

CORPORATE SOCIAL RESPONSIBILITY TOWARDS EMPLOYEES AND BUSINESS PERFORMANCE OF SUGAR MANUFACTURING FIRMS IN KENYA

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Abstract

This paper presents some empirical findings on the effect of corporate social responsibility (CSR) towards employees on the performance of sugar manufacturing firms in Kenya. Using a sample of two hundred and forty five employees from sugar manufacturing firms (n= 245), the paper examined the effect of employee oriented activities (provision of housing for employees, work safety arrangements, insurance of workers and motivation schemes). The specific objective of this study was to determine the effect of practicing employee oriented activities on the performance of sugar manufacturing firms over the years 2008 to 2012. The study employed descriptive causal survey research design. The study targeted a total of 2450 employees. A sample size consisted of 245 employees. The 245 employees were selected through simple random while purposive sampling techniques was used to select the 10 NGOs, 15 departmental heads and 5 members of NEMA. Given a large number of employees, questionnaires were used to collect information from the employees of sugar firms while interview schedules were appropriate in collecting information from the managers and NGO employees. On reliability of the instruments, they attained an alpha of 0.826, comparing to the acceptable Cronbach's Alpha coefficient of at least 0.7 in non-clinical research, implied that the instruments were reliable. The findings of the research was that there is a positive statistically significant linear correlation between practicing employee oriented activities and business performance of sugar manufacturing firms in Kenya. On the basis of these findings, it is recommended that managers, investors of sugar manufacturing firms as well as the interested parties in sugar firms should proactively participate in employee oriented activities since it has a positive significance towards the performance of sugar firms.

Key words: Corporate social responsibility (CSR), employee oriented activities, business performance

1.0 Introduction

Corporate social responsibility (CSR), also called corporate conscience, is a form of corporate self-regulation integrated into a business model. CSR policy functions as a built-in, self-regulating mechanism whereby a business monitors and ensures its active compliance with the spirit of the law, ethical standards, and international norms. CSR is a process with the aim to embrace responsibility for the company's actions and encourage a positive impact through its activities on the environment, consumers, employees, communities, stakeholders and all other members of the public sphere who may also be considered as stakeholders (Wood, 1991).

Corporate social responsibility is titled to aid an organization's mission as well as a guide to what the company stands for and will uphold to its consumers. Development business ethics is one of the forms of applied ethics that examines ethical principles and moral or ethical problems that can arise in a business environment. ISO 26000 is the recognized international standard for CSR. The UN has developed the Principles for Responsible Investment as guidelines for investing entities (Kim and Aguilera, 2008). Scholars like Nkiko and Katamba (2010) and Gisch-Boie (2008) have carried out research on CSR in Uganda especially on what it entails. However, the volume of published research in the area of CSR in Uganda is still extremely low, with most research focusing on business ethics. There is great scope for expanding the amount of research on CSR in Uganda and Africa, as well as improving on the diversity of its content and its geographic reach (Visser, 2006).

The area defined by advocates of CSR increasingly covers a wide range of issues such as plant closures, employee relations, human rights, corporate ethics, community relations and the environment. Areas looked at more importantly are; workplace (employees), market place (customers, suppliers), environment, ethics and human rights. Important to note is that whilst the primary role of business is to produce goods and services that society

needs, there is also necessity for interdependence between business and society for a stable environment. The forms of social responsibility that a firm undertakes depend on its economic perspective.

Sugar farming in Kenya forms part of the entire Agricultural activities that is a dominant sector in the Kenyan economy. Agriculture accounts for 24% of the country's Gross Domestic Product. Through sugar farming, we have employment opportunities to the farmers and the employees of the sugar manufacturing firms. It also provides income to over 200,000 shareholders in the whole country. Sugar industry in Kenya dates back in 1922. Miwani sugar Company Limited was established in 1927, though it is currently closed. Chemilil Sugar Company was later established in 1968. Mumias Sugar Company and Nzoia Sugar Company Limited followed closely in the years 1973 and 1978 respectively. South Nyanza Sugar Company Limited came in existence a year later whilst West Kenya Sugar Company Limited opened its doors three years after NSC. Muhoroni, which is currently under receivership, was opened in 1966. Sugar manufacturing as it has already been illustrated, forms a backbone of the country's economy.

There is a lot of theoretical and empirical attention paid in understanding the motives why or why not corporations act in socially responsible ways. Most of the research has been done to associate CSR to business ethics (Galbreath, 2010; Rowley & Berman, 2000). This research looks at CSR as a competitive strategy that can be used to improve performance of sugar manufacturing firms in Kenya. The general objective of this study was to determine the effect of corporate social responsibility towards employees and the performance of sugar manufacturing firms. The study was hypothesized as responsibilities towards employees do not affect the performance of sugar manufacturing firms in Kenya.

2.0 Significance of the Study

The findings of the research study will be useful to the managers, shareholders and owners of sugar manufacturing firms. They will also be useful to the Government and will form a basis for reference by interested parties.

2.1 Scope of the Study

The study was carried out in two manufacturing firms namely Mumias Sugar Company Limited and Nzoia Sugar Company Limited. The study covered time frame of five years: from 2008 to 2012. The period was chosen due to the availability of financials (books of account) that were to be used in the study. The employees of the sugar manufacturing firms were targeted.

2.2 Limitations of the Study

The respondents were seen withholding important information from the researcher. The researcher had to assure the respondents of their confidentiality so that they freely open up to give the information. Further the researcher informed the respondents that their views were for academic purpose only. The findings of the study was influenced by the researcher's subjectivity. The researcher addressed this through citing literary sources to support personal views to minimise subjectivity. The research instruments that included questionnaires and interview schedules used for data collection was time consuming and costly. The researcher overcame this by setting timeframes within which the interviews were to be conducted to save time and reduce costs.

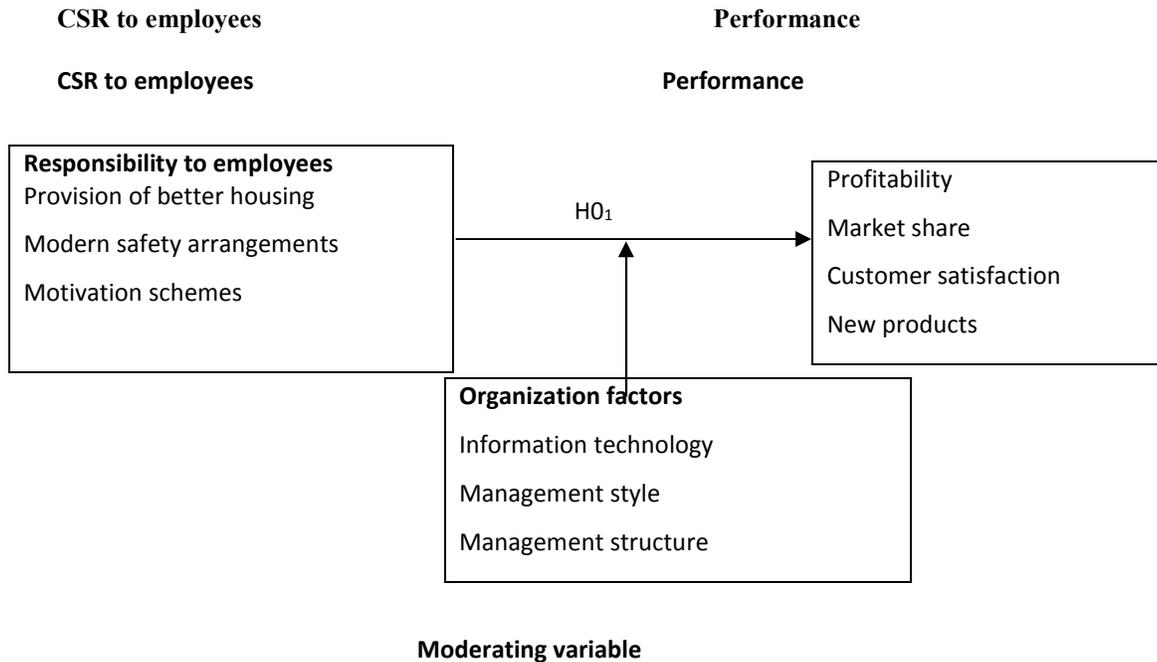
2.3 Assumptions of the Study

The study was based on the following assumptions: CSR towards employees influences performance of Sugar Manufacturing Firms and that all the respondents participated in the study; the respondents were co-operative and gave voluntary and accurate information; all respondents were honest, objective and found appropriate time to respond to the questionnaires and interview schedule. The findings and recommendations of the study were of use to the relevant stakeholders of Sugar Manufacturing Firms, future researchers, academicians, policy makers and administrators in the Ministry of Trade, communities, employees and the customer.

2.4 Conceptual Framework

The theory of CSR encourages corporations to take notice not only of the economic and financial dealings in a company, but also the social and environmental consequences at business places on its shareholders and society.

The Model of CSR towards employees advises companies to seek the maximum profits while obeying a moral minimum. This study was anchored on the conceptual framework.



Source: Researcher's own conceptualization 2013

Figure 1: Conceptual framework

3.0 Theoretical and Empirical Literature

Business has long been guided by and pursued the profit motive. From the days of European and Colonial shopkeepers to the modern world of global corporations, the interests of the owners and shareholders had traditionally guided business decision making and strategy. Appeals for business to assume responsibility for the problems of the world has always fueled the debate into the proper role of business and the purpose of the firm (Margolis and Walsh, 2003). Shareholders, investors and stakeholders at large make most of their investment decisions basing greatly on the business performance of a firm (Boron, 2000). For decades since 1970's, there is a heated debate about the legitimacy and value of corporate responses to CSR concerns. For example, Murphy (2005) described CSR as being 'little more than a cosmetic treatment,' and Santiago (2004) reveals the advantages of practicing CSR. On the other hand, Waddock and Graves (1997), Hillman and Keim (2001), Verschoor and Murphy (2002), found out that increased CSR leads to enhanced business performance.

There are several theories that explain the existence of corporate social responsibility in firms. The first theory is the Social contracts theory developed by Gray et al. (1996) describes society as "a series of social contracts between members of society and society itself". In the context of CSR, an alternative possibility is not that business might act in a responsible manner because it is in its commercial interest, but because it is part of how society implicitly expects business to operate. Donaldson and Dunfee (1999) developed integrated social contracts theory as a way for managers to take decisions in an ethical context. They differentiate between macro social contracts and micro social contracts. Thus a macro social contract in the context of communities, for example, would be an expectation that business provides some support to its local community and the specific form of involvement would be the micro social contract. Hence companies who adopt a view of social contracts would describe their involvement as part of "societal expectation" however, whilst this could explain the initial motivation, it might not explain the totality of their involvement.

The second theory that explains CSR is the shareholders' theory which suggests that managers have a primary duty to the owners of the firm and this duty takes priority over any other responsibilities and obligates it to focus on profit maximization alone. The belief of researchers in this group stems from the traditional neoclassical paradigm of the firm theory (Moir, 2001), which reflects Adam Smith's notion of economic man, whose goal is to maximize the wealth of the firm, based on his contractual duties to the owners (Brenner and Cochran, 1991). It was further advocated by Friedman (1970), who suggested that in a free economy, there is only one social responsibility of business – to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to engage in open and free competition, without deception or fraud.

Milton Friedman contends that diverting corporations from the pursuit of profit makes the economic system less efficient. Business's only social responsibility is to make money within the rules of the game. Private enterprises, therefore, should not be forced to undertake public responsibilities that properly belong to government (Friedman, 1970). The rules of the game that Friedman refers to are the elementary morality rules against deception and fraud which are intended to promote open and free competition among firms. Friedman believes that by allowing the market to operate with only the minimal restrictions necessary to prevent fraud and force, society maximizes its overall economic wellbeing. Pursuit of profits is what makes the free economy vibrant. Anything that dampens this kind of incentive or inhibits its operations is not encouraged.

The third theory is stakeholder's theory. Johnson (1971) while defining CSR, looks at a socially responsible firm as one that balances a multiplicity of interests, such that while striving for larger profits for its stockholders, it also takes into account, employees, suppliers, dealers, local communities and the nation. According to Freeman (1984), the firm can be described as a series of connections of stakeholders that the managers of the firm attempt to manage. Stakeholder, according to Bruno & Nichols (1990: 171) is a term which denotes any identifiable group or individual who can affect or be affected by organizational performance in terms of its products, policies, and work processes. Davis (1975) argues that modern business is intimately integrated with the rest of society. It is not some self-enclosed world, like a small study group. Rather, business activities have profound ramifications throughout society, and their influence on peoples' lives is hard to escape.

Therefore, corporations have responsibilities that go beyond making money because of their great social and economic power. Stakeholders are typically analyzed into primary and secondary stakeholders. Clarkson (1995) defines a primary stakeholder group as "one without whose continuing participation the corporation cannot survive as a going concern" - with the primary group including "shareholders and investors, employees, customers and suppliers, together with what is defined as the public stakeholder group; the governments and communities that provide infrastructures and markets, whose laws and regulations must be obeyed, and to whom taxes and obligations may be due". The secondary groups are defined as "those who influence or affect, or are influenced or affected by the corporation, but they are not engaged in transactions with the corporation and are not essential for its survival". Mitchell et al. (1997) developed a model of stakeholder identification and salience based on stakeholders possessing one or more of the attributes of power, legitimacy and urgency. The stakeholder theory surfaced the central thesis to this research, which is whether organizations can be socially responsible and at the same time have good performance (profitable) while still satisfying investors and shareholders by providing acceptable levels of return on those investments.

The relation between corporate social responsibility (CSR) and firm performance has evoked much interest among researchers in the whole world. Some researchers reveal a positive relation between the two (Graves and Waddock, 1994; Griffin and Mahon, 1997; McGuire *et al.*, 1988; Waddock and Graves, 1997). Other researchers indicate a negative relation (Bromiley and Marcus, 1989; Wright and Ferris, 1997). Important to not be that still others (Aupperle *et al.*, 1985; Teoh *et al.*, 1999) establish no relation between the two constructs. A positive relation between CSR and firm performance has prevailed in many studies (Margolis and Walsh, 2003; Orlitzky *et al.*, 2003), but the results remain inconclusive (Margolis and Walsh, 2003; Vogel, 2005). Such inconclusiveness creates ground for further investigation.

In addition, previous studies, which have established that working conditions that involves respect human dignity, equality, and social protection, result in a productive workplace (Somavia, 2000). Social responsibility of a company is a reputation factor and is an attractive force for potential and current employees (Turban and Greening, 1997). Ethical reputation contributes to job satisfaction and lower employee turnover by evoking positive reactions from employees' families and friends (Riordan *et al.*, 1997). Because satisfied employees have higher morale and job motivation, they will work more effectively and efficiently (Berman *et al.*, 1999) and contribute to higher levels.

On the other hand, irresponsible behavior by firms agitates stakeholders (society, employees, customers, and environment). They often react by boycotting the company (Hayes and Pereira, 1990), reducing consumption of the company's products (Sen and Bhattacharya, 2001), initiating legal action against the company (Greeno and Robinson, 1992), and/or spreading bad words-of-mouth about irresponsible business practices (Clair *et al.*, 1995). Boycotting of Nike products due to human rights' abuse and unsafe working conditions at suppliers' locations in Asia (Herbert, 1996), or sharp reaction from environmentalists and consumers to the pesticide content in Pepsi and Coca-Cola beverages in the world are living examples.

Business performance incorporates financial and non-financial success of an entity. Every business has to put in place a system of measuring performance where set goals are compared to feedback from agreed upon indicators. A typical performance measurement helps businesses in periodically setting business goals and then providing feedback to managers on progress towards those goals. The time horizon for these goals can typically be about a year or less for short-term goals or span several years for long-term goals (Simmons, 2000).

Financial performance measures are derived from or directly related to the chart of accounts and found in a company's financial statements. Non-financial performance measures such as customer satisfaction scores or product quality measures are outside the chart of accounts. The table below shows how the two firms performed in the recent years.

Table 1: Profitability of Mumias Sugar and Nzoia Sugar companies Limited

Year	Profit before tax MSC (Ksh. Millions)	Profit before tax NSC (Ksh. Millions)	Earns per share of MSC
2008	1,589	127	0.79
2009	1,193	196	1.05
2010	2,180	244	1.03
2011	2,647	366	1.26
2012	1,764	420	1.32

Source: Kenya Sugar Board 2013

Deliberate analysis of the literature pertinent to the relationship of CSP and CFP revealed mixed evidence. A lot of research has been carried out as illustrated in the literature review, focusing on the relationship between Corporate Social responsibility and financial performance of firms in developed countries. Moreover, the relations between CSR and FP are found to be mostly inconclusive, but positive relations between the two have been reported in some of the studies (Margolis and Walsh, 2003) suggesting an instrumental orientation of CSR initiative. Others like, McWilliams & Siegel, found that corporate social responsibility is a financial burden for the firms and have negative impact on firm's performance in developed countries (McWilliams and Siegel, 2000).

Literature also showed that various financial and social performance measures have been used with various statistical tools and techniques. As per reviewed literature, even after encountering a significant positive CSP-CFP relationship in the majority of researches, scholars tend to conclude the relationship as inconclusive, complex, and

nuanced (Arlow and Gannon, 1982; Griffin and Mahon, 1997; Roman et al., 1999 and Margolis and Walsh, 2001). Reviewed literature also paints a blended picture on the contribution of CSP and Competitive Advantage of firms.

Therefore with such a varied degree between these studies carried out in developed countries, there was need to find out in this study the relationship between CSR towards employees and performance of Sugar Companies in Kenya, which is a developing economy.

3.1 Research Methodology

The study adopted a descriptive causal survey design. This is aimed at structuring the variables in a manner that enables their relationship to be determined. Gay (1981) defines descriptive research as a process of collecting data in order to test hypotheses or to answer questions concerning the current status of the subjects in the study, for example, corporate social responsibility towards employees and performance of sugar manufacturing firms. Descriptive study is undertaken to ascertain and be able to describe the characteristics of the variables of interest in a situation (Sekaran 2004). Causal research design helped the researcher in exploring the effect of one variable on the other. On the other hand Survey research is a self-report study which requires the collection of quantifiable information from the sample (Mugenda and Mugenda, 2003).

A survey research method (also called communication approach) involves surveying people and recording their responses for analysis (Cooper and Schindler, 2003). It was used to generate both qualitative and quantitative data so as to come up with a detailed description of the state of Corporate Social Responsibility and performance of Sugar Manufacturing Firms as they exist in Kenya. The researcher therefore reported what had happened. The researcher was able to measure the variables presented in this study by the use of the observed data obtained during the field study.

3.2 Study Area

Two sugar manufacturing firms in Kenya, Mumias Sugar Company (MSC) and Nzoia Sugar Company (NSC) were selected for this study. These were selected owing to their history as market leaders in the respective sugar industries and the availability of public information pertaining to their operations and performance. Both firms have over the years highlighted in their annual reports as being socially responsible and engaged in different CSR activities towards employees. In addition, both firms have over 30 years experience in manufacturing sugar in Kenya. The two firms represent the interests of private and public sugar firms respectively. Archival data in the form of corporate annual reports were gathered from the public websites of each of the two companies. The proximity from one firm to another was appropriate for the researcher to save on time and reduce the expenses of carrying out research. Direct contact was also made with the different departments of the companies to secure information that was not available for public view on the website. Historic information from the two companies was used to determine to calculate the financial measures (profits and market share) for each of the study companies for each year from 2008 to 2012.

Mumias Sugar Company is located in Mumias District, Kakamega County, Kenya. The district lies between longitudes 34° 2' E and 35° 0' E and latitudes 0° 15' N and 1° N (see Appendices 6 and 7). The district covers 96.6 square kilometers of land area this being 16.5% of all land. MSC is found in Mumias Division being one of the four administrative units of Mumias District. The division is bordered by Matungu division to the north, East Wanga to the east Butere and South Wanga to the south. Mumias division is divided administratively into one location known as Nabongo and five sub-locations which are Ekeru, Nucleus, Lureko, Township and Matawa (Kenya, 2003). Kakamega County has a population of 1,660,651 persons and covers a surface area of 3,051 Km² with a population density of 544 people per Km².

Nzoia Sugar Company is located in Bungoma County, Bungoma South District, 5 Kilometers from Bukembe, off the Webuye- Bungoma highway. The Company serves over 67,000 farmers in the larger Bungoma, Kakamega, Lugari and Malava Districts. It is situated at a latitude of 0°35'N and a longitude of 34°40'E, and an altitude of between 1420-1490 meters above sea level.

3.3 Population and Sampling

The study targeted a total of 2450 employees 10 non-governmental organizations (NGOs) and 5 members of National Environmental Management Authority (NEMA) (Ministry of Trade, 2013). The sampling unit was one single employee which is an acceptable practice in sampling design for social sciences (Kothari, 2004). Stratified sampling technique was used to categorize employees in their strata (according to the department). The simple random sampling was used to select 245 employees from the strata, so that each and every one in the target population has an equal chance of inclusion from the target populations of 2450 employees. This was done so that the study does not miss any parameters that are vital to the research.

The sample size of employees was determined by use of Kombo and Tromp (2006) recommendation that a sample size of 10% to 30% is representative enough for the study population. Therefore the sample size of employees was determined on the basis of 10% recommended by Kombo and Tromp (2006): Number of employees: - $10/100 \times 2450 = 245$ employees. The 10 NGOs and 5 members of NEMA were selected using purposive sampling because this technique allowed the researcher to use cases that have required information with respect to the objectives of the study (Mugenda & Mugenda, 2003), as shown in Table 2.

Table 2: Table showing the sample size used in the study

Sample area	Sample size	Percentage of population (%)	Total
NEMA members	5	30	5
NGO members	15	30	15
Employees	245	10	245
Total	265		265

Source: Researcher, 2013

3.4 Data Collection Instrument

Primary data was obtained from the questionnaires and interview schedules as research instruments. Questionnaires were used to capture data from employees. This instrument was used in the study because it is convenient to administer when handling a large group of respondents. They are confidential, save on time, no bias cover wide area (Mugenda, Mugenda, 2003). The questionnaire as an instrument used both closed ended and open ended questions in its structure. It was divided into two sections. The first section was used to capture data on the respondents' background information and the second section captured the respondents' views on CSR, performance of Sugar Manufacturing Firms and challenges of CSR practices in Sugar Manufacturing Firms.

Interview schedules were used to collect in depth information from the NGOs and NEMA members. Interview schedules were used as instruments because they enabled the researcher to obtain very detailed information and also enabled the researcher to control the respondents in the right direction. They also made it possible to obtain data required to meet specific objectives of the study hence increasing precision.

3.5 Validity and Reliability of Research Instruments

According to Orodho (2004), validity can be defined as the extent to which a measuring instrument provides adequate coverage of the topic under study or in simple terms, the degree of relevance the instruments are towards the research. Validity is the extent to which the instruments measures what it purports to measure according to the researcher's subjective assessment (Nachiamis 1990). To ensure Content validity and relevance, the questionnaire was pre-tested on a pilot set of respondents who did not form part of the study's respondent but were knowledgeable in the study aspects. This enabled the researcher to revise the questionnaire based on the pilot feedback. On the other hand, to ensure face and construct validity, the questionnaire was guided by the researcher's conceptual framework in order to test and measure the key elements of corporate social responsibility on the performance of sugar manufacturing firms. Further literature review was undertaken to establish the validity of the research instruments.

Reliability can be defined as the degree of consistency between two measures of things that are similar. Piloting of the research instruments was carried out in West Kenya Sugar Company whose findings was used in the final analysis aimed at establishing the clarity; comprehensiveness and objectivity of each item in the instruments and determines the estimated time required to collect the required data (Sindabi, 1992).

The data was the analyzed and the results were correlated to determine their reliability coefficients. For the results to be more reliable, the responses were consistent as illustrated in the later chapters. The higher the consistence, the more reliable the data was. The dependent and independent variables were found to be more reliable with alpha coefficients of more than 0.70, which is acceptable in the field of social sciences (Santos,1999), as shown in the tables 3.

Table 3: Reliability test

Reliability Statistics	
Cronbach's Alpha	N of Items
0.826	45

Source: Research data 2013

4.0 Data Collection Procedures

Primary data was collected from the employees of the selected firms through the use of questionnaire. The questionnaire is considered as the heart of a survey operation (Hair, *et al.*, 1995). The questionnaire was designed based on five point likert-type scales and it consisted of both open ended and closed ended questions. The questionnaires were administered personally through a 'drop and pick' technique. Secondary data was obtained from the published information on corporate social responsibility and the performance of firms. This data was useful to cross validate the primary data and check for the consistency of the questionnaire responses.

4.1 Data Analysis

Quantitative data collected from respondents was coded and analyzed using Statistical Package for Social Sciences (SPSS Version 20). The data was first fed into a computer and analyzed using SPSS. The study used both descriptive and inferential statistics during data analysis. Numerical scores were awarded to closed ended questions. Descriptive statistics employed the use of means, frequencies and percentages and for inferential statistics Analysis of Variance (ANOVA) were applied to determine whether there are any significant differences among CSR activities towards employees and performance of Sugar Manufacturing Firms in Kenya.

Karl Pearson's zero order coefficient of correlation (Pearson Product Moment Correlation or simple correlation) was used to determine the direction and strength of the relationship between CSR towards employees and performance of sugar firms in Kenya. Simple regression analysis was used to model the relationship corporate social responsibility and the performance of sugar firms in Kenya. The relationship between corporate social responsibility and the performance of sugar manufacturing firms was expected to follow a regression model of the nature $P = \alpha + \beta \text{CSR} + e$ where,
 P = Sugar firms performance indicator,
 α = intercept term,
 β = Beta coefficient/ gradient,
 CSR = corporate social responsibility towards employees,
 OF = Organizational factors and
 e = constant term/white noise.

Karl Pearson's zero and first order partial correlation coefficient test was also used to test hypothesis as shown in the Table 3.

Table 3: Hypothesis testing framework and analytical model

Hypothesis	Hypothesis test	Regression model
H0 ₂ : There is no significant relationship between employee oriented activities (RTE) and the performance of sugar manufacturing firms (P).	Karl Pearson's zero order coefficient of correlation (Beta test)	Reject H0 ₂ if $\beta_2 \neq 0$ $P = \alpha + \beta RTE + e$

Source: Researcher 2013

4.2 Ethical Considerations

Ethical considerations protect the rights of participants by ensuring confidentiality. It is unethical for the researcher to share identifying information regarding the study with anyone not associated with this study. This ethical consideration is necessary to maintain the integrity of the study as well as the integrity of the researcher (Creswell, 2002). The respondents were assured of the confidentiality of information given and were informed that their views were to be used for the purpose of research only. All information used to fulfill the research objectives of this research was gained from publicly accessible sources or directly from the companies being researched. Furthermore, the researcher acquired relevant research permit authorizing him to carry out research in the field of study.

4.3 Data Analysis, Presentation, Interpretation and Discussion

The questionnaire return rate was 89.3% since 219 questionnaires were returned out of 245. From the results majority of the respondents were males (65.3%) while the rest were females (34.7%). It was an indication that more males participate in this study than females. This could be as a result of more male employees than female. Alternatively women's traditional reproductive roles have to be combined with other activities, like employment leaving little energy and time for the latter (UDEC, 2002), may explain why the number of women who participated in this study is lower. Despite the disparity, the number of women is representative enough to help in carrying out the study since both male and female have been represented.

The results show in the age brackets of 30-39 years we had 44%, followed by 40-49 years (37.9%), 20-29 years (9.6%) and those above 50 years constituted 8.2% of the sample. From these results, it implies that majority of the respondents (87.9%) were in the age bracket of 30-49 years. According to Selamat et al (2005) and Sin (2010) age affects the level of motivation to perform any function including provision of relevant information. Majority of respondents were in the age range of between 30 to 49 years old. This age is important in the sugar industry because it is an active age that is quite productive and both Selamat et al (2005) and Sin (2010) suggest that age is a key factor determining the business performance of Sugar manufacturing firms in Kenya.

From the results shown that 18.7% of the respondents had been working for less than 5 years, 53.9% had been working for a period of 5-10 years, and 25.1% for a period of 11-16 years and 2.3% had been working for more than 16 years. The results illustrate that 0.5% had diplomas, 70.8% had degrees and 28.8% had masters' degrees and above. This shows that the majority of the respondents could fill the questionnaires. 100% of the respondents agreed that their organization has the policy and it is documented. The study sought to know when the policy was documented and the response was tabulated in Table 4.6 as shown below.

4.4 Descriptive Statistics of Corporate Social Responsibility Activities

Descriptive Statistics of CSR activities towards employees		
	Mean	S.D
Provision of better housing	3.2831	0.79114
Modern safety arrangements	3.2192	0.67552
Motivation schemes	3.6621	0.70709
Overall mean/standard deviation	3.3881	0.7425

Source: Research data 2013

Questions on the questionnaire highlighted a number of CSR activities towards employees and how they affect business performance of sugar manufacturing firms in Kenya. The respondents were asked whether they were in agreement that CSR towards employees affects business performance of sugar firms through statements in the questions that were rated on the five(5) point Likert scale ranging from 1= strongly disagree, 2= disagree, 3=neither agree nor disagree, 4= agree, 5=strongly agree.

The items mean and standard deviation measuring level of agreement were computed from the respondent's response. The results indicate the respondent's views on the effect of CSR towards employees on the business performance of sugar manufacturing firms in Kenya. From these results in Table 4.7 above, the overall mean of CSR activities post to the respondents are all above 3, significantly showing that there is agreement of the respondents to the fact that CSR towards employees has an effect on the performance of sugar manufacturing firms in Kenya. An overall standard deviation of less than 1 for all the cases represents the general level or true measure of agreement.

4.5 Inferential Statistics of CSR Activities towards Employees

Karl Pearson correlation for the various CSR activities towards employees reveals the results below.

Correlations				
		Housing	Safety	Motivation
Housing	Pearson Correlation	1	0.319**	0.423**
	Sig. (2-tailed)		0.000	0.000
	N	219	219	219
Safety	Pearson Correlation	0.319**	1	0.708**
	Sig. (2-tailed)	.000		0.000
	N	219	219	219
Motivation	Pearson Correlation	0.423**	0.708**	1
	Sig. (2-tailed)	0.000	0.000	
	N	219	219	219

** . Correlation is significant at the 0.01 level (2-tailed).

Source: Research data, 2013

From the results in the above table, it shows that better housing had a statistically significant positive correlation ($r = 0.708$ and $p \leq 0.01$) with motivation schemes. Modern safety arrangements had a statistically significant positive correlation ($r = 0.423$ and $p \leq 0.01$) with better housing. Better housing had a statistically significant positive correlation ($r = 0.319$ and $p \leq 0.01$) with modern safety arrangements. On the overall, there is statistically significant positive correlation among the various CSR activities towards employees. This implies that when one CSR activity towards employee was affecting performance, the other activities were too affecting performance

5.0 Hypothesis testing and discussion

Simple regression analysis beta (β), this is equivalent to the Karl Pearson correlation coefficient (r) (Sekaram, 2003), was used to determine the effect of the independent variable and the moderating variable on the dependent variable. The hypothesis was tested at 0.05 % significance level, with 95% confidence, which is acceptable in non –clinical research works.

The study set out the following hypothesis:

H₀₂: CSR towards employee do not affect performance of sugar manufacturing firms in Kenya.

The researcher used the correlation r (beta, β) to test this hypothesis. The test criteria is set such the study rejects the null hypothesis H₀₁ if $\beta \neq 0$, otherwise the study will have failed to reject H₀₂ if $\beta_2 = 0$.To test the hypothesis, mean of business performance (P) was correlated with mean of CSR towards employees. The correlation results between the mean of participating in CSR towards employee and the mean of business performance (P) had a beta term $\beta = 0.638$ at $p = 0.01$. In the hypothesis criteria, we were to reject H₀₁ if $\beta \neq 0$ However, from this results, the value of beta $\beta_2 = 0.638 \neq 0$.

The study therefore rejects the null hypothesis and concludes that participating in CSR towards employees affects the performance of sugar firms in Kenya. This correlation results show that participation on employee oriented activities had a positive linear effect on the business performance .This implies that employee oriented activities account for 63.8% % of the unit CSR activity in sugar firms.

Regression analysis was done to determine the strength of this relationship and the results were presented in the Table below.

Correlation results of employee oriented activities on performance

Model Summary							
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate			
1	.638 ^a	.407	.404	2.30286			
a. Predictors: (Constant), CSR towards employees							
ANOVA ^a							
Model		Sum of Squares	df	Mean Square	F	Sig.	
	Regression	788.691	1	788.691	148.720	.000 ^b	
1	Residual	1150.789	217	5.303			
	Total	1939.479	218				
a. Dependent Variable: performance							
b. Predictors: (Constant), CSR towards employees							
Coefficients ^a							
Model		Unstandardized Coefficients		Standardized Coefficients		t	Sig.
		B	Std. Error	Beta			
1	(Constant)	5.883	.862			6.827.000	
	CSR	.769	.063	.638			
Dependent Variable: Mean of business performance							
Level of significance=0.05							

Source: Research data. 2013

The results in the above table show that 40.7% of the business performance of sugar firms can be explained by participating in employee oriented activities ($r^2 = 0.407$) and the relationship followed a simple regression model of

the nature $P = \alpha + \beta \text{CSR} + e$ where P is the business performance, α is the constant intercept of which in our case is 5.883 and beta $\beta = 0.638$.

6.0 Summary, conclusions and Recommendations

The central thesis of this study was to investigate the effect of CSR towards employee on the business performance of sugar manufacturing in Kenya. The results indicated that 40.7% of the business performance of sugar firms can be explained by participating in employee oriented activities ($r^2 = 0.407$). The findings were in line with studies that affirm Social responsibility of a company is a reputation factor and is an attractive force for potential and current employees (Turban and Greening, 1997). Ethical reputation contributes to job satisfaction and lower employee turnover by evoking positive reactions from employees' families and friends (Riordan *et al.*, 1997). Because satisfied employees have higher morale and job motivation, they will work more effectively and efficiently (Berman *et al.*, 1999) and contribute to higher levels. On the other hand, irresponsible behavior by firms agitates stakeholders (society, employees, customers, and environment). They often react by boycotting the company (Hayes and Pereira, 1990), reducing consumption of the company's products (Sen and Bhattacharya, 2001), initiating legal action against the company (Greeno and Robinson, 1992), and/or spreading bad words-of-mouth about irresponsible business practices (Clair *et al.*, 1995).

The basic premise of this study can be attributed to two theories. The first theory is stakeholder's theory. Johnson (1971) while defining CSR, he looks at a socially responsible firm as being one that balances a multiplicity of interests, such that while striving for larger profits for its stockholders, it also takes into account, employees, suppliers, dealers, local communities and the nation. The second theory supported by the research is the Social contracts theory developed by Gray *et al.* (1996) describes society as "a series of social contracts between members of society and society itself". In the context of CSR, an alternative possibility is not that business might act in a responsible manner because it is in its commercial interest, but because it is part of how society implicitly expects business to operate. Donaldson and Dunfee (1999) developed integrated social contracts theory as a way for managers to take decisions in an ethical context. They differentiate between macro social contracts and micro social contracts. Thus a macro social contract in the context of communities, for example, would be an expectation that business provides some support to its local community and the specific form of involvement would be the micro social contract. Hence companies who adopt a view of social contracts would describe their involvement as part of "societal expectation".

The following recommendations were made based on the findings and conclusions of the study:

Sugar manufacturing firms should recognize the efforts of all the employees since it affects the performance of the entire organization. The firms should initiate schemes that are aimed at motivating the employees, provide medical insurance packages for the employees and their families and have safety arrangement for all the employees while on duty.

The following suggestions were made for further research based on the findings of this study. The findings do not conclusively establish that CSR initiatives towards employees have a negative or positive effect on business performance for all the years even in future. They are, however, evidenced against the take that CSR initiatives have negative relationship with the business performance of firms. Therefore further research is required that will keep the debate ongoing.

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