi
P.O BOX 30197
NAIROBI

Dear Sir/Madam,

RE: MBA RESEARCH PROJECT QUESTIONNAIRE

The undersigned is a student at The University of Nairobi, pursuing an MBA degree in Strategic Management. As part of the course work assessment, she is required to submit a research project.

The student is undertaking a management research on Strategic Corporate Social Responsibility with focus on the commercial banking sector in Kenya. Your Institution has been selected to form part of this study. This is to kindly request you to assist in data collection by taking some time to fill in the attached questionnaire.

All information that you disclose will be used only for this academic exercise and will be treated in the strictest of confidence. Your cooperation will highly be appreciated.

Yours faithfully,

Nancy A. Ajima
MBA Student

Dr. Raymond Musyoka
Supervisor
APPENDIX II: QUESTIONNAIRE.

Introduction
This questionnaire is designed to gather information as part of a research that seeks to study Strategic Corporate Social responsibility with an in-depth study of Commercial banks in Kenya.

Part A: General Information
1. Please indicate in the space provided the name of the bank (optional)

2. How many years has the bank been in operation in Kenya (Please tick where appropriate)
   a) 0-5 years ( )
   b) 6-11 years ( )
   c) 12-20 years ( )
   d) 21 years and above ( )

3. Please indicate in the space provided your current position and/or designation within the bank ...............................................................

4. Please indicate from the alternatives below the current ownership status of the Bank (Please tick where appropriate)
   a) Public Financial Institution ( )
   b) Private Financial Institution (Locally owned) ( )
   c) Private Financial Institution (Foreign owned) ( )
   d) Other (Specify) ( )

5. How many employees are currently employed on full term basis by the bank? (Please tick where appropriate)
   a) Below 200 ( )
   b) Between 201-400 ( )
   c) Between 401-600 ( )
   d) 601 and Above ( )

6. Within the banking sector, how would you classify the bank’s market share? (Please tick where appropriate)
   a) Small ( )
   b) Large ( )
   c) Medium ( )

Part B: Institution’s CSR initiative Procedures
7. Which among the list below best represents the main corporate social responsibility programs your organization is involved in? (Please Tick where appropriate)
   a) Environmental Support ( )
   b) Community Training Programmes ( )
   c) General Medicine and Health ( )
   d) Community Sport Initiative ( )
   e) Disaster Management ( )
   f) Community Micro Finance ( )
8. Approximately in years, how long has your organization been involved in corporate social responsibility? *(Please tick where appropriate)*
   a) 0-2 years  
   b) 3-5 years  
   c) 6-10 years  
   d) 11 years and above

9. Approximately in Kenya shillings, how much was the budget spent in the last financial year within your organization in implementing corporate social responsibility programs? *(Please tick where appropriate)*
   a) Below 1 million  
   b) 1-5 million  
   c) 6-10 million  
   d) Above 11 million

10. Which among the list below best represents the main determining factor used by your organization when choosing the corporate social responsibility program to be involved in? *(Please tick where appropriate)*
    a) Organization Core values and goals  
    b) Community needs  
    c) Funds availability  
    d) Shareholders request  
    e) Suppliers and customers request  
    f) Staff request

Others *(Please specify)*

11. Who among the list below are the main players or strategic decision makers within your organization, when selecting the corporate social responsibility program to be involved in? *(Please tick where appropriate)*
    a) Management  
    b) Employees  
    c) Customers  
    d) Shareholders  
    e) Community  
    f) Suppliers and Sub-contractors

Others *(Please specify)*

12. Is there any specific organizational position or department that is assigned the sole responsibility of organizing and management of corporate social responsibility programs?
    a) Yes  
    b) No
If No to question 12 please give brief details of how exactly the CSR programs are organised .................................................................

Part C: Impact of CSR initiatives

13. From the options provided below, which one best describes the main goal of your organization, when choosing a corporate social responsibility program? (Please tick where appropriate)
   a) Increasing of bank annual turn over ( )
   b) Improve staff morale ( )
   c) Improve the banks image ( )
   d) Giving back to the community ( )

   Others. (Please specify) .................................................................

14. Have the goals indicated in question 13 above been achieved? (Please tick where appropriate)
   a) Yes ( )
   b) No ( )

   (If YES go to Q 15 and if NO go to Q 16) .................................................................

15. Which among the list provided for below best describes how the CSR goals or objectives measured? (Please tick where appropriate)
   a) Increase in the banks’ turn over ( )
   b) Improvement of staff morale ( )
   c) Increased positive media coverage ( )
   d) Annual increase in client base ( )
   e) Feed back from customers ( )
   f) Number of CSR programs initiated ( )

   Others. (Please specify) .................................................................

16. Are the Banks’ results of the CSR programs reported back to the institution stakeholders? (Please tick where appropriate)
   a) Yes ( )
   b) No ( )

   (If YES go to Q 17 and if NO go to Q 18) .................................................................

17. Which among the list below is the main tool used by the bank to report back to stakeholders’ the results of the Banks’ initiated CSR programs? (Please tick where appropriate)
   a) Bank’s annual report ( )
   b) Press release/ Documentaries ( )
   c) Organization website ( )
   d) Brochures ( )

   Others. (Please specify) .................................................................
Part C: Challenges of initiating CSR programs

18. Which among the list provided below is the main identifiable constraint of initiating CSR programs within the organization (Please tick where appropriate)
   a) Lack of technical know-how
   b) Budget limitations
   c) Organizational internal constraints
   d) External constraints

Others. (Please specify)

19. How do you plan to overcome the stated constraints in question 16 above?

20. Which among the list provided for below is the main reason for your organization's involvement in corporate social responsibility? (Please tick where appropriate)
   a) Provide return on investments to shareholders
   b) Societal pressure
   c) Banking sector legal requirement
   d) Give back to society
   e) Facilitate improvement in Corporate image

Others. (Please specify)

21. From the list provided below please rank the options on a scale of 1-5, the main importance of your organization in providing for CSR programs. (With 1 being of least important and 5 being of the most important)
   a) Social requirement
   b) Economic requirement
   c) Legal requirement
   d) Improvement of corporate image
   e) Competitive strategy

Others. (Please specify)

22. Which among the list below best describes your future plans in terms of the banks involvement in CSR initiatives? (Please tick where appropriate)
   a) Increase budget levels
   b) Increase the community involvement in planning of the banks CSR programs
   c) Increase the employees involvement in planning of the bank CSR programs

Others. (Please specify)

-End-
## APPENDIX II1: COMMERCIAL BANKING SECTOR MARKET SHARE

<table>
<thead>
<tr>
<th>COMMERCIAL BANKS</th>
<th>TOTAL ASSETS</th>
<th>MARKET SHARE (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Large</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 Barclay's Bank of Kenya</td>
<td>111,021</td>
<td>16.12</td>
</tr>
<tr>
<td>2 Kenya Commercial Bank Ltd</td>
<td>87,326</td>
<td>11.93</td>
</tr>
<tr>
<td>3 Standard Chartered Bank Ltd</td>
<td>81,135</td>
<td>11.08</td>
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<tr>
<td>4 Cooperative Bank of Kenya</td>
<td>57,683</td>
<td>7.88</td>
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<tr>
<td>5 Citibank N.A</td>
<td>37,794</td>
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<tr>
<td>6 Commercial Bank of Africa Ltd</td>
<td>37,507</td>
<td>5.137.2</td>
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<tr>
<td>7 National Bank of Kenya Ltd</td>
<td>36,123</td>
<td>4.93</td>
</tr>
<tr>
<td>8 National Industrial Credit Bank Ltd</td>
<td>26,108</td>
<td>3.57</td>
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<tr>
<td>9 Stanbic Bank of Kenya</td>
<td>25,823</td>
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<tr>
<td>10 CFC Bank Ltd</td>
<td>25,392</td>
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<tr>
<td>11 Investment and Mortgages Bank Ltd</td>
<td>22,348</td>
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<tr>
<td>12 Diamond Trust Bank of Kenya</td>
<td>21,564</td>
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<tr>
<td>13 Equity Bank Ltd</td>
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<tr>
<td><strong>Medium</strong></td>
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<td></td>
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<tr>
<td>14 Bank of Baroda</td>
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<td>15 Prime Bank Ltd</td>
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<td>25 Giro Commercial Bank Ltd</td>
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<td>26 Guardian Bank Ltd</td>
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<td>32 Middle East Bank of Kenya Ltd</td>
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<td>33 Development Bank of Kenya Ltd</td>
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<td>34 Credit Bank Ltd</td>
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<tr>
<td>35 Transnational Bank Ltd</td>
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<tr>
<td>36 Fidelity Commercial Bank Ltd</td>
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<td>38 Oriental Commercial Bank Ltd</td>
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<td>Amount (M)</td>
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<td>Dubai Bank Ltd</td>
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<td>City Finance Bank Ltd</td>
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<td>41</td>
<td>Charterhouse Bank Ltd</td>
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*Source: Central Bank annual report (2006)*