RELATIONSHIP BETWEEN STRATEGIC CORPORATE SOCIAL RESPONSIBILITY PRACTICES AND THE PERFORMANCE OF COMPANIES LISTED IN NAIROBI SECURITIES EXCHANGE IN KENYA

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Relationship between Strategic Corporate Social Responsibility Practices and the Performance of Companies listed in Nairobi Securities Exchange in Kenya

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DECLARATION

This thesis is my original work and has not been presented for a degree in any other University

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DEDICATION

I dedicate this work to my family for their encouragement and support throughout my studies.

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ABBREVIATIONS AND ACRONYMS

CBD	Central Business District
CDSC	Central Depository and Settlement Corporation
CMA	Capital Markets Authority
CSR	Corporate Social Responsibility
FP	Financial Performance
HIV	Human Immunodeficiency Virus
HMOs	Health Maintenance Organizations
KEBS	Kenya Bureau of Standards
NFP	Non-financial Performance
NGOs	Non-Governmental Organizations
NSE	Nairobi Securities Exchange
RDT	Resource dependence theory
ROA	Return on Assets
ROI	Return on Investment
SARB	South Asian Alliance for Responsible Business
SCB	Standard Chartered Bank
SPSS	Statistical Package for Social Sciences
USA	United States of America
WBCSD	World Business Council for Sustainable Development

DEFINITION OF TERMS

Corporate social responsibility: Operating a business in a manner that meets or exceeds the ethical, legal, commercial and public expectations that society has of business. It is the interaction between corporations and community (Piotr, 2010).

Strategic corporate social responsibility: Is a sub category of corporate social responsibility which incorporates ethical CSR and altruistic CSR by performing activities that are advantageous to the community as well as providing profit through goodwill to an organisation. (Lantos &Geoffrey, 2010)

Organization Performance: It is actual output or results of an organization as measured against its intended outputs, set goals and objectives (Luthans, Hodgetts & Rosenkrantz, 2010).

Strategic Employee relations: Is an integral element of organizational strategic blue print. It is the employee-employer relationship which governs the rules of employment (Oguwa, 2011).

Strategic Community relations: These are interactions with the community in which your organization operates. Community relations emphasize fostering trust through interactions (Aguilar, 2012).

Strategic Environment relations: Is the acquisition and use of information about events, trends, and relationships in an organization's external environment, the knowledge of which would assist management in planning the organization's future course of action (Aguilar, 2012).

Strategic Customer relations:	This are practices, strategies and technologies that companies use to manage, record and evaluate customer interactions in order to drive sales growth by deepening and enriching relationships with their customer bases (Rouse, 2014).
Organization size:	This is the number of employees at any given geographical location or a decentralized corporation (Gupta, 2014).

ABSTRACT

The general objective of this study was to assess the relationship between strategic corporate social responsibility practices and performance of organizations listed at the NSE in Kenya. Specifically the study sought to establish the influence of strategic employee relations, community relations, customer relations and environmental relations practices on performance of NSE listed companies. The study also sought to determine the moderating effect of organization size on the relationship between corporate social responsibility practices and performance of the organizations. The study utilized a descriptive survey research design that incorporated quantitative and qualitative approaches. The target population for this study consisted all the 62 companies listed at the Nairobi Securities Exchange as at December 2014 from which primary data was collected using questionnaires administered to human resource and finance managers alongside secondary data on performance collected using a data collection sheet. A sample size of 50% was picked which translated to 31 companies. These companies were then stratified into 10 strata, followed by random sampling of 62 respondents from 31 companies. The collected data was coded and analyzed using both quantitative and qualitatively methods with the help of descriptive and inferential statistics. From the study findings, there are identified average positive relationships between employee relations practices and organization performance, environmental relations practices and organization performance, community relations practices and organizational performance and customer relations practices and organizational performance. The study also identifies high organizational performance when corporate social responsibility practices are moderate by organization size. The findings therefore concludes that employee relations practices, customer relations practices, community relations practices, employees' relations and environmental relations practices influence organizational performance positively. The study therefore recommends policy makers should streamline environmental CSR initiatives to ensure their sustainability and enhanced future firm performance. Also, the study recommends that organizational managers should initiate and reinforce various employee relations and environmental relations practices to enhance their performance and value. They should also ensure that the community relations practices and customer relations practices are aligned to firm objectives so that organisations can be more successful by developing relationships with customers, employees, communities and government which will differentiate their products or service. Also, philanthropy and competitive advantage become mutually reinforcing and thus improves the organisation's performance.

CHAPTER ONE

INTRODUCTION

1.1 Background

Globalization has made corporations to be more concerned with social responsibility (Halme, Roome, & Dobers, 2009). Companies are forced to formulate strategies that can be able to mitigate implications of corporate changes efficiently (Coutinho & Macedo-Soares, 2002). Sasaka, Namusonge and Sakwa (2014) noted that corporate social responsibility (CSR) performance can improve governance of organizations and this has made corporate social responsibility to draw a significant attention of CEOs and managers in the parastatals in Kenya. Filho, Wanderley, Gomez and Farache (2010), strategic management is a decision-making standard in a corporation that ends up determining objectives, policies and plans in order to achieve goals. The strategies define what businesses the companies run, the economic and non-economic nature of their actions and contributions, and the relationship between shareholders, employees, clients and the community.

Klein and Dawar (2004) further observe that CSR performance has a lot of value to the corporation in the form of acting as an insurance policy against financial scandals and the drop of investor's confidence. Strategic management practices and CSR performance in parastatals move together, however, most parastatals place little emphasis on embracing appropriate strategy for improved CSR performance (Sasaka, Namusonge & Sakwa, 2014). Social responsibility has become indispensable (Filho, Wanderley, Gomez & Farache (2010). The strategic decisions of large companies involve social as well as economic consequences, which are intimately connected. Porter and Kramer (2006) discussed the existence of the interdependence between corporations and society, since a company's activities have a direct impact on the communities with which they work. This can lead to either positive or negative consequences. Strategists and executives should take into account societal expectations and decisions, as there can be some attractive alternatives when goodwill or services to society are considered. Decisions from the strategy formulation process should take into account the positive and negative impacts that may arise, not only for the business itself, but also for stakeholders and society in general.

Operationalization of CSR has often been a source of debate. Researchers have used various proxy measures to assess CSR (Aupperle et al., 2005; Cochran & Wood, 2004; Fomburn & Shanley, 2009; McGuire et al., 2008). After introduction of the stakeholder concept (Freeman, 1984), reconfiguration of CSR from stakeholders' perspective has given a new direction to the evaluation of CSR (Clarkson, 2005). Single-dimensional measures of CSR have been replaced by multi-dimensional measures of CSR that include various stakeholder issues. However, studies using the stakeholders' perspective often aggregate the dimensions of CSR towards various stakeholders to one composite index while examining its relation with firm performance (Cochran & Wood, 2004; Waddock & Graves, 2007).

Such aggregation has facilitated inter-firm comparison on the level of CSR displayed by firms. None the less, such aggregation has the risk of 'masking individual dimensions' of CSR related to specific stakeholder groups (Galbreath, 2006). With aggregation, a firm's high level of CSR may be driven by favorable CSR policies and practices towards a few stakeholders leaving the issue of other stakeholders fully or partially unattended. Analyzing the influence of such skewed measures of CSR on firm performance may not reflect a true relation between the two constructs. This necessitates examining the influence of individual dimensions of CSR on firm performance. Only few studies have examined the relation between individual CSR dimensions and firm performance (Berman et al., 2009; Graafland & van deVen, 2006).This study seeks to establish the relationship between individual dimensions of corporate social responsibility and organization performance.

Studies indicate that many firms that engage in CSR have a strategic intent, such as to reinforce their corporate strategy, as a tool for competitive advantage, support of the educational system (to increase the size and quality of a future recruitment pool) and environmental improvement programs to achieve cost savings and value chain efficiencies (Carroll & Shabana, 2010).

A company‘s success depends on its long-term benefits, growth and survival. The factors important for the long-term success of a company may be identified by testing the long-term relationships between CSR practice and the organization's performance, CSR and stock market performance, and CSR and non-financial performances. Freeman (1983) pointed out that CSR is directly affected by company stakeholders such as employees, customers, and communities, as well as by the organization itself. In addition, Margolis and Walsh (2013) noted that there is a positive association, and certainly very little evidence of a negative association between a company's social performance and its financial performance.

A number of companies in Kenya have embraced CSR and have engaged in a myriad of responsive activities. Standard Chartered Bank Kenya Limited (SCB) for instance, has an elaborate Corporate Social Responsibility policy that guides its operations. The Policy is monitored and executed by the corporate affairs department with some responsibilities delegated to CSR committees at departmental levels. The acceptability of CSR programme for funding at SCB Kenya Limited is arrived at by hypothesizing the social, employee and business development contributions but does not go further to measure the actual value gained from investing in the CSR programmes. Conversely, the strategy of SCB Kenya Limited is clearly defined and consistently aligned to the prevailing market conditions (SCB, 2010).

1.1.1 Global Strategic Corporate Social Responsibility Practices

The World Business Council for Sustainable Development defines corporate social responsibility as a business commitment to contribute to sustainable economic development, working with employees, their families, the local community, and the society at large to improve their quality of life. From this perspective, the Corporate Social Responsibility (CSR) rests on the fundamental pillars of both the economic growth and the quality of life as an engine for sustainable development. The Canadian Centre for Philanthropy defines CSR as a set of management practices that ensure the company minimizes the negative impacts of its operations on society while maximizing its positive impacts. This definition therefore provides the link between the decisions tied to the social responsibility and the business derived from the respect of the lawyer instruments, the population, the communities, and the environment. The Corporate Social Responsibility Newswire Service the CSR is “the integration of business operations and values whereby the interests of all stakeholders including: customers, employees, investors and the environment are reflected in the company’s policies and actions (Laura & Sergio, 2009).

CSR as defined by European Commission (2001) is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis following increasingly aware that responsible behavior leads to sustainable business success. CSR is about managing change at company level in a socially responsible manner which can be viewed in two different dimensions: The internal dimension where socially responsible practices that mainly deal with employees and related to issues such as investing in human capital, health and safety and management change, and environmentally responsible practices which are mainly related to the management of natural resources and their usage in production. On the other hand, the external dimension is whereby the CSR is beyond the company into the local community and involves a wide range of stakeholders such as business partners, suppliers, customers, public authorities and NGOs representing local communities as well as environment.

It is increasingly recognized that expanding international markets and growing globalization consciousness since the 1980s have raised consumers' and wider society's awareness of social and environmental needs thus resulting in a powerful trend towards socially responsible consumerism and investments. Additionally, pressures from environmental issues appear to shape a new socio-economic and political framework that drives enterprises to re-negotiate their position and responsibility in society (World Bank, 2009).

Although fascinating, the recent debate by CSR proponents, who propose a Triple Bottom Line approach to business asserts that businesses have a responsibility to both give back to the community and observe business ethics beyond making profits (Donaldson & Fafaliou, 2012).On the other hand, critics argue that the sole purpose of businesses is to make profits. The strengths and weaknesses of corporate social responsibility has suffered from a number of problematic aspects mainly due to definitional and measurement problems. In fact, CSR is not a well-established term and is not commonly understood by various corporations across all countries or sectors of economic activity. To anticipate such deficit, international bodies, organizations and associations have often used CSR as a summary concept whereby corporations integrate social and environmental concerns in their operations and interaction with stakeholders on a voluntary basis (CSR Europe, 2012).

The impact of these corporations on society has increased significantly in the 20th and 21st Centuries.This is exemplified in the emergence of the likes of Standard Oil, Ford Motors and others especially in the United States of America (USA). Today, it may be said that businesses sometimes have more funds than national governments as a recent example of Apple Incorporated showed (Brandon, 2011).The evolution of privately owned and public trading companies has had great effects on social-economic and environmental issues around the world.

1.1.2 Emerging Economies Strategic Corporate Social Responsibility Practices

In Asia, the concept of CSR is taking a firm hold. In India for example, there are a number of alliances and networks promoting the essence of CSR amongst businesses and the general public alike. Partners in Change of the South Asian Alliance for Responsible Business has been building networks and alliances in the South Asia region; Partners in Change is a founder member of South Asian Alliance for Responsible Business (SARB), in partnership with CII, SARB seeks to further the cause of CSR in South Asia. The group comprises participants from Nepal, Pakistan, India, Bangladesh and Sri Lank and is in the process of developing a CSR Self-Appraisal Toolkit for use by the corporate sector. The larger stakeholder and intermediary consultation which this exercise would entail is being affected through an e-group route (Shide, 2009).

India has a long rich history of close business involvement in social causes for national development; here CSR is known from ancient time as social duty or charity which through different ages is changing its nature in broader aspect, now generally known as CSR. From the origin of business, which leads towards excess wealth, social and environmental issues have deep roots in the history of business. This country has had a long tradition of corporate philanthropy and industrial welfare has been put to practice since late 1800s. Historically, the philanthropy of business people in India has resembled western philanthropy in being rooted in religious belief. Business practices in the 1900s that could be termed socially responsible took different forms: philanthropic donations to charity, service to the community, enhancing employee welfare and promoting religious conduct. Corporations may give funds to charity or educational institutions and may argue for them as great humanitarian deeds, when in fact they are simply trying to buy community good will. The ideology of CSR in the 1950s was primarily based on an assumption of the obligation of business to society (Aora, 2014). Tang and Li (2009) argue that "Chinese companies' conceptualizations, practices, and communications of CSR are determined by the complicated interactions among companies, governments, NGOs, other stakeholders in the Chinese society, and the institutional pressure from both the domestic and the global communities. Specifically in China, CSR features in four aspects: community outreach, environmental health and safety, environmental protection and education.

1.1.3 Africa's Strategic Corporate Social Responsibility Practices

In Africa, CSR practice has achieved a remarkable progress mainly in Nigeria and South Africa. Other countries in this region are however recording increasing trends in CSR practices; for example Côte D'Ivoire among others. However, CSR has not yet been properly institutionalized (Visser, 2008). In Nigeria it is majorly driven by the oil sector which is dominated by Multi-National Companies. In order to make up for government's governance failures and in order to protect their business interests in the region, these firms often engage in CSR practices. Shell for instance, has over time described their CSR activities in various terms to match with their intended strategies at each time such as sustainable development and community investment. The CSR activities in this sector are mainly focused on remedying the effects of their extraction activities on the local communities. So, the firms operating in this sector have often provided pipe-borne water, hospitals and schools (Christian Aid, 2010).

In South Africa, CSR is playing an increasingly significant role in companies' practices, particularly in the mining sector. CSR plays a special role because of the inherent finiteness of the resource body and the environmental and social impacts related to mine closure. CSR in South Africa has been shaped by international bodies. The International Council on Mining and Metals which commits its members to seeking continual improvement in performance and contribution to sustainable development so as to enhance shareholder value. The presence of many multinationals in South Africa has also contributed highly in the high trends in CSR practice (Margolis & Walsh, 2013).

In Kenya, the cultural context is an important factor in defining CSR. The communal culture is captured in the indigenous concept of “Harambee” which embodies and reflects the strong ancient value of mutual assistance, joint effort, social responsibility and community self-reliance. This concept means that collective good outweighs individual gain. According to (Gathii, 2008), the Kenya Bureau of Standards (KEBS) has been involved in drafting guidelines on CSR. These guidelines, in addition to those voluntarily adopted by companies and the current ISO standards, form a backdrop against which to measure CSR in Kenya.

Corporate Social Responsibility is often seen as an ‘add-on’, peripheral to the core business in Kenya. CSR departments are rare and many operate from within marketing, communications, corporate affairs, training or human resources departments. Furthermore, according to (Njoga, 2007) where CSR policies are established, more often than not, they refer to philanthropic approaches. CSR policy adherence is not typically evaluated in Kenya and corporate leadership involvement tends to be focused on launching community projects, supporting CSR policies and ensuring resources for these projects, rather than embedding CSR in business processes (Muriuki, 2008).

1.1.4 Corporate Social Responsibility

Organizations should evaluate CSR projects in light of their ability in producing not only social benefits to the community but also economic benefits and thereby, ensuring value for stakeholders. By having social responsibilities, suppliers, business associates, and customers would have more confidence in the organization and therefore, increase sales and hence profit maximization. Larger organization may have extra resources for undergoing CSR activities and having bigger impact onto the society. Industries which have inverse impact on the environment and the society will be more interested in CSR in order to sustain their business operations (Haniffa & Cooke, 2005; Jenkins & Yakovleva, 2006).

The approach of business organizations to CSR has transcended from merely displaying social concerns to being sensitive and alert to the constituents in the internal and external business environment. These constituents, known as stakeholders, are potent forces to accelerate or decelerate a firm’s performance. With globalization of national boundaries and information technology revolution, companies are under tight scrutiny from multiple stakeholders including regulators, investors, customers, pressure groups, and the public at large. Corporate scandals are making big news leading to crumbling of well settled business empires. Recent sub-prime crisis in the US and the subsequent crashing of stock indices of companies across the globe is a case in point. When stakeholders lose confidence in a firm's performance, the firm loses its critical support structure and customer base (Lee, 2008). Customers stop buying products or go for legal suits, shareholders sell their stocks, employees do not perform, and environmental advocates sue (Wood, 1991), all of which directly affect firm performance. This warrants pursuing meaningful and long-term relations with stakeholders.

A firm's survival and success depends on the ability of its managers to create sufficient wealth and satisfaction for its primary stakeholders (Clarkson, 1995). Primary stakeholders of a firm include employees, shareholders, customers, suppliers, communities, and natural environment. If any of the primary stakeholder groups withdraws its support to the firm, the firm's operation is adversely affected (Clarkson, 1995). Firms that establish relationship with primary stakeholders beyond market transactions gain competitive advantage (Barney & Hansen, 1994; Fomburn & Shanley, 1990). Effective management of key stakeholders acts as a value driver by leveraging performance and reducing stakeholder-inflicted costs. Lower employee turnover reduces hiring and training costs, loyal suppliers reduce quality certification costs, supportive communities reduce legal and public relations overhead, and stable shareholders reduce stock market volatility (McVea & Freeman, 2005). In order to achieve sustainability in business, firms must identify key stakeholders affecting them, identify their needs, and design organizational policies and practices to cater to them.

1.1.5 Nairobi Securities Exchange Listed Companies

The Nairobi securities exchange (NSE, 2011) was established in 1954 as a voluntary association of stock brokers with the objective of facilitating mobilization of resources to provide long term capital for financing investments. Through stringent listing requirements, the market promotes higher standards of accounting, resource management and transparency in the management of business. The NSE is regulated by Capital Markets Authority (CMA, 2011) which provides surveillance for regulatory compliance. The exchange has continuously lobbied the government to create conducive policy framework to facilitate growth of the economy and the private sector to enhance growth of the stock market (Ngugi, 2005). The NSE is also supported by the Central Depository and Settlement Corporation (CDSC) which provides clearing, delivery and settlement services for securities traded at the Exchange. It oversees the conduct of Central Depository Agents comprised of stockbrokers and investments banks which are members of NSE and Custodians (CDSC, 2004). These regulatory frameworks are aimed at sustaining a robust stock market exchange that supports a cogent and efficient allocation of capital, allowing price discovery to take place freely based on the market forces.

The NSE has grown to be the largest market in East and Central Africa, with its market capitalization soaring to approximately KES.1.176 trillion as at 19th October 2012 from KES.112.05 Billion in December 2002, likewise within the same period the NSE Stock index has increased by over 260% to 4034.07 points (NSE website www.nse.co.ke). There are 62 the listed companies in the Nairobi Securities Exchange (NSE, 2013).

1.2 Statement of the Problem

Business organizations have a great capacity to influence society and to create positive or negative impact. Besides business organizations have a duty to their stockholders to be profitable and remain competitive. The challenge is how businesses can increase their competitiveness while at the same time create sustainable development as an impact on society. CSR is one of the ways that has emerged as a means of meeting these targets. However, scholars such as Kailis (2004) argue that CSR risks becoming yet another fashionable notion that fails to deliver long-term benefits but distracts businesses from pursuing their proper and vital economic role. This would make it seem that CSR is destined to fail. Despite these contradictions, there still is a bigger role for CSR to play especially in the developing world. In Kenya, certain companies are showing the way to a better model for CSR. They include: Safaricom with the financially inclusive product called MPESA, Equity bank with the financial product innovations that included segments of society that were previously ignored like wings to fly models that caters for bright students who cannot afford their school fees (Society initially ignored these groups). This study was to establish the relationship between strategic corporate social responsibilities and organizational performance of companies listed at the NSE.

Past researchers have explored a linear relationship between CSR and corporate financial performance. Wang, Yu, Le, Chau and Zhang (2012) advance existence of a curvilinear relationship between CSR and corporate financial performance. Saeidi, Sofian, Saeidi, Saeidi and Saaeidi (2015) explain that results from the direct test on the relationship between CSR and firm performance are spurious and imprecise because many factors influence the relationship. The findings from the study on a sample of 205 Iranian manufacturing and consumer products infer that the positive effect of CSR on firm performance is due to the positive effect that CSR has on competitive advantage, reputation and customer satisfaction. From the foregoing therefore, research is inconclusive on the nature of the relationships between CSR and CFP.

A review of the empirical studies shows that the researchers have mostly used financial performance measures to assess the sample firm's performance. However, due to the historical nature and rigidity of most of the financial measures, assessment of non-financial performance along with financial performance is needed to evaluate wholesome firm performance (Govindarajan & Gupta, 2005). Because CSR leads to many intangible benefits for a company such as corporate reputation and image (Schwaiger, 2004), increased employee motivation (Epstein & Roy, 2011), improved brand image (Heal, 2005) and the like, non-financial performance that assesses intangible benefits/assets is likely to be influenced by CSR. While the influence of CSR on financial performance is a widely researched area (Zahra & La Tour, 2007), its influence on non-financial performance is a sparsely investigated topic. Flammer (2015) advance that CSR proposals leads to superior accounting performance and the channels through which companies benefit from CSR are labor productivity and sales growth.

The relationship between corporate social responsibility and a firm's financial performance has been studied in Kenya but the results of these studies do not fill the entire gap. Nkaiwatei (2011) for example, studied the relationship between social accounting practice and profitability in the oil industry in Kenya and found out that financial performance was one of the factors that determine CSR practice in the Oil industry. Wanjala (2011) studied factors that influence corporate social responsibility in commercial banks in Kenya and found out that profitability was one of the factors that influence CSR practice in banks. Mutuku (2005) established that there is no relationship between CSR and financial performance. Ndinda, Namusonge and Kihoro (2015) conducted regression analysis on a sample of 37 companies listed at the NSE to illustrate that company performance have a positive and significant association with the extent of corporate social responsibility reporting which confirms the proposition that company performance is a significant determinant of corporate social responsibility reporting among the companies. These findings and early study findings lead one to explore the existence of dual causality between CSR and CFP. From the foregoing therefore, it is evident that many studies have been done on CSR in general. However, no study focuses on the direct or indirect relationship between corporate social responsibility practices and performance of all the firms listed at the NSE listed firms in Kenya. Gaps also exist on the operationalization of CSR practices and firm performance. Hence, this study seeks to look at this relationship entirely.

1.3 Research Objectives

1.3.1 General Objective

The general objective of the study was to establish the relationship between strategic corporate social responsibility practices and organizational performance of companies listed at the NSE in Kenya.

1.3.2 Specific Objectives

The study was guided by the following specific objectives.

1. To examine the influence of strategic employee relations practice on organization performance of NSE listed companies in Kenya.
2. To determine the influence of strategic community relations practice on organization performance of NSE listed companies in Kenya.
3. To assess the influence of strategic environmental relations practice on organization performance of NSE listed companies in Kenya.

4. To evaluate the influence of strategic customer relations practice on organization performance of NSE listed companies in Kenya.
5. To determine the influence of organization size on the relationship between strategic corporate social responsibility practices and performance of NSE listed companies in Kenya.

1.4 Research Questions

The study sought to answer the following questions.

1. What is the influence of employee relations practice on the performance of NSE listed companies in Kenya?
2. What is the influence of community relations practice on the performance of NSE listed companies in Kenya?
3. What is the influence of environmental relations practice on the performance of NSE listed companies in Kenya?
4. What is the influence of customer relations practice on the performance of NSE listed companies in Kenya?
5. What is the influence of organization size on the relationship between strategic corporate social responsibility practices and the performance of NSE listed companies in Kenya?

1.5 Research Hypotheses

The study was guided by the following research hypotheses;

H_1: Employee relations practices influence positively the performance of NSE listed companies in Kenya.

H_2: Community relations practices influence positively the performance of NSE listed companies in Kenya.

H_3: Environment relations practices influence positively the performance of NSE listed companies in Kenya.

H_4: Customer relations practices influence positively the performance of NSE listed companies in Kenya.

$H_{5:}$ Organization size has a significant moderating influence on the relationship between strategic corporate social responsibility practices and the performance of NSE listed companies in Kenya.

1.6 Significance of the Study

The study would of great significant to the management of the Nairobi Securities Exchange, investors and community, policy makers and research institutions in the following ways:

1.6.1 Nairobi Securities Exchange listed companies

The concept of corporate social responsibility is an endeavor to make businessmen achieve commercial successes in ways that honor ethical values and respect people, communities and the environment of which the NSE companies are not exempted. The management and the cross-functional CSR/strategy teams of the NSE companies would benefit from this study since it has focused on the effect of strategic CSR practices on organization performance. Further, the study would assist the management by providing important information that are of great relevance to the management in making decisions that support in organizing and directing employees towards efficient strategic CSR initiatives. The study results generate discussions among board members and results into the institution of relevant policy framework and organizational competencies for better strategic CSR practices.

1.6.2 Investors and community

This study is of great significance to investors who intend to invest in the NSE listed companies since the findings would help them to identify the influence of CSR on their organization's performances. In addition, investors would apply the study findings to construct corporate governance index and use the index to forecast future performances of companies listed in Nairobi Stock Exchange. This information could be used by investors to construct their portfolios. The index thus guides in making rational decisions on whether to invest or not. The community would benefit from social corporate responsibilities such as provision of social amenities

1.6.3 Policy makers

This study contributes to the increasing relevance of CSR in policy creation by informing the policy makers and companies as to what effects CSR has on organization performance of company. The findings can be used by the NSE and Capital Market Authority to encourage compliance to the existing guidelines by establishing if there is a relationship between corporate governance and organization performance. This informed position ensures that businesses and countries have a level field for trade that supports the proposition that their communities and companies benefit, all the same.

1.6.4 Research institutions

The study also adds to the literature about CSR and helps to provide information on the influence of CSR activities on organizational performance so that a decision on the definition of CSR can be better informed. Finally, the study findings provide a basis for further studies into the area of corporate governance to academicians and scholars.

1.7 Scope of the Study

This study sought to establish the influence of corporate social responsibility on organization performance of NSE listed companies. Specifically, the study sought to establish whether employee relations, community relations, environmental relations and customer relations influence the organization performance of NSE listed companies. The study population was all the 62 NSE listed companies as at the year 2016. The reason for choice of the NSE is because it is the only stock exchange in Kenya and it lists companies that are representative of the segments of the entire economy. The NSE share index prides to be a barometer of the Kenyan economy. In addition, the fact that the listed companies are public companies means that they ought to participate in CSR so as to have a positive impact on the entire society. Choice of these companies is also informed by the availability and veracity of the secondary data on the firm performance.

1.8 Limitations of the Study

The study focused on firms listed at the Nairobi securities exchange which qualifies to be classified as large firms based on their asset base and employee numbers. In the Kenyan economy, there are various other small and medium enterprises that form a majority of the social enterprise arena. Incorporation of such firms could possibly have additional improvements to the study findings. The data on corporate social responsibility practices were collected using a Likert scale. There is a chance that some of the respondents may have either over/under rated their scoring on some of the questions leading to a score that is different from the actual position. This was however encountered by the fact that a number of questions were asked to address the same measure. The study presumed existence of a linear relationship between corporate social responsibility practices and firm performance. There was the possibility of existence of non-linear relationships amongst the study variables. This problem was encountered first by testing assumptions of regression model. The study analysis did not incorporate the chance of curvilinear, circular or parabolic relationships. The study was based on cross sectional primary data on corporate social responsibility practices and secondary data on firm financial performance. Incorporation and relation of secondary data on specific CSR expenses with firm financial performance could improve the study results. Firm performance also focused on financial performance indicators could improve the study findings.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter summarizes information from other researchers who had carried out their research in the same sphere of strategic corporate social responsibility and organization performance. The study specifically covers the theoretical discussions, conceptual framework and model and research gap.

2.2 Theoretical Framework

This study is built on the underpinning theories; the corporate governance theory, and corporate social responsibility theories which include stakeholder theory, social contract theory, legitimacy theory, resource dependency theory, and strategic choice theory.

2.2.1 Corporate Governance Theories

Corporate governance is explained by a group of theories which include agency theory, stakeholder theory, stewardship theory and resource dependence theory. According to Kiel and Nicholas (2003), the common aim of many of the theories has been to posit a link between corporate governance and organizational performance. A review of various theories demonstrate how the two theories come out as really contrasting with reference to how corporate governance should be constituted in order to positively impact on performance of an organization. Two such theories which form the basis for the study are the Agency Theory and Stewardship Theory. Agency Theory is founded on the idea that, in a modern corporation there is a separation of ownership and management, resulting in agency costs associated with resolving the conflict between the owners and the agents (Jensen and Meckling, 1976). This implies that management cannot be trusted, thereby calling for strict monitoring by the Board in order to protect shareholders' interest. The main concern of Agency Theory therefore, is effective monitoring which is achieved when Board have majority of outside and ideally independent directors. The position of Chairman and CEO should be held by different persons.

In contrast, Stewardship Theory takes a diametrically different view. It looks at directors and managers as stewards of the Firm. As stewards, they are essentially presumed to be trustworthy individuals and therefore good stewards of the resources entrusted to them, which makes monitoring redundant (Donaldson & Davis, 1991). With regard to the Board, proponents of Stewardship Theory contend that superior corporate performance will be linked to a majority of inside directors and that the position of Chairman and CEO should be held by same person since this provides clear leadership (Donaldson & Davis, 1991). From the foregoing discussion, it can be demonstrated that there are two competing views about CEO duality and Board composition as seen from the perspective of Stewardship and Agency Theories. With this kind of scenario where there are two competing theories, it is probably fair to have an understanding of which theory is superior. The superiority will be measured in terms of corporate performance which accrues upon adoption of the recommendations of each of the theory.

The Resource Dependency Theory is the result of studies on Board composition by sociologists who have focused on the study of interlocking directorates and their implication on institutional and societal power (Pettigrew, 1992). It has its origins in the open system theory as such organizations have varying degree of dependence on the external environment, particularly for the resources they require to operate. Uncertainty and dependence propel an organization to proactively manage the environment (Pfeffer & Salancki, 1978) and the effect this has on financial and customer outcomes when a contextual factor, high Firm power is taken into consideration. Corporate Board are viewed as means to manage external dependency (Pfeffer & Salancik,1978), reduce environmental uncertainty and transaction costs associated with the environmental interdependency (Pfeffer, 1972).

The implication of this theory is that corporate Boards will reflect the environment of the Firm (Hillman, et al, 2000) and that corporate directors will be chosen to maximize the provision of important resources to the Firm. Each director may bring different linkages and resources to a Board. Board composition will thus theorize to reflect a matching of the dependencies facing an organization to the resources acquisition potential of its Board members (Hillman, et al, 2000). From the foregoing discussion, it can be seen clearly that unlike the Agency Theory, Resource Dependency Theory ignores alternative activities of the Board such as providing advice and strategizing (Kesner & Johnson, 1990).

In defining Stakeholder Theory, Clarkson (1994) states; "The Firm is a system of stakeholders operating within the larger systems of the host society that provides the necessary legal and market infrastructure for the Firm's activities. The purpose of the Firm is to create wealth or value for its stakeholders by converting their stakes into goods and services". This view is supported by Blair (1995). This theory states that managers should make decisions that take account of the interest of all the stakeholders in the Firm. Stakeholders Theory has its roots in sociology, organizational behaviour and the policies of special interest. The Theory takes account of a wider group of constituents rather than focusing on shareholders.

2.2.2 Corporate Social Responsibility Theories

The basic idea of CSR is that business and society are interwoven rather than separate entities (Wood, 1991). As discussed, a number of theories have been identified in the literature to explain CSR. For example, stakeholder theory explains how CSR is important, and the social contract and legitimacy theories explain why CSR is important (Moir, 2001). CSR includes a number of theories and many studies have discussed agency, stakeholder and social contract that are behind the concept of CSR; these theories and CSR approaches under the themes of economics, politics, social integration and ethics (Parsons & Sociales, 1961; Garriga & Melé, 2004; Jamali & Mirshak, 2007).

2.2.3 Stakeholder Theory

Stakeholder theory is a theory of organizational management and business ethics that deals with principles and values in managing an organization (Freeman & Phillips 2002; 2003). According to this theory, stakeholders are recognized as the group of people interested in the company's activities (Freeman 1984; Friedman 2007).

The originator of the stakeholder concept, Freeman, defined stakeholders as any group or individual who can affect or is affected by the achievement of the organization’s objectives‘(1984). Recently, Freeman et al. (2004) redefined the term as those groups who are vital to the survival and success of the corporation‘. The WBCSD (1999) identified stakeholders as representatives from labour organizations, academia, churches, indigenous people, human rights groups, government and NGOs, shareholders, employees, customers/consumers, suppliers, communities and legislators. Further, Friedman (2006) identified stakeholders as customers, employees, local communities, suppliers and distributors as well as shareholders. Other groups and individuals are also considered stakeholders, including: the media, the public, business partners, future generations, past generations (founders of organizations), academics, competitors, NGOs or activists, stakeholder representatives such as trade unions or trade associations of suppliers or distributors, financiers other than stockholders (debt holders, bondholders and creditors), competitors and government, regulators and policymakers.

According to stakeholder theory, the company‘s major objective is to balance the expectations of all stakeholders through their operating activities (Ansoff, 1965). The way businesses involve shareholders, employees, customers, suppliers, governments, NGOs, international organizations and other stakeholders is usually a key feature of the CSR concept (Fontaine et al. 2006). Clarkson (1995) stated that the fundamental aspect of stakeholder theory is determined by the stakeholders of an organization and reveal the organization’s responsibility for them. In addition, they are important to the organization because their investment is subject to risk due to the activities of the organization.

According to the modern view of CSR and stakeholder theory, companies have social responsibilities that require them to consider the interests of all parties affected by their actions. Not only should shareholders be considered in decision-making processes, but also any individuals affected by business decisions. Business should make decisions ethically; if not, organizations will pay large penalties (Weiss, 2008). In addition to these costs, there are many other disadvantages reported (Weiss, 2008), such as deterioration of relationships, damage to reputation, declining employee productivity, creativity, loyalty, ineffective information flow throughout the organization and absenteeism.

Moreover, Weiss (2008) has advised that moral rights, the freedom of an individual to pursue their interests as long as those interests do not violate others' rights, are connected to duties. This principle of rights is useful in stakeholder analysis' (the analysis that companies undertake in dealing with their stakeholders, in which strategies, actions and policies and stockholders are identified) when the conflicting legal or moral rights of individuals occur or when rights may be violated if certain courses of action are pursued (Weiss, 2008). Therefore, businesses act in line with the moral and legal rights of the individuals and groups that comprise their stakeholders. This ethical principle is considered social responsibility to the stakeholders.

2.2.4 Legitimacy Theory

Legitimacy theory is based upon the notion that the firm activates a social contract, where it agrees to perform various socially desired actions in return for approval of its objectives, other rewards and its ultimate survival. Legitimacy theory posits that corporate disclosures react to environmental factors (economic, social and political) and that disclosures legitimize actions (Preston & Post, 1975; Hogner, 1982; Lehman, 1983; Lindblom, 1983). It therefore needs to disclose enough social information for society to assess whether it is a good corporate citizen. In legitimizing its actions via disclosure, the corporation hopes ultimately to justify its continued existence (Lehman, 1983). This theory is largely reactive in that it suggests that organizations aim to produce congruence between the social values inherent (or implied) in their activities and societal norms (Lindblom, 1983). Corporate social disclosures may then be conceived as reacting to the environment where they are employed to legitimize corporate actions.

2.2.5 Resource Dependence Theory

Resource dependence theory (RDT) is the study of how the external resources of organizations affect the behaviour of the organization. The procurement of external resources is an important tenet of both the strategic and tactical management of any company. Nevertheless, a theory of the consequences of this importance was not formalized until the 1970s, with the publication of *The External Control of Organizations: A Resource Dependence Perspective* (Pfeffer & Salancik, 1978).

Resource dependence theory has implications regarding the optimal divisional structure of organizations, recruitment of board members and employees, production strategies, contract structure, external organizational links, and many other aspects of organizational strategy.

However, this theory includes three core ideas (Davis & Cobb, 2009): social context matters, strategies to enhance autonomy and pursue interest power for understanding internal and external actions of organizations. Resource dependence theory is one of many theories of organizational studies that characterize organizational behaviour. In many ways, resource dependence theory predictions are similar to those of transaction cost economics, but it also shares some aspects with institutional theory.

2.2.6 Strategic Choice Theory

Strategic choice theory (SCT) was developed and advanced by Child in 1972. According to this theory, the goal of the organizations is to achieve high performance standards and increase the efficiency to the limits of economic constraints. NSE listed companies need to consider contextual factors as very important if firms are to perform well. For instance, mangers who make sound decisions for their organizations and adopt modern technology to analysis risks, they are likely to become competitive.

Strategic decisions in organizations have significant effects on organizational outcomes. This was also concurred by Child (1972), in his seminal article on the role of strategic choice, provided a theoretical framework for this theory. Strategic choice theory, according to Child's perspective is less concerned with the functional operation of the organization and has more to do with the governance structure and political actions in organizations. Therefore, managers should establish structural reforms, manipulate environmental features, and choose relevant performance standards in achieving organizational goals. According to the SCT, managers play an important role in achieving organizational outcomes through their decision making or leading the changes in organizations (Child, 1972; Ketchen & Hult, 2007). This strategic decision making functions at three levels: Top tier or long term planning, middle tier or functional level, and bottom tier at the individual level (Kochan, Katz & McKersie, 1986). Strategic choice theory views managers as proactive agents who are down-stream decision-makers and mainly focus on directing major decisions and change processes in organizations. Change, or what Child (1972) calls “variation in organizational structure,” is caused by three contextual factors: environmental conditions, technology, and size.

This theory is useful to this study because managers play an important role in achieving organizational outcomes through their decisions making. For example, managers in the NSE listed companies must foster continuous commitment to communication and collaboration at different levels across, within, and between organizations, involving staff from different departments, supply chain members and organizational levels in strategic planning and establish risk awareness via training and education, if they are to perform

2.3 Conceptual Framework

Magenta and Magenta (2003) and Smith (2004), define a conceptual framework as a hypothesized model identifying the model under study and the relationship between the dependent and independent variables. The conceptual framework is a research tool intended to assist a researcher to develop awareness and understanding of the variables under scrutiny. For the purpose of this research, a conceptual framework has been developed showing the influence of the independent variables on the dependent variable.

Borrowing from corporate social responsibility theories and stakeholder theories, the independent variables are classified according to stakeholder focused practices that include; employee relations practices, community relations practices, environmental relations practices and customer relations practices. Within the Legitimacy theory, firm activities create social contracts in the community through desired actions that seeks communal approval of its objectives. Firm competitive advantages are contributed by its inherent resources that include employees and client satisfaction. These categories of stakeholders are chosen in line with the resource dependency theory which considers how external and internal resources influence organizational behavior.

The dependent variable presented in the conceptual framework is organization performance proxied by financial and non financial indicators. Within the agency theory and corporate governance theories, managers and directors are agents of shareholders who are principals in the organizations. The agents make decisions expected to maximize utility of organizational resources and subsequently increase shareholder value and interest through enhanced performance. It is therefore envisaged in the conceptual model that agent decisions with respect to corporate social responsibility practices enhance both financial and non-financial performance of the firms.

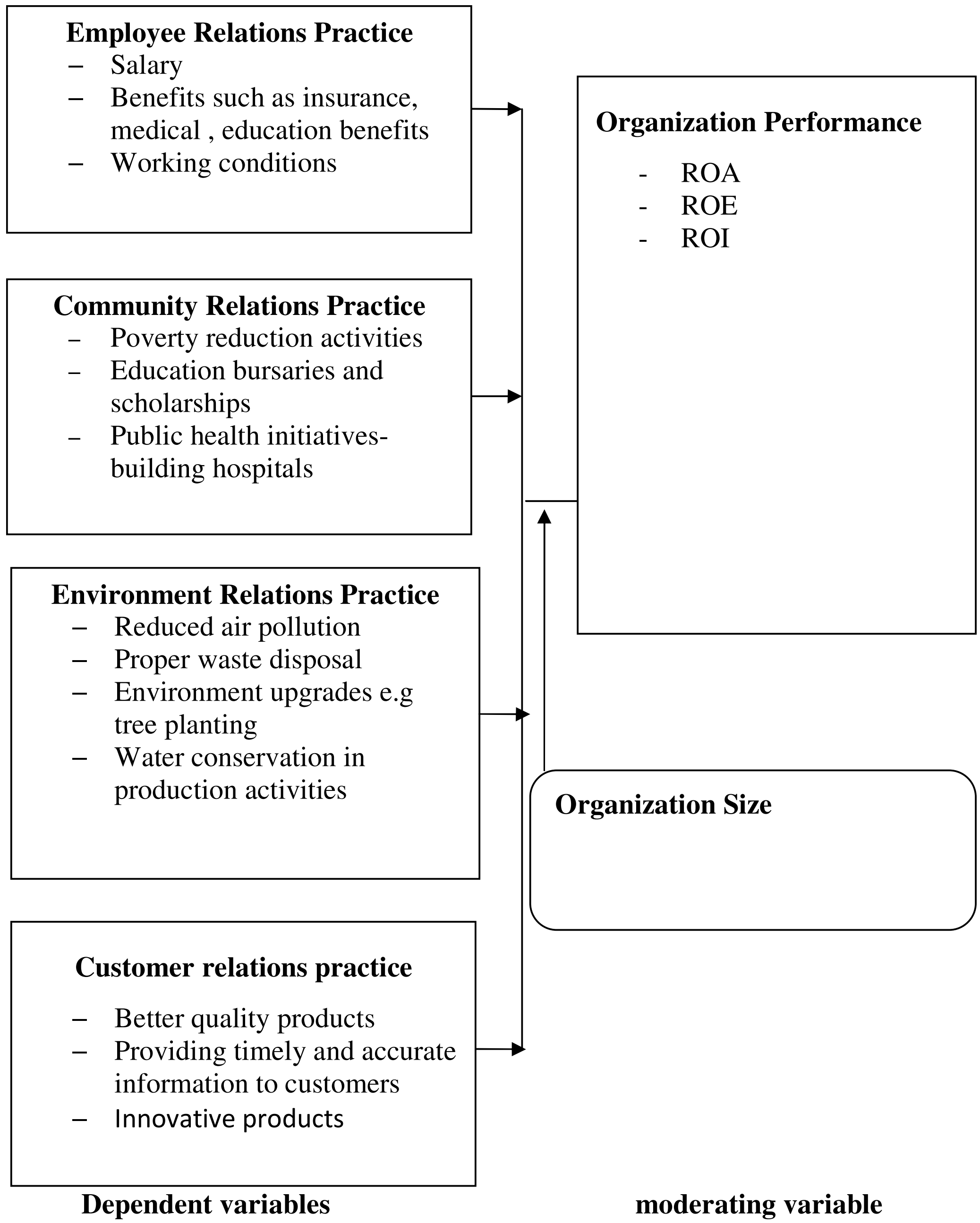

Figure 2.1: Conceptual Framework

Figure 2.1 shows the conceptual framework. This study uses other models and conceptual frameworks to blend organizational performance with corporate social responsibility. The framework borrows from the works of strategic CSR management models according to Mallin (2009) which suggests that companies have an influence on the various stakeholders such as customers, internal publics, local communities, government and interest groups. The study also borrows from the stakeholder model according to Zu (2008) which was developed due to the realization of the lack of practicality in the socio-economic models by management scholars. This model postulates that, companies should consider the interest of the different stakeholders in their operations, production and decisions.

2.4 Empirical Review of Variables

This section reviews literature from prior scholars regarding the influence of strategic employee relations, strategic community relations, strategic environmental relations and strategic customer relations on organization performance of firms listed on NSE in Kenya.

2.4.1 Corporate Social Responsibility

Past studies on CSR have often been criticized for using inappropriate measures of CSR. Researchers have used various proxy measures to assess CSR: (a) one-dimensional surrogate measures such as reputation ranking of companies on pollution control performance (Chen & Metcalf, 2008; Freedman & Jaggi, 2002), (b) Moskowitz's social responsibility ratings (Cochran & Wood, 2004; Moskowitz, 2002), and (c) Fortune corporate reputation index (Fomburn & Shanley, 2010; McGuire et al., 2008). These measures have been criticized for their inability to incorporate stakeholders' issues (Aupperle et al., 2005; Ullman, 2005). To overcome such inadequacies, recent studies (Ruf et al., 2011;Waddock & Graves, 2007) use CSR data developed by various agencies that evaluate CSR from stakeholders' perspective such as the KLD database of Kinder, Lydenberg, Domini & Co., Inc. (Kinderet al., 2005).Voluntary standards such as ISO 14000, OHSAS18000, Social Accountability (SA) 8000 (SAI, 2001),United Nations' global compact, and Global Reporting Initiative guidelines (GRI, 2002) outline a wide range of responsible business practices related to stakeholder issues such as environment, occupational health and safety, labor, human rights, corruption, employees, diversity, product, corporate governance. In recent years, an increasing number of companies are making CSR disclosures as per these standards. Nearly 90% of Fortune 500 firms make CSR disclosures in their annual reports (Boli &Hartsuiker, 2011). This study was based on KLD model to measure CSR. The corporate social responsibility variable used in this study include employee relations practices, community relations practices, environmental relations practices, customer relations practices, educational relations practices and health relations practices.

2.4.2 Performance of Companies

Organizational performance comprises the actual output or results of an organization as measured against its intended outputs (or goals and objectives). Mutindi, Namusonge and Obwogi (2013) underscore that Organizational performance is concerned with the overall productivity in an organization in terms of stock turnover, customers, profitability and market share. Competition in the global economy has intensified the importance of identifying the drivers of sustainable performance.The search for such drivers is no longer restricted to tangible factors but has expanded to include intangibles. Performance may be measured by both quantitative and qualitative methods.

According to Richard (2009) organizational performance encompasses three specific areas of firm outcomes. Financial performance (profits, return on assets, return on investment; product market performance (sales, market share); and shareholder return (total shareholder return, economic value added). An organization performance is tested against the commitment that the management made in management system. It measures the management plans of whether social, economic and ecological goals are being achieved.

Return on assets (ROA), return on equity, asset age, and return on sales are the frequently used financial performance measures. Particularly, ROA is consistently claimed to be an authentic measure of financial performance (Berman et al., 2009; McGuire et al., 2008).Unlike other accounting measures such as return on equity or return on sales, ROA is not affected by the differential degree of leverage present in firms. Because ROA is positively correlated with the stock price, a higher ROA implies higher value creation for shareholders. Moreover, in asset-heavy firms such as the manufacturing firms, ROA is a better indicator of firm performance.

Financial performance measures are lag indicators and capture historical performance arising from mostly tangible assets (Ong, 2003). They often fail to properly record performance from intangible assets such as: customer relationships, employee satisfaction, innovation, investment in research and development, and the like that have become significant sources of competitive advantage for firms in recent times (Lev, 2010). In contrast, non-financial performance measures focus on a firm's long-term success factors such as: research and development, customer satisfaction, internal business process efficiency, innovation, and employee satisfaction, and capture performance improvements from intangible assets (Kaplan & Norton, 2011).

Investments in intangible assets such as research and development are expensed immediately instead of getting capitalized in the traditional accounting system. Such treatment of intangible assets depresses the profit in the current year though benefits from such investments accrue to the firm over a long period of time. By accounting for such performance improvements, non-financial performance measures provide indirect indicators of firm performance. Because of their focus on consequences rather than causes of performance, non-financial performance measures are considered as 'lead indicators' (Ittner & Larcker, 2010). Financial performance measures are objective in nature whereas non-financial performance measures are subjective in nature that includes managers' perception of firm performance on market share, employee health and safety, investment in research and development, and others. Perceptual data on non-financial performance from senior managers correlate with hard data on non-financial performance from secondary sources (Venkatraman & Ramanujam, 2007) suggesting their complementarily. Hence, financial performance measures along with non-financial performance measures are used to assess firm performance holistically (Govindarajan & Gupta, 2005; Ittner & Larcker, 2008). This study used both financial and non-financial performance measures. The financial measures included profits before tax, returns on investment (ROI) and returns on assets (ROA). The non-financial measures included customer relationships, employee satisfaction, innovation, investment in research and development and internal business process efficiency.

2.4.3 Corporate Social Responsibility and Organizational Performance

Majority of research on corporate social responsibility roams around financial performance, consumer behavior, employee perceptions, society effect and its effects on environment for instance Alexander and Buchholz (2008), Cochran and Wood, (2004); Stanwick and Stanwick, (2008) have studied relationship between CSR and corporate financial performance. McWilliams and Siegel (2011) and Arx and Ziegler (2008) studied on the effect of CSR on the community. Similarly, many studies have supported the positive effects of CSR on consumer behavior such as Brinkman and Peattie (2008). Heslin and Achoa (2008) also emphasized the strategic significance of corporate social responsibility for corporate success. Researchers on employee behavior and corporate social responsibility have suggested use of CSR to build strong employee bond with corporations and to achieve better employee and organizational performance. Studies have also confirmed positive effects of employee commitment on organizational performance. Committed employees are considered as critical success factor for any organization. To develop sound relationships with employees organizations are using corporation social responsibility (CSR) as a strategic tool. Corporate social responsibilities being utilized by leading organization to establish good association not only with external stakeholders but also internal stakeholders as well for example employees (Ali et al., 2010).

Simpson and Kohers (2002) investigated the link between CSR and organization performance using the banking industry as their sample companies. They used the community reinvestment act rating as a social performance measure, and concluded that there was a significant positive relationship between CSR and organization performance. A recent study undertaken by Mahoney and Roberts (2012) used panel data for Canadian publicly held companies over a 4-year period. Their results showed significant relationships between organization performance and individual measures of CSR, in particular, company environmental and international activities. Subroto (2012) used a descriptive survey and multivariable correlations of cross-sectional data and critical part analyses, to analyze the correlation between CSR and organization performance and ethical business practices in Indonesia. According to Subroto (2012), the interests of stakeholders showed a significant correlation with CSR, organization performance and ethical business practices. Secondly, the research relationship is still positive.

Muchiri (2013) sought to establish the extent to which corporate social responsibility affects the performance of brands in the banking industry in the case of Family Bank Limited. The study adopted a case study research design and data was collected through an interview guide from 30 senior managers from the 15 Family Bank branches that are within the Nairobi CBD. The findings indicate that the bank has is very keen on incorporating CSR activities in their operations. The bank has a CSR policy that supports Education, health, sports and there are also keen on young talent development. Muchiri (2013) concluded that Family Bank's market share has greatly improved helping them spread into more towns in the country due to their well thought and executed CSR activities. The adoption of a sound CSR policy by the bank has helped them become and strong and successful brand in the industry. It has made it the fastest growing bank in the country. There is a lot of good will on the ground and this has positively impacted their performance. The study recommends that more studies be conducted on more than one bank so as to avoid the overgeneralization of the findings. The study also recommends the banks to explore other CSR activities that are being offered by the other financial institutions so as to be at par with the industry standards. This could help them penetrate areas where they have not been able to penetrate.

Ngugi (2010) sought to determine the relationship between Corporate Social Responsibility and the performance of Health Maintenance Organizations in Kenya. The study adopted a census survey in which all the 21 HMOs in Kenya were studied. The data was collected using questionnaires. Collected data was analyzed using descriptive statistics such as frequency distributions and percentages. The study established that according to 93% respondents, HMOs in Kenya engaged in CSR activities to large extent. The areas in which the HMOs participated in CSR practices included supporting children's homes, environmental protection, supporting education and fighting the spread of HIV/AIDS (96%). Other areas include employee and supplier welfare. Cost is no longer a factor of consideration as the respondent organizations view investment in CSR as an opportunity to give back to society. In as much as the investment in CSR may result in increased operating costs and asset utilization, the research has established that it leads to increased revenue and profitability (35%). The practice also helps build brands and motivate employees thereby leading to increased productivity (45%), retention and satisfaction (42%). Ngugi (2010) found out that participation in CSR ensures customer growth, market penetration and customer satisfaction. The study therefore concludes that to a large extent there is a positive correlation between Corporate Social Responsibility and performance of HMOs in Kenya. The study recommended that all organizations should engage in CSR as a strategy to increase revenue and profitability. The study also recommended that organizations adopt CSR practices as a marketing tool.

Ngatia (2014) attempted to address the question whether Corporate Social Responsibility (CSR) can be linked to financial performance of Insurance companies in Kenya .Using descriptive research design and inferential analysis; the study tested the sign of the relationship between Corporate Social Responsibility and financial performance in insurance companies. The analysis also factored in other determinants of financial performance including; rate of inflation, 91 Day Treasury bill, and interest on Deposit. The study used data covering a five year period from 2009 to 2013. The target population consisted of all the 51 registered insurance companies in Kenya as at December 2013. Companies that ceased operation in between or were registered in between the 5 year period were omitted from the study. Also omitted from the study were companies who were not consistent in their CSR for all the 5 years. To be considered for the study, a company had to engage in CSR for all each of the five year period. Therefore only 20 companies were finally considered as shown in appendix five. Analysis was based on descriptive statistics using secondary data that was obtained from Insurance Regulatory Authority and from the financial statements of the individual companies. Regression analysis was used to find out whether there is a relationship between the Variables. Regression model was used to find out whether the relationship between the variables to be measured was significant or not. For Corporate social responsibility investment, the study concludes it was negatively correlated with financial performance of insurance companies. Ngatia (2014) concluded that there is a negative relationship between financial performance of insurance companies as measured by ROA and the rate of inflation. The study further concludes that the 91 Day Treasury bill was however significant in explaining the changes in the financial performance of insurance companies. The study also concludes that there was also a negative relationship between financial performance of insurance companies and Interest on deposit. The study recommends that insurance companies diversify their investment portfolios in order to diversity these risks. The study further recommends that insurance companies increase their allocations for investments in CSR. This is because there is no single organization that exists in a vacuum but instead, they all exist in a society.

Shariff (2011) explored whether performance management is the only factor that influences performance outcomes. The study revealed the existence of a strong relationship between performance management and performance outcomes. However, there were other moderating factors that were also discovered to affect the strength of this relationship, other than performance management itself. The need for the study arose out of the need to develop a better understanding on whether performance management is a necessary tool in achieving performance outputs. Subsequently, while performance management can be said to have successfully influenced performance outputs in most corporate organizations, in some cases it has miserably failed. Shariff (2011) found out that some organizations have been unable to see a clear link between performance management and performance outcomes. The study noted that for any performance management tool or system to be effective in achieving tangible performance outputs, there are some moderating factors which must exist that influences the strength of this relationship. Even of more importance is the process through which it is executed and implemented.

2.4.4 Employee Relations Practices and Organization Performance

Proactive policies and practices towards employees reflect a company's intention to address the interests of its employees and satisfy their needs. Policies and practices towards union relations, employees' participation in decision making, remuneration policy, working conditions, and elimination of forced/child labor, portray a firm's CSR towards employees. By adhering to such standards, firms can satisfy employees, enhance their job performance, and improve financial performance and non- financial performance. Working conditions that respect human dignity, equality, and social protection result in a productive workplace (Somavia, 2010). Social responsibility of a company is a reputation factor and is an attractive force for potential and current employees (Turban & Greening, 2007).

Ethical reputation contributes to job satisfaction and lower employee turnover by evoking positive reactions from employees' families and friends (Riordan et al., 2007). Because satisfied employees have higher morale and job motivation, they will work more effectively and efficiently (Berman et al., 2009) and contribute to higher levels of organizational effectiveness (Koys, 2011). Past studies establish that better human resource management practices such as training and development of employees, their participation in problem solving, progressive remuneration policies, and grievance procedures reduce employee turnover, increases their productivity and financial performance (Huselid, 2005). A better CSR towards employees which includes wider issues compared to human resource management issues also improves a firm's financial performance (Berman et al., 2009).

Economic theory reflects the degree of association of CSR and financial performance by taking consideration of cost-related advantages, market advantages and reputation advantages (Chamhuri & Wan Noramelia, 2004). In the business, CSR is concerned with employment, lifelong learning, consultation and participation of workers, equal opportunities and integration of people towards restructuring and industrial change. Employees who feel protected and appreciated will increase their productivity in production and thus, achieving economies of scale. Basically, the formation of policies is influenced by the authority employment strategies, the initiative on social responsible restructuring, the initiatives to promote quality and diversity in the workplace and health and safety strategy (Chamhuri & Wan Noramelia, 2004).

Bashir, Cheema and Hassan (2012) aimed at identifying internal impact of the corporate social responsibility activities on the employees of the organizations engaged in these activities. The study explored how the organizations' engagement in these activities positively affected the employees' feelings towards the organizations reshaping their level of motivation, performance and intention of remaining with the organizations for longer time. Sample size for the study was 30 employees working for different business organizations of Karachi comprising 14 female and 16 male employees. The participants were between 24 and 50 years of age. Bashir, Cheema and Hassan (2012) concluded that organizations' indulgence in corporate social responsibility activities positively impacts employees' attitude towards the organization resulting into better level of organizational belongingness and job satisfaction among them that, in turn, is likely to improve organizational productivity. This study suggests that employees' positive perception towards an organizations' social ethics and social services may influence their attitudes and performance, which in turn may affect the organizational productivity. In this sense, this study hints at another benefit of the CSR activities to the organizations suggesting lucrative rate of return on their investment.

Ebeid (2010) sought to find out whether there exists a potential relationship between social activities conducted by an organization and its employees` organizational commitment. The aim of the current study is to figure out the practical range of affording the social activities, especially those which are presented to one of the most important stakes employees. In addition, the paper explores whether these activities are related to the employees` organizational commitment. Employees and middle-level managers (N = 536, 232 respectively) at five public-business companies in Egypt were addressed through two questionnaires to evaluate their corporate social responsibility (CSR), and organizational commitment. Ebeid (2010) concluded that practicing social activities especially those which are presented to the employees as one of the most important stakeholders affect positively the employees` organizational commitment. This result would support the usefulness of the stakeholder theory compared with agency theory, and indicates that undertaking social activities could be positively returned to the organization as non-monetary benefits in extent of operationalizing the cost benefit analysis.

Bashir, Hassan and Cheema (2012) explored the internal impact of CSR activities on the employees of the firms. Their study concluded that a firm's involvement in CSR activities gave mental comfort to their employees. This increases their productivity and in turn firms reward the employees for their improved performance.

Lee *et al*. (2013) put forth that firms make sure that employees feel associated with their firm so that the attrition rate is low. The study focused on the employee perception of CSR activities which they define as the degree to which employees perceive their company supports the activities related to social cause. The results suggested that CSR capability and perceived cultural fit induces a positive CSR perception amongst the employees, which inturn improves their performance.

Ali, Rehman, Ali, Yousaf and Zia (2010) analyzed the multifaceted influence of CSR on employee's organizational commitment and organizational performance. The study uses exploratory approach; primary data is collected from 371 professionals working in different sectors of Pakistan. The study used structural equation model (SEM) technique to test the hypotheses. The study found significantly positive relationship between CSR actions and employee organizational commitment, CSR and organizational performance and employee organizational commitment and organizational performance.

2.4.5 Community Relations Practices and Organization Performance

Typical involvement of business with the community is seen in areas of education, health, and income generation. CSR towards community is seen in terms of philanthropic giving, public–private partnerships, community relationships, and participation in social and economic development issues. Of late, companies are pursuing meaningful partnerships with non-governmental organizations (NGOs) to empower the local community. When firms focus their social actions on communities in and around their area of operation, they reap the benefits of a socially responsible image among their employees and the local community (Husted, 2003).

Though past evidence suggests a negative relation between CSR towards the community and firm performance (Berman et al., 2009), it is also observed that investments in community development activities help a firm to obtain competitive advantages through tax savings, decreased regulatory burden, and improvements in the quality of local labor (Waddock & Graves, 2007).

Organizations have a range of impacts on the communities within which they operate and in at least some measures, disclosed these issues in their own CSR reports and information. CSR social activities may include charitable contributions to local and national organizations such as fundraising, donations and gifts in areas where it trades and others like regeneration of deprived communities, reclamation of derelict land and creation of new regeneration jobs. Development of strategies and programmes on social and environmental issues enables firms to gain close relationship with community. Firms take initiatives by conducting campaigns, seminars, workshops and giving donation to the society. This enables a company to meet its CSR commitment and indirectly acts as a marketing and promotional strategy. As the result, higher market share can be obtained, which lead to higher revenues from larger sales. The CSR's policy implementation in business can also be influenced by fair commercial practices such as advertising, aggressive marketing and after-sales services between businesses and customers. Policies, strategies and programmes that are associated with social activities can be used to indicate the level of CSR's commitment of an organization (Chamhuri & Wan Noramelia, 2004).

Bansal and Roth (2010) conducted a qualitative study of the motivations and contextual factors that induce corporate ecological responsiveness. Using data collected from 53 firms in the United Kingdom and Japan, they found three motivations for companies to 'go green': competitiveness (the potential for ecological responsiveness to improve long-term profitability), legitimating (the desire of a firm to improve the appropriateness of its actions within an established set of regulations, norms, values, or beliefs), and ecological responsibility (the concern that a firm has for its social obligations and values). These motivations were influenced by three contextual conditions: field cohesion (the intensity and density of formal and informal network ties between constituents in an organizational field), issue salience (the extent to which a specific ecological issue has meaning for organizational constituents), and individual concern (the degree to which organizational members value the environment and the degree of discretion they possess to act on their environmental values). Bansal and Roth (2010) found that a mixture of these motivations and contextual conditions caused variation in how ecologically responsive a company tries to be but supports the notion that meeting a key community's expectation is good for business for many different reasons.

Aguilera, Rupp, Williams, and Ganapathi (2007) used a multilevel theoretical model to understand why business organizations are increasingly engaging in CSR initiatives and so have the potential to exert positive social change. By integrating various theories of organizational justice and corporate governance, their framework examines the interrelationship of instrumental, relational, and moral motivations at the individual, organizational, national, and transnational level. While they do not draw a clear conclusion from this study, the complexity of the pressures on companies to participate in CSR initiatives is highlighted. Aguilera, Rupp, Williams, and Ganapathi (2007 concluded that CSR is best done with a clear understanding of all of the drivers of the initiative. By understanding all motivators and taking them into consideration, a company will be acting strategically. The study further noted that the companies through their social corporate strategy provided social amenities such as provision of water, scholarships as well as community development through infrastructural projects.

Emmanuel and Omego (2013) where they carried out a study to access the corporate social responsibility activities of Rivers Vegetable Oil Company Limited (RIVOC) in Port Harcourt in Nigeria among the Elekahia, its host community. The findings from the research showed that the image and reputation of the company were poor due to the company's failure to undertake some community development projects particularly in the sponsorship of educational programmes such as scholarship awards and building of educational infrastructural facilities. Emmanuel and Omego (2013) recommended the establishment of a functional Public Relations (PR) department in the company to assist in building the image of the company through the articulation of corporate social responsibility programmes on education and provision of other social amenities to the host community.

Makokha (2008) sought to establish whether large and medium - sized private hospitals practice corporate social responsibility. The study was based on a population of all 15 large and medium sized hospitals in Nairobi Province. A questionnaire was used to collect primary data and all the 15 hospitals responded. Makokha (2008) concluded that all the hospitals in the population practice corporate social responsibility. Among the corporate social responsibility activities that private hospitals engage in included: free dental clinics, free medical checkups, free eye clinics, free drugs for terminal illnesses i.e. cancer & HIV/AIDS, free medical treatment for victims of calamities like post-election violence as well as donations of basic necessities to such victims and free guidance &counseling for people with special conditions like cancer and HIV / AIDS.

2.4.6 Environmental Relations Practices and Organization Performance

Currently there is a mounting global pressure for enactment and adoption of stricter legislations pertaining to environment protection in and around the globe. Companies are taking proactive initiatives for emission reduction in anticipation of future policy, and societal and competitive developments with respect to environment. With increasing importance of environmental friendly products, processes, and services, firms are realizing the importance of adopting environmental standards for their sustainability in the long run. This has facilitated development of green resources and capabilities and compliance with international standards such as ISO 14000, OHSAS 18000, and environmental legislations. Environmental performance is enhanced by improvements in three aspects – (a) product technologies such as use of recycled raw materials and other resource saving programs, (b) process technologies such as use of efficient production systems and end-of-pipe controls, and (c) management systems such as workers' training programs and environmental audit. Global standards on CSR towards environment endorse these aspects. Research on environmental proactivity has not been conclusive (Christman, 2010). But studies link environmental commitment with enhanced profitability, particularly in high growth industries (Russo & Fouts, 2007). Evidence suggests proactive environment management enhances firm's market value (Klassen & Mc Laughlin, 2006), reputation, and FP (Alvarez et al., 2011; Miles & Covin, 2010). The impact of firms' proactive environmental practices on market share, profitability, and return on investment is better in environmentally conscious companies compared to not-conscious companies (Ahmed et al., 2008).

Environmental issues emphasize on preserving and conserving natural resources such as conducting recycling activities, noise reduction action plan to pursue noise improvement initiatives, water and process treatment and compliance with authority regulations and requirements. Many enterprises recognized the importance of their responsibilities towards the environment and take them seriously by setting targets for continually improving their performance. Policies are developed in accordance efforts such as minimizing the consumption of natural resources including energy, water and other raw materials, phasing out the use of ozone depleting substances in buildings, reducing waste produced, encouraging recycling and minimizing the use of landfill sites while ensuring the compliance with all relevant legislation (Chamhuri & Wan Noramelia, 2004). Besides, it might also involve regular review of transport operations that improves efficiency and reduces its environmental impact, liaising with suppliers to develop environmental best practices in supply chain, promoting the recycling of raw materials, encouraging staff to support initiatives towards local, national or global environment in a positive way, raising and maintaining staff awareness of such policies, ensuring that employees are engaged in supporting resulting practices, measuring, monitoring and reporting on the key aspects of environmental performance and regularly reviewing the progress against targets (Chamhuri & Wan Noramelia, 2004).

Nzovah (2012) sought to determine factors that influence the practice of CSR in Standard Chartered Bank-Kenya. Data was collected by use of an interview guide from 61 senior managers, middle level managers and staff working directly in the corporate affairs department. Descriptive statistics was used in analyzing primary data while secondary data was analyzed by use of content analysis. The findings indicate that the bank has various CSR activities ranging from health, education, environment and general community support strategies. Nzovah (2012) found out that among the factors that came out as influencing CSR in SCB included corporate strategy, accountability, enhancement of stakeholder relations, company integrity and stakeholder cooperation. However, among all these factors, stakeholders' welfare and relations appeared to be favored by the respondents as a key influencing factor in the adoption and implementation of CSR.

Muhia (2012) sought to establish the corporate social responsibility practices in the airline. The research was conducted through a case study which relied on both primary data and secondary data. The primary data was conducted by interviewing top level managers and middle level managers while the secondary data was collected through the company records, press releases, annual financial statements and investor briefings. In their study Muhia (2012) found out that the airline is indeed involved and committed to CSR. It has a CSR policy which is well articulated in the company strategy. It has also entrenched CSR in the mission statement to ensure alignment between the varying interests of the stakeholders and the goals of the organization. The main areas of focus are health, education, water and environment. KQ" score purpose in CSR is contributing to sustainability development in Africa in order to transform lives. It has a sense of moral obligation to create a positive change in the society. By doing so, it is able to enhance its corporate image and visibility.

Hara (2011) in a study on peace and co-operation through sustainable development in the River state of Nigeria asserts that the activities of the oil companies have contributed immensely to the economy but this contribution has not immensely translated to an improvement in the human and physical development of the community within the River state. Hara (2011) asserts that people living within that state often complained of environmental pollution, marginalization, deprivation and general neglect by both the government and the oil companies' involved in the exploration and exploitation of oil. Specifically, many communities and individuals have spoken against the activities of the oil companies in their areas of operation in Rivers state. The people believed that these oil companies are not doing enough to improve the communities and her people.

Cherono (2010) sought to evaluate the effectiveness of Corporate Social Responsibility in minimizing human-wildlife conflict at Lake Nakuru National Park. The study adopted a Correlational research design and the sample design was selected by purposive sampling technique and cluster sampling technique. The study used a sample size of 70 respondents; 60 from the Lake Nakuru National Park staff and 10 employees from the Municipal Council Environment Department office in Nakuru. Data was collected by use of questionnaires and was analyzed with the aid of Statistical Package Social Sciences and Microsoft excel. Descriptive statistics (means, frequencies, correlations and non-parametric tests [chi - test]) were computed. Cherono (2010) found out that the activities practiced included electric fencing; community sensitization; enhancement of employee welfare; and improved quality of life to the community. These were presented as influential in the minimization of Human Wildlife Conflicts at Lake Nakuru National Park. However the study found out that the challenges of adequacy of financial resources; and human resource capacity and flexibility hindered successful minimization of human wildlife conflict at Lake Nakuru National Park to a large extent.

2.4.7 Customers Relations Practices and Organization Performance

Positive customer perception about product quality and safety leads to increased sales or decreased costs associated with stakeholder relationships (Waddock & Graves, 2007). Higher product safety and quality improves the bottom line (Berman et al., 2009). In product retailing, market reactions are found to be negative for socially irresponsible companies (Bromiley & Marcus, 2009; Davidson &Worell, 2008). When customers are dissatisfied with a product or its associated services, investors apprehend that negative customer reactions in the form of decreased patronage, lawsuits, or both, will directly affect the bottom line (Berman et al., 2009). Event studies establish that market value of a company decreases when corporate irresponsibility and illegal behavior is observed (Frooman, 2007). Hence, companies need to be careful about factors such as ethical advertising standards, customer health and safety during product use, company-wide quality programs for providing better products at right prices and the like. Company policies and practices to address such issues give a positive signal about a company's responsible attitude towards its customers and can improve firm performance.

Organization ought to meet the customer's demand and expectations. The buying behavior is changing with time whereby consumers have increasingly required information and reassurance interests on the environmental and social concerns. As to maintain good relationship and attract more customers, enterprises are taking initiatives to fulfill the demand of providing such information. For instance, eco-labeling is a way of communicating organization's social responsibility to public (Chamhuri & Wan Noramelia, 2004).

Dodd and Supa (2011) sought to find out the relationship between consumers' purchase intentions and organizations' involvement in socially responsible programs. The study's hypothesis predicted that a positive association exists between an organization's involvement in CSR programs and consumers' purchase intentions or those consumers in this study are more likely to purchase an organization's product if that organization is involved in socially responsible practices. Additionally, consumers' awareness of specific organizational involvement in socially responsible and irresponsible activities was identified. , Dodd and Supa (2011) study results supported the hypothesis. Specifically; a positive association exists between an organization's involvement in CSR programs and consumer's purchase intentions. The attitude toward the behavior (10) is decidedly moderately positive, and the subjective norm (21) is decidedly highly positive. The average of these two numbers is 15.5, showing a positive intention toward the behavior. The high products and average of these variables show that a positive relationship exists between corporate social responsibility and consumer purchase intention.

Du, Bhattacharya, and Sen, (2007) in their study on major brands of yoghurt revealed that a brand's competitive positioning on CSR is a major determinant of consumer's reaction to its CSR initiatives. They documented brand-specific differences and inferred that consumers tend to have more favorable beliefs and reward brands to a greater extent on the virtues of relational behaviors like loyalty and advocacy. Further they added that customers are much more sensitive to their

CSR beliefs in a way that if the brand works towards the consumer's CSR belief, consumers repay the brands with even more loyalty, against the brand's competitors.

CSR brands also experience major benefits from the spillover of the firm's CSR activities Bhattacharya and Sen (2004) proposed that CSR is growing in importance because it directly influences consumers who on the other hand demand more than a quality product at a low price from an organization. Maignan *et al.* (2005) believed that consumers expect a contribution towards community in terms of social values.

Marin *et al.* (2009) in their study on the effects of CSR on consumer response introduced 'identity salience' as a moderator. They examined the variables which mediate and moderate the relationship between CSR initiatives and consumer loyalty. The results of their study concluded that a higher identity salience for consumers, who are aware of the firm's CSR activities, will strengthen the background and values of consumer-company identification.

Muthami (2012) sought to investigate how practicing corporate social responsibility affects organizational performance at Unilever ESA. The researcher has chosen a case study research design, ideally, a case study is a research methodology that focuses on understanding the dynamics present in a management situation (Eisenhardt 1989). Data for this study was collected by means of an interview guide .The researcher used primary data to carry out the study. An interview guide that consists of open-ended questions was used to facilitate the collection of data from the respondents. The data was collected from the senior managers within the human resource, marketing, corporate communication, and finance departments who are involved in strategy formulation and implementation programs for corporate social responsibility. Data was analyzed through the use of content analysis. The study found the corporate social reasonability affects the corporate financial performance of the organization to great extent. Muthami (2012) found out that corporate social responsibility enhanced organization performance through creation of demand for organization product, bring the company close to the people, increasing sale volumes and making the company socially responsible. The study established that through the CSR activities the company was able to enhance its reputation and through reputation management the organization influenced corporate organization performance in the organization. The study found that reputation management enables a company to build positive relationships to deliver business advantage, helps companies to build customers trust thereby increasing sales, a good reputation demonstrably increases corporate worth and provides sustained competitive advantage.

2.4.8 Corporate Social Responsibility, Organization Size and Performance

An augmented study was conducted by Stanwick and Stanwick (2008) utilizing three independent variables; organization size, organization performance and environmental performance, with one independent variable CSR. Their study supported Waddock and Graves (2007) study, in that they found that large, profitable companies have a strong relationship with CSR. In addition, Stanwick and Stanwick (2008) showed that CSR is a multi-faceted construct that is affected by various organizational variables. They concluded that there was a strong relationship between CSR and the profitability, size and amount of pollution released by a company.

Aliko (2013) examined the multidimensional impact of culture on organizational performance in selected textile firm from Lagos, Asaba and Kano in Nigeria. The data was collected using both qualitative and quantitative methodologies. The former were collected through interviews and observations while the latter were collected via structured questionnaire and from documents. 630 respondents participated in the study. The respondents were selected using multiple sampling techniques - comprising of (i) stratified random sampling (ii) quota sampling and (iii) systematic sampling techniques. The data were analyzed using parametric and non-parametric statistics. Aliko (2013) found out that irrespective of their cultural backgrounds, workers in the textile industry appeared to have imbibed the industrial way of life. The results of the analysis of the cultural variables showed a high level of commitment to work, low level of labor turnover and absenteeism, positive beliefs about work, positive work values, attitudes, and norms in all the firms studied. But these positive attributes of the cultural variables did not translate directly to high level of organizational performance in these mills because some other variables were at work. This was an indication that culture was not the sole determinant of organizational performance. Other factors most especially exogenous variables such as the economy, technology and the murky political climate all influence organizational performance significantly and much more than endogenous variable such as size, structure, and style of management.

Gikunda (2013) sought to establish determinants of organization performance in Kenya banking sector with special focus on tier three Commercial Banks. The research adopted a descriptive survey design on a population of the 43 commercial banks in Kenya. The study utilized both primary and secondary sources of data. Data analysis was done using the facilities for descriptive methods on the Statistical Packages for Social Sciences (SPSS). Based on the findings in relation to specific objective, Gikunda (2013 concluded that majority of the organization perceive that alleged that corporate governance affects organization performance.

In addition, the study concluded that companies had put in place effective corporate governance systems that shown to implement solid and integrated performance approaches more easily than others and that management in their organization are committed in ensuring the performance of the bank is improved. Likewise, the study concluded that management most organization consider merit and previous performance of the individual to be mandated in the management position and that bank shares more democratic ownership structures, more balanced and broader governance systems, and a more comprehensive view of organizational goals and performance have also better chances to increase shareholders' loyalty. Finally, the study found that management is committed hence influencing bank performance to a great extent. To technologies advancement, the study concluded that technologies advancement enhancement bank performance where it eases the process and procedure of banking. On bank size, the study concluded that most of the banks had 16-30 branches where number of branches that bank have determines its profitability. Inclusively, the study established that bank size determines bank profitability to very great extent. To financial strategies adopted by the banks, the study concluded that investment management strategy and cash flow management strategy were the main financial strategies adopted by most of tier three banks in Kenya.

2.5 Critique of Literature Review

Simpson and Kohers (2002) investigated the link between CSR and organization performance using the banking industry as their sample companies. They used the community reinvestment act rating as a social performance measure, and concluded that there was a significant positive relationship between CSR and organization performance. Muchiri (2013) sought to establish the extent to which corporate social responsibility affects the performance of brands in the banking industry in the case of Family Bank Limited. The study adopted a case study research design and data was collected through an interview guide from 30 senior managers from the 15 Family Bank branches that are within the Nairobi CBD. The findings indicate that the bank has is very keen on incorporating CSR activities in their operations. The bank has a CSR policy that supports Education, health, sports and there are also keen on young talent development. Ngugi (2010) sought to determine the relationship between Corporate Social Responsibility and the performance of Health Maintenance Organizations in Kenya. The study adopted a census survey in which all the 21 HMOs in Kenya were studied. The data was collected using questionnaires. Collected data was analyzed using descriptive statistics such as frequency distributions and percentages. The study established that according to 93% respondents, HMOs in Kenya engaged in CSR activities to large extent. These studies failed to address the relationship between SCR and performance of company. The study scope was limited as they focused on banks sector only yet study should have focused other sectors.

Ngatia (2014) attempted to address the question whether Corporate Social Responsibility (CSR) can be linked to financial performance of Insurance companies in Kenya .Using descriptive research design and inferential analysis; the study tested the sign of the relationship between Corporate Social Responsibility and financial performance in insurance companies. The analysis also factored in other determinants of financial performance including; rate of inflation, 91 Day Treasury bill, and interest on Deposit. The study used data covering a five year period from 2009 to 2013. The target population consisted of all the 51 registered insurance companies in Kenya as at December 2013. Companies that ceased operation in between or were registered in between the 5 year period were omitted from the study. Also omitted from the study were companies who were not consistent in their CSR for all the 5 years. To be considered for the study, a company had to engage in CSR for all each of the five year period. For Corporate social responsibility investment, the study concludes it was negatively correlated with financial performance of insurance companies. Ngatia (2014) concluded that there is a negative relationship between financial performance of insurance companies as measured by ROA and the rate of inflation. These study findings disagree with other studies in the literature. Ideally most literature reveals that CSR contributes positively the performance of company.

Shariff (2011) explored whether performance management is the only factor that influences performance outcomes. The study revealed the existence of a strong relationship between performance management and performance outcomes. However, there were other moderating factors that were also discovered to affect the strength of this relationship, other than performance management itself. The need for the study arose out of the need to develop a better understanding on whether performance management is a necessary tool in achieving performance outputs. Subsequently, while performance management can be said to have successfully influenced performance outputs in most corporate organizations, in some cases it has miserably failed. Shariff (2011) found out that some organizations have been unable to see a clear link between performance management and performance outcomes. The study noted that for any performance management tool or system to be effective in achieving tangible performance outputs, there are some moderating factors which must exist that influences the strength of this relationship. Even of more importance

Dodd and Supa (2011) sought to find out the relationship between consumers' purchase intentions and organizations' involvement in socially responsible programs. The study's hypothesis predicted that a positive association exists between an organization's involvement in CSR programs and consumers' purchase intentions or those consumers in this study are more likely to purchase an organization's product if that organization is involved in socially responsible practices. Additionally, consumers' awareness of specific organizational involvement in socially responsible and irresponsible activities was identified. , Dodd and Supa (2011) study results supported the hypothesis. Specifically; a positive association exists between an organization's involvement in CSR programs and consumer's purchase intentions. The attitude toward the behavior (10) is decidedly moderately positive, and the subjective norm (21) is decidedly highly positive. The average of these two numbers is 15.5, showing a positive intention toward the behavior. The high products and average of these variables show that a positive relationship exists between corporate social responsibility and consumer purchase intention. But this study does not reveal whether CSR increase the profitability of the company. Also the study its methodology was not quantitative and hence cannot generalize the study findings. Majority of the literature reviewed in this study was carried in other sectors and none has focused NSE companies which are believed to disclose their financial statements and it likely to give valid findings of CSR with regard to performance of companies.

2.6 Research Gaps

A critical review of past literature showed that several conceptual and contextual research gaps existed in the influence of corporate entrepreneurship on the performance of Nairobi Securities Exchange listed companies. For instance, the studies by Bashir, Cheema and Hassan (2012) aimed at identifying internal impact of the corporate social responsibility activities on the employees of the organizations engaged in these activities in Karachi. There exists an objective gap since this study seeks to determine the influence of corporate social responsibility on organization performance. In addition, there exists a geographical gap since this study is based in Kenya. Bansal and Roth (2010) conducted a qualitative study of the motivations and contextual factors that induce corporate ecological responsiveness. The study focused on United Kingdom and Japan. There exists an objective gap since this study seeks to determine the influence of corporate social responsibility on organization performance. In addition, there exists a geographical gap since this study is based in Kenya. Ali, Rehman, Yousaf and Zia (2010) analyzed the multifaceted influence of CSR on employee's organizational commitment and organizational performance. The study was based in Pakistan. There exists an objective gap since this study seeks to determine the influence of corporate social responsibility on organization performance. In addition, there exists a geographical gap since this study is based in Kenya.

Makokha (2008) sought to establish whether large and medium - sized private hospitals practice corporate social responsibility in Kenya. There exists an objective gap since this study seeks to determine the influence of corporate social responsibility on organization performance. In addition, there exists a scope gap since this study will focus on NSE listed firms. Nzovah (2012) sought to determine factors that influence the practice of CSR in Standard Chartered Bank-Kenya. There exists an objective gap since this study seeks to determine the influence of corporate social responsibility on organization performance. In addition, there exists a scope gap since this study will focus on NSE listed firms. Muthami (2012) sought to investigate how practicing corporate social responsibility affects organizational performance at Unilever Kenya. Sasaka, Namusonge and Sakwa (2014) on effects of strategic management practices on corporate social responsibility performance of parastatals in Kenya focused on strategic management practices such as strategic competitive, strategic corporate governance, strategic planning and strategic total quality management practices and how they affect corporate social responsibility. Therefore the study did not focus on strategic corporate social responsibilities and how they influence performance of organizations. Ndinda, Namusonge and Kihoro (2015) conducted regression analysis on a sample of 37 companies listed at the NSE to illustrate that company performance have a positive and significant association with the extent of corporate social responsibility. But the study never focused at the relationship of strategic corporate social responsibilities towards company performance. There exists an objective gap since this study sought to determine the influence of corporate social responsibility on organization performance. In addition, there exists a scope gap since this study focused on NSE listed firms.

2.7 Summary

The above chapter reviewed the various theories that explain the independent and dependent variables. The reviewed theories are then critiqued for relevance to specific variables. The chapter also explored the conceptualization of the independent and the dependent variables by analyzing the relationships between the two set of variables. In addition, an empirical review was conducted where past studies both global and Local are reviewed in line with the following criteria, title, scope, methodology resulting into a critique. It is from these critiques that the research gap was identified.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter provides details about the methodology adopted to assist in achieving the research objectives. This chapter covers the research design incorporating research philosophy, type of research, population, sampling technique, sample size, instruments, pilot test and data analysis.

3.2 Research Design

A research design is the structure of research. Orodho (2003) defines it as the scheme outline or plan that is used to generate answers to research problems. Newing (2011) states that the term 'research design' is used both for the overall process described above (research methodology) and also, more specifically, for the research design structure. The latter is to do with how the data collection is structured. According to Lavrakas (2008), a research design is a general plan or strategy for conducting a research study to examine specific testable research questions of interest.

The study utilized a mixed research design namely; quantitative and qualitative research designs. Quantitative approach places emphasis on methodology, procedure and statistical measures to test hypothesis and make predictions. Qualitative research helps in analyzing information in a systematic way by use of common words or phrases in order to come to some useful conclusions and recommendations on the social settings and the individuals who portray those characteristics. The use of this research design is justified by the fact that other studies on CSR have used the same design. Sidiq and Javed (2014) described the relationship between the CSR (being measured by Perceived CSR and Perceived Stakeholder Relationship respectively) and organizational performance.

3.3 Target Population

Burns and Grove (2003) state that population includes all elements that meet certain criteria for inclusion in a study. Newing (2011) describes a population as the set of sampling units or cases that the researcher is interested in. According to Kothari (2004), a population refers to all items in any field of inquiry and is also known as the ‘universe’. Target population consists of all members of a real or hypothetical set of people, events or objects from which a researcher wishes to generalize the results of their research while accessible population consists of all the individuals who realistically could be included in the sample (Borg & Gall, 2007). The population for this study constituted of all the companies listed in the Nairobi Securities Exchange. As at December 2014, there were 62 companies listed on the Nairobi Securities Exchange (NSE, 2014). These firms are classified into ten (10) subsectors. Companies listed in the Nairobi Securities Exchange were selected because the NSE is a Key indicator of Kenya’s GDP. The sector is a good indicator of the economic activities in Kenya. Table 3.1 presents the Population of the study.

Table 3.1 Number of Respondents in the Strata and Expected Sample

Sub sector	**Target population**
Agricultural	4
Automobiles & Accessories	11
Banking	9
Commercial and Services	5
Construction and Allied	6
Energy and Petroleum	6
Insurance	3
Investment Services	1
Manufacturing and Allied	9
Telecommunication and Technology	1
Total	**62**

Source: NSE (2014)

3.4 Sampling frame

A sampling frame is a list of all items where a representative sample is drawn for the purpose of research. In this study, the sampling frame was a list of all there were 62 companies listed on the Nairobi Securities Exchange (NSE, 2014).

3.5 Sampling Technique and Sample Size

This section describes the sampling technique that was utilized in this study. The section also outlines the procedure that was used to choose a sample from the target population.

3.5.1 Sampling Technique

Sampling is the process of selecting units (people, organizations) from accessible population so as to fairly generalize results to the target population (Castillo, 2009). The study used stratified random sampling technique and convenience sampling to come up with the sample.

3.5.2 Sample Size

Kombo and Tromp (2009) and Kothari (2004) describe a sample as a collection of units chosen from the universe to represent it. Marczyk, Dematteo, Festinger (2005) and Yang (2008) defined a sample as a subset of the population to be studied. The main advantages of sampling are: cost, speed, accuracy and quality of the data. Mugenda and Mugenda (2003) proposed that 30% of the sample size is appropriate for the study. Thus, in this study 50% of the sample was involved in the study. Through stratified random sampling the listed firms were stratified into 10 strata as presented in table 3.2.

Table 3.2 Number of Respondents in the Strata and Expected Sample

Sub sector	Population	No to be sampled	No of Respondents
Agricultural	4	2	4
Automobiles & Accessories	11	6	12
Banking	9	5	10
Commercial and Services	5	3	6
Construction and Allied	6	3	6
Energy and Petroleum	6	3	6
Insurance	3	2	4
Investment Services	1	1	2
Manufacturing and Allied	9	5	10
Telecommunication and Technology	1	1	2
Total	**62**	**31**	**62**

Source: NSE (2014)

Random sampling was used to select half of the companies in each sector. Further, convenience sampling was used to select two respondents (the human resource manager and the finance manager) from each selected company. Hence the sample size of this study was 62 respondents.

3.6 Data Collection Methods

Research studies apply either primary or secondary data or both sets of data. This study was based on both primary and secondary data as described in this section.

3.6.1 Primary Data

The study used questionnaires to obtain primary data for analysis which was further validated from an analysis of secondary data. Schwab (2005) defines questionnaires as measuring instruments that ask individuals to answer a set of questions or respondent to a set of statements. Dawson (2002) provides three basic types of questionnaires; closed ended, open-ended or a combination of both. Closed-ended questionnaires are used to generate statistics in quantitative research. As these questionnaires follow a set format, and as most can be scanned straight into a computer for ease of analysis and greater numbers can be produced. Open-ended questionnaires are used in qualitative research, although some researchers will quantify the answers during the analysis stage. The questionnaire does not contain boxes to tick, but instead leaves a blank section for the respondent to write in an answer. Whereas closed-ended questionnaires might be used to find out how many people use a service, open-ended questionnaires might be used to find out what people think about a service. As there are no standard answers to these questions, data analysis is more complex. Also, as it is, opinions which are sought rather than numbers, fewer questionnaires need to be distributed. However, many researchers tend to use a combination of both open ended and closed ended questions. That way, it is possible to find out how many people use a service and what they think about that service on the same form. Many questionnaires begin with a series of closed questions, with boxes to tick or scales to rank, and then finish with a section of open ended questions for more detailed response.

3.6.2 Secondary Data

The study used secondary data to validate the primary data. A secondary data collection template for records and internet were used. The study obtained data on profit after tax, returns on investment (ROI) and returns on assets (ROA) from the individual NSE Company’s financial statements for a five year period, from the year 2010 to 2014.

3.7 Data Collection Procedure

Burns and Grove (2003) define data collection as the precise, systematic gathering of information relevant to the research sub-problems, using methods such as interviews, participant observations, focus group discussion, narratives and case histories. This study used questionnaires to obtain both quantitative and qualitative data for analysis. Primary data was collected through the administration of questionnaires to the NSE listed firms. Kothari (2004) describes primary data as those which are collected afresh and for the first time, and thus happen to be original in character.

Morrison et al. (2007) describes primary data as those items that are original to the problem under study.

Primary data was collected through the administration of one questionnaire to each respondent. Research assistants were engaged to administer and follow up on the questionnaires using well - spaced phone calls. Secondary data was obtained from the financial statement and annual reports of the various firms listed in the NSE.

3.8 Pilot Study

To check the validity and reliability of the questionnaires in gathering the data required for purposes of the study, a pilot study was carried out. The purpose of pilot testing was to establish the accuracy and appropriateness of the research design and instrumentation (Saunders, Lewis & Thornhill, 2007). Newing (2011) states that the importance of pilot testing cannot be overemphasized; you will almost always find that there are questions that people fail to understand or interpret in different ways, places in the questionnaire where they are not sure where to go next, and questions that turn out simply not to elicit useful information. Cooper and Schindler (2006) concur that the purpose of pilot test is to detect weaknesses in design and implementation and to provide proxy for data collection of a probability sample. Sekaran (2006) reinforces that pilot test is necessary for testing the reliability of instruments and the validity of a study.

3.8.1 Reliability

Reliability refers to the repeatability, stability or internal consistency of a questionnaire (Jack & Clarke, 1998). Cronbach's alpha was used to test the reliability of the measures in the questionnaire (Cronbach, 1951). According to Sekaran (2006), Cooper & Schindler (2003), Cronbach's alpha has the most utility for multi-item scales at the interval level of measurement, requires only a single administration and provides a unique, quantitative estimate of the internal consistency of a scale. Baker et al. (2001) states that the size of a sample to be used for piloting testing varies depending on time, costs and practicality, but the same would tend to be at least 10 per cent of the main survey. According to Cooper and Schindler (2006) the respondents in a pilot test do not have to be statistically selected when testing the validity and reliability of the instruments. In this study, the data collection instrument which is a questionnaire was tested on 10% of the sample of the questionnaires to ensure that it is relevant and effective. Reliability was tested using questionnaires duly completed by six (6) randomly selected respondents. These respondents were not included in the final study sample in order to control for response biasness. The questionnaire responses were then input into statistical package for social sciences (SPSS) and Cronbach's alpha coefficient was generated to assess reliability. The reliability coefficient was computed using Cronbach's Alpha formula.

$$\alpha = \frac{k(S^2 - \sum s^2)}{S^2(k-1)}$$

Where: K = number of items in the instrument

S^2 = variance of all scores

s^2 = variance of individual items

The closer Cronbach's alpha coefficient is to 1, the higher the internal consistency reliability (Sekaran, 2003). A coefficient of 0.7 is recommended for a newly developed questionnaire.

3.8.2 Validity

Validity refers to whether a questionnaire is measuring what it purports to measure (Bryman & Cramer 1997). It describes validity as the degree of congruence between the explanations of the phenomena and the realities of the world. While absolute validity is difficult to establish, demonstrating the validity of a developing measure is very important in research (Bowling, 1997). This study used both construct validity and content validity. For construct validity, the questionnaire was divided into several sections to ensure that each section assessed information for a specific objective, and also ensured that the same closely tied to the conceptual framework for the study. To ensure content validity, the questionnaire was subjected to thorough examination by two randomly selected managers. They were asked to evaluate the statements in the questionnaire for relevance and whether they were meaningful, clear and loaded of offensive. On the basis of the evaluation, the instrument was adjusted appropriately before subjecting it to the final data collection exercise. The managers' review comments were used to ensure that content validity is enhanced.

3.9 Data Analysis and Presentation

According to Zikmund et al. (2010), data analysis refers to the application of reasoning to understand the data that has been gathered with the aim of determining consistent patterns and summarizing the relevant details revealed in the investigation. To determine the patterns revealed in the data collected regarding the selected variables, data analysis was guided by the aims and objectives of the research and the measurement of the data collected.

3.9.1 Qualitative Analysis

Qualitative data obtained from the responses of the open ended question was analyzed using content analysis. The results were presented in continuous prose. This data also added value to the quantitative data.

3.9.2 Quantitative Analysis

Quantitative data was sorted, coded and input into the statistical package for social sciences (SPSS) for production of graphs, tables, descriptive statistics and inferential statistics. Descriptive statistics was measured by frequencies, means and standard deviation while inferential statistics was measured by the level of significance. The study used a significance level of 0.05 as the acceptance level. A multiple linear regression model was used to test the significance of the influence of the independent variables on the dependent variable. The multiple linear regression model is provided as:

$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$……………………………Equation 3.1

Where:

i. Y = Performance of NSE
ii. $\{\beta_0; = \beta_5\}$ = Regression coefficients to be estimated
iii. X_i for;

X_1 = Employee Relations Practices

X_2 = Community Relations Practices

X_3 = Environmental Relations Practices

X_4 = Customers Relations Practices

Equation (i) shows the multiple linear regression model of the independent variables against the dependent variable. When the moderating effect of organization size is considered, then:

$Y = \beta_0 + \beta_1 X_1 + \beta_2 Z + \beta_3 X_1 Z + \mathcal{E}$……………………………………..Equation 3.2

Where:

i. Y = Performance of NSE
ii. $\{\beta_0; =1,2,3\}$ = The coefficients for the various independent variables $X_{1,}$ Z
iii. X_i for;

X_1 = Corporate Relations Practices

Z= Organization Size

iv. Ɛ is the error term which is assumed to be normally distributed with mean zero and constant variance.

Using SPSS version 20, the regression model was tested on how well it fits the data. The significance of each independent variable was also tested. Fischer distribution test called F-test was applied. It refers to the ratio between the model mean square divided by the error mean square. F-test was used to test the significance of the overall model at a 95 percent confidence level. The p-value for the F-statistic was applied in determining the robustness of the model. The conclusion was based on the basis of p value, where if the null hypothesis of the beta is rejected, then the overall model was significant and if null hypothesis is accepted, the overall model was insignificant. In other words, if the p-value is less than 0.05, then it was concluded that the model is significant and has good predictors of the dependent variable and that the results are not based on chance. If the p-value is greater than 0.05 then the model was not significant and cannot be used to explain the variations in the dependent variable.

3.9.3 Operationalization of Study Variables

As summarized in Table 3.3, CSR practices were measured in terms of primary data responses to likert item questions in the questionnaire. Firm size and performance was measured from secondary data on firm assets and return.

Table 3.3: Measurement of Corporate Responsibility Practices, Size and Performance

Variable	Indicator	Scale	Questionnaire Reference/ Measurement
Employee Relations Practice	Salary	Interval	Questions 1c to 10c
	Benefits		
	Working conditions		
Community Relations Practice	Poverty reduction activities	Interval	Questions 1d to 9d
	Education bursaries and scholarships		
	Public health initiatives- building hospital		
Environment Relations Practice	Reduced air pollution	Interval	Questions 1e to 8e
	Proper waste disposal		
	Environment upgrades		
	Water conservation		
Environment Relations Practice	Better quality products	Interval	Questions 1f to 6f
	Timely and accurate information to customers		
	Innovative products		
Size	Total Assets	Interval	Natural Log of average Total assets
Performance	Return on Assets - ROA	Interval	Average return/ average total assets

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSIONS

4.1 Introduction

The previous chapter presented the methodology that was used in this study. This chapter presents the data analysis, empirical results there from, interpretation of results and findings, and discussion of the study results. The chapter begins with response rate and following in that order is descriptive and frequencies of each variable and inferential statistics and the investigations of the relationship between corporate responsibility and performance of organizations listed at the NSE.

4.2 Response Rate

As presented in Table 4.1, a total of 62 questionnaires were distributed, 51 (n=51) were correctly filled and returned. This represented a response rate of 82.25 percent. According to Hart (1987) response rate in business survey vary from 17 percent to 60 percent with an average of 36 percent. However, Olsen (2004) observed that a response rate of 50 percent in a survey is adequate. The response rate of this study of 82.25 percent is therefore considered adequate as it was above the benchmarks of 36 percent and 50 percent. This implied that the findings of this study were representative of the overall population.

Table 4.1 Analysis of the response rate

Response rate	Frequency	Percentage
Questionnaire sent	62	100
Questionnaire returned	51	82.25

Source: Primary data

The respondents were required to indicate the scope of their operations based on the countries or regions where they undertake commercial activities. From the findings presented in Table 4.2, 41.2 percent of the companies operate in the East African region, 27.5 percent of the companies operate within Kenya, 17.6 percent of the Companies operate within the global market and 13.7 percent operate within the African continent.

Table 4.2: Scope of Operation

Scope	Frequency	Percent	Cumulative Percent
National (within Kenya)	14	27.5	27.5
Regional (within East Africa)	21	41.2	68.6
Continental (within Africa)	7	13.7	82.4
Global (within Africa and beyond)	9	17.6	100.0
Total	51	100.0	

The respondents were expected to indicate the ownership structure of the Companies listed at the NSE. As indicated in Table 4.3, a majority of 68.6 percent of the companies are fully locally owned while 31.4 percent are both locally and foreign owned. None of the companies is fully foreign owned because as a listing requirement, the companies should have local ownership. The Foreign ownership are mostly acquired by institutional investors at the stock exchange.

Table 4.3: Ownership Structure

Ownership	Frequency	Percent	Cumulative Percent
Fully locally owned	35	68.6	68.6
Both locally and foreign owned	16	31.4	100.0
Total	51	100.0	

The respondents were asked to indicate the size of the organizational size in terms of number of employees. As indicated in Table 4.4, 49 percent of the companies had more than 601 employees, 29.4 percent of the companies had between 201 and 400 employees, 19.6 percent of the companies had between 401 and 600 employees and 2 percent of the companies had less than 200 employees. In employee numbers therefore, the companies qualify to be classified as large size enterprises as opposed to small and medium enterprises (SMEs) that should have not more than 100 employees.

Table 4.4: Size of Organization

Size	Frequency	Percent	Cumulative Percent
Below 200	1	2.0	2.0
Between 201 - 400	15	29.4	31.4
Between 401 - 600	10	19.6	51.0
601 and above	25	49.0	100.0
Total	51	100.0	

4.3 Reliability Results

4.3.1 Reliability Tests for Strategic Corporate Social Responsibility Practices

As explained by Kothari (2004), Reliability refers to the extent to which a measurement is able to yield consistent results each time it is applied under similar conditions. To measure the reliability of the data collection instrument, Cronbach's alpha (α) was used. Cronbach's alpha is a measure of internal consistency that tests how closely related a set of items are as a group. A value of alpha (close to 1) is high and is often used as evidence that the items measure an underlying (or latent) construct. Appendix 5 presents a summary of reliability tests for all the strategic corporate social responsibility practices.

Table 4.5 shows the summary of the reliability statistics for Strategic Corporate Responsibility indicators. As explained by Cronbach and Shavelson (2004), Cronbach Alpha Coefficient of above 0.7 implies reliability of the data collection instrument. From the table, it is inferred that all the questions met the Cronbach’s Alpha Coefficient of assessing the internal consistency of the instruments with alpha coefficients of above 0.7 which therefore implies reliability. The overall reliability of the instrument was 0.900 which conforms with Bryman (2003) proposition that the reliability benchmark alpha coefficients should be 0.8.

Table 4.5: Reliability Statistics

Variable	**No. Of items**	**Alpha (α)**	**Comment**
Strategic Employee Relations Practices	10	0.830	Reliable
Strategic Community Relations Practices	9	0.881	Reliable
Strategic Environmental Relations Practices	8	0.789	Reliable
Strategic Customer Relations Practices	6	0.949	Reliable
Overall	**33**	**0.900**	Reliable

4.4 Descriptive Results

This section presents a summarry of the 51 respondents rating of various items of employee, community, environmental and customer relations practice scales. The data was analyzed by use of means, standard deviations and percentages. The analysis is presented in form of tables, graphs and charts. As presented in Table 4.6, the composite mean score for existence of employee relations practices was 3.741 with a standard deviation of 0.553. The mean score for community relations practices was 2.533 with a standard devation of 0.711. The mean score for environmental relations practices was 3.766 with a standard deviation of 0.413 and the mean score for customer relations practices was 4.131 with a standard deviation of 0.829.

Table 4.6: Descriptive Statistics of Independent variables

Variable	N	Mean	Std. Deviation
Employee relations practices	49	3.741	.553
Community relations practices	50	2.533	.711
Environmental relations practices	49	3.776	.413
Customer relations practices	51	4.131	.829

Based on the study findings in Table 4.6, it shows that customer relations practices have a high mean among the four variables. This means that customer relations practices contribute highly to the performance of companies. This is because companies which produce high quality product and meets customer demand requirements would enhance performance companies. This study agreed with the study by Muthami (2012) which found out that corporate social responsibility enhanced organization performance through creation of demand for organization product, bring the company close to the people, increasing sale volumes and making the company socially responsible. The study established that through the CSR activities the company was able to enhance its reputation and through reputation management the organization influenced corporate organization performance in the organization. The study found that reputation management enables a company to build positive relationships to deliver business advantage, helps companies to build customers trust thereby increasing sales, a good reputation demonstrably increases corporate worth and provides sustained competitive advantage.

Also, organization ought to meet the customer's demand and expectations. The buying behavior is changing with time whereby consumers have increasingly required information and reassurance interests on the environmental and social concerns. As to maintain good relationship and attract more customers, enterprises are taking initiatives to fulfill the demand of providing such information. For instance, eco-labeling is a way of communicating organization's social responsibility to public (Chamhuri & Wan Noramelia, 2004).

4.4.1 Employee Relations Practices

Ten likert question items were applied to investigate the strategic employee relations practices in the organizations. The respondents were requested to rate items on a five pont likert scale ranging from 1 strongly disagree to 5 strongly agree as shown in Table 4.7.

Table 4.7: Descriptive Results on Employee Relations

Opinion	N	Mean	Std. Deviation
1. Our company designs employees' salary while taking consideration of the employees' level of job satisfaction and commitment	51	3.216	1.474
2. The working conditions in the company are intended to enhance employees' level of job satisfaction and commitment	51	3.235	1.408
3. The nature of work life balance within our company is supposed to influence the level of job satisfaction	51	3.431	1.285
4. The company provides for employees benefits such as insurance, medical and education so as to influence the employees level of job satisfaction	51	4.020	.510
5. The company organises team building activities which are useful in influencing the levels of job satisfaction	50	3.940	.586
6. Employees in our company engage in CSR activities which are considered suitable in influencing job satisfaction levels	50	3.920	.396
7. Employees in our company are taken through training and development so as to influence the job satisfaction levels	51	4.020	.469
8. There exists welfare facilities such as transport, insurance and participation in sports functions which are intended to influence employee job satisfaction	51	3.980	.424
9. Equal and impartial employment policies in our company influence the level of job commitment among employees	51	3.647	.716
10. Organization's indulgence in CSR activities influence the employees' attitude towards the organization	51	4.020	.547

The responses as summarized in Table 4.7 show that the practices ranked highly. The respondents agreed that employer provision of benefits (mean = 4.020, SD = 0.510), training and development (mean = 4.020, SD = 0.469) and indulgence in CSR activities to influence attitude (mean = 4.020, SD = 0.510) are practices within the organizations. The other identified employee relations practices that scored highly in influencing job satisfaction and committment included; staff welfare facilities like transport, insurance and sports facilities (mean = 3.980, SD = 0.424), team building activities (mean = 3.940, SD = 0.586), engagement in CSR initiatives (mean = 3.920, SD = 0.396), equal and impartial employment policies (mean = 3.647, SD = 1.285), work life balance (mean = 3.431, SD = 1.285), suitable working conditions (mean = 3.235, SD = 1.408), salary designs and structure (mean = 3.216, SD = 1.474).

The findings of this study are in harmony with the studies reviewed in the literature like the study of Somavia (2010) who noted that working conditions that respect human dignity, equality, and social protection result in a productive workplace. Social responsibility of a company is a reputation factor and is an attractive force for potential and current employees (Turban & Greening, 2007).

Ethical reputation contributes to job satisfaction and lower employee turnover by evoking positive reactions from employees' families and friends (Riordan et al., 2007). Because satisfied employees have higher morale and job motivation, they will work more effectively and efficiently (Berman et al., 2009) and contribute to higher levels of organizational effectiveness (Koys, 2011).

Also, past studies establish that better human resource management practices such as training and development of employees, their participation in problem solving, progressive remuneration policies, and grievance procedures reduce employee turnover, increases their productivity and financial performance (Huselid, 2005). A better CSR towards employees which includes wider issues compared to human resource management issues also improves a firm's financial performance (Berman et al., 2009).

4.4.2 Community Relations Practices

Nine likert item questions were used to identify existence of community relations practices in the organizations under study. The respondents were requested to rate items on a five pont likert scale ranging from 1 strongly disagree to 5 strongly agree as shown in Table 4.8.

Table 4.8: Descriptive Statistics on Community Relations Practices

Opinion	N	Mean	Std. Deviation
1. The company participates in promoting income generating activities for the community	50	3.120	1.394
2. The company participates in the provision of clean water and other basic needs to the community	50	2.660	1.239
3. The company gives education bursaries and scholarships to the needy in the community	50	2.680	.978
4. The company constructs schools and health facilities in communities	50	2.360	.802
5. The company offers capacity building on health, safety and hygiene to the society	50	2.620	.725
6. The company offers supporting services for the elderly,children,and disabled persons to the community	50	2.380	.923
7. The company provides free medical camps to the community	50	2.500	.994
8. The company organizes entertainment events to the community	50	1.960	.968
9. The company participates in the maintencance of parks, roundabouts and other essentials in towns	50	2.520	.706

As presented in Table 4.8, the respondents agree that the company promotes income generating activities (mean = 3.120, SD = 1.394). The respondents disagree that the company organizes community entertainment events (mean = 1.960, SD = 0.968), constructs schools and health facilities (mean = 2.360, SD = 0.802) and provide support services for the elderly, children and disabled persons (mean = 2.380, SD = 0.923). Community relations moderately practiced from the responses include; provision of education scholarships and bursaries (mean = 2.680, SD = 0.978), provision of clean water and other basic needs (mean = 2.660, SD = 1.239), provision of capacity building on health, safety and hygiene (mean = 2.620, SD = 0.725), maintenance of parks and roundabouts (mean = 2.520, SD = 0.706) and free medical camps for the community (mean = 2.500, SD = 0.994).

The study of this findings are in harmony with the study of Berman et al. (2009) who noted negative relation between CSR towards the community and firm performance but other studies observed that investments in community development activities help a firm to obtain competitive advantages through tax savings, decreased regulatory burden, and improvements in the quality of local labor (Waddock & Graves, 2007). Also firms should take initiatives by conducting campaigns, seminars, workshops and giving donation to the society. This enables a company to meet its CSR commitment and indirectly acts as a marketing and promotional strategy. As the result, higher market share can be obtained, which lead to higher revenues from larger sales. Policies, strategies and programmes that are associated with social activities can be used to indicate the level of CSR's commitment of an organization (Chamhuri & Noramelia, 2004).

Lastly, Makokha (2008) noted that concluded that all the hospitals in the population practice corporate social responsibility. Among the corporate social responsibility activities that private hospitals engage in included: free dental clinics, free medical checkups, free eye clinics, free drugs for terminal illnesses i.e. cancer & HIV/AIDS, free medical treatment for victims of calamities like post-election violence as well as donations of basic necessities to such victims and free guidance &counseling for people with special conditions like cancer and HIV / AIDS. Therefore a community relation contributes positively to the performance of companies.

4.4.3 Environmental Relations Practices

The responses to the eight likert item questions on environmetal relations practices evidence agreement that the firms engage in various environmental initiatives as shown in Table 4.9.

Table 4.9: Descriptive Statistics on Environmental Relations Practices

Opinion	N	Mean	Std. Deviation
1. Our company engages in activities of reduction of air pollution	51	3.902	.700
2. Our company engages in activities for proper waste disposal	51	3.980	.547
3. Our company engages in activites for recycling material	51	3.902	.640
4. Our company engages in activities for use of clean energy	51	3.765	.681
5. Our company engages in activities for organizing environmental cleaning programs	50	3.920	.488
6. Our company organizes study programmes for environmental rehabilitation and conservation	51	3.333	.766
7. Our company organises water conservation in production activities	51	3.412	.698
8. Our company organises tree planting activities by the company and this influences the organizations performance	50	3.880	.659

As indicated in Table 4.9, the respondents agree on existence of: waste disposal practices (mean = 3.980, SD = 0.547), organizing environmental cleaning programs (mean = 3.920, SD = 0.488), air pollution reduction initiatives (mean = 3.902, SD = 0.700), material recycling acivities (mean = 3.902, SD = 0.640), tree planting activities (mean = 3.880, SD = 0.659), use of clean energy (mean = 3.765, SD =

0.681), water conservation in production activities (mean = 3.412, SD = 0.698) and study programmes for environmental rehabilitation and conservation (mean = 3.333, SD = 0.766).

This study finding corresponds with of studies reviewed in the literature such as Chamhuri and Noramelia (2004) who noted that environmental issues emphasize on preserving and conserving natural resources such as that conducting recycling activities, noise reduction action plan to pursue noise improvement initiatives, water and process treatment and compliance with authority regulations and requirements. Policies are developed in accordance efforts such as minimizing the consumption of natural resources including energy, water and other raw materials, phasing out the use of ozone depleting substances in buildings, reducing waste produced, encouraging recycling and minimizing the use of landfill sites while ensuring the compliance with all relevant legislation.

Cherono (2010) found out that the activities practiced included electric fencing; community sensitization; enhancement of employee welfare; and improved quality of life to the community. These were presented as influential in the minimization of Human Wildlife Conflicts at Lake Nakuru National Park. Evidence suggests proactive environment management enhances firm's market value (Klassen & Mc Laughlin, 2006), reputation, and FP (Alvarez et al., 2011; Miles & Covin, 2010). The impact of firms' proactive environmental practices on market share, profitability, and return on investment is better in environmentally conscious companies compared to not-conscious companies (Ahmed et al., 2008).

4.4.4 Customer Relations Practices

The six likert item responses on customer relations practices all rated highly on the identified practices. As summarized in Table 4.10, the companies prioritizes on; provision of better and quality products and services (mean = 4.235, SD = 0.929), respecting the rights of consumers (mean = 4.235, SD = 0.815), providing value for money for the customers (mean = 4.157, SD = 0.880), provision of timely and accurate information (mean = 4.137, SD = 0.872) and provision of innovative products for clients (mean = 4.098, SD = 1.005). The respondents also agree that the company management provides after sales services as a customer relations practice (mean = 3.922, SD = 1.005).

Table 4.10: Descriptive Statistics on Customer Relations Practices

	N	Mean	Std. Deviation
1. Our company prioritizes on provision of better and quality products and services to our customers	51	4.235	.929
2. Our company considers provision of timely and accurate information to customers as a key success factor	51	4.137	.872
3. Our company prioritizes provision of innovative products for our clients	51	4.098	1.005
4. Our company management believes in giving value for money to our customers	51	4.157	.880
5. Our company prioritizes on respecting the rights of consumers	51	4.235	.815
6. Our company management supports the provision of after sales services to our customers	51	3.922	1.055

From the study findings, companies prioritize better provision of quality products and service to their customers, provision of timely and accurate information to customers, provision of innovative products and provision of after sale service to the customers. This study findings corresponds to the of Muthami (2012) who noted that corporate social responsibility enhanced organization performance through creation of demand for organization product, bring the company close to the people, increasing sale volumes and making the company socially responsible. The study established that through the CSR activities the company was able to enhance its reputation and through reputation management the organization influenced corporate organization performance in the organization. The study found that reputation management enables a company to build positive relationships to deliver business advantage, helps companies to build customers trust thereby increasing sales, a good reputation demonstrably increases corporate worth and provides sustained competitive advantage.

Also, organization ought to meet the customer's demand and expectations. The buying behavior is changing with time whereby consumers have increasingly required information and reassurance interests on the environmental and social concerns. As to maintain good relationship and attract more customers, enterprises are taking initiatives to fulfill the demand of providing such information. For instance, eco-labeling is a way of communicating organization's social responsibility to public (Chamhuri & Noramelia, 2004).

4.4.5 Performance of company

Table 4.11: Measurement of financial performance

Profitability Ratio	**2011**	**2012**	**2013**	**2014**	**2015**
Total Assets	25,4948	295,943	248,971	184,993	132,115
Net profit (loss) After tax	4,729	4,780	19	4,984	17,159
Total Equity	6,409	24,705	13,845	-(25,279)	22,521
Return on Assets (ROA)	-(1.85)	1.58	0.01	2.37	-(12.99)
Return on Equity (ROE)	-(13)	19	0.14	-(17)	76

From the Table 4.11, it shows that NSE companies which provide social corporate responsibility, they have been performing well financially for the five years. Thus, it is a good indication that social corporate responsibility is not a cost implication affair for the companies but it should be seen as a strategic plan to improve the company in future investments.

4.5 Correlation Results

The study sought to establish whether there were significant relationships between the strategic employee relations practices, community relations practices, customer relations practices, environment relations practices and performance of firms listed at the Nairobi securities exchange. Pearson correlation analysis was used to explore the relationships that exist between the study variables. Correlation analysis was used to reveal the strength and direction of the relationships between the study variables. This was crucial to assess whether any relationship exists between the variables before carrying out further analysis. The generated correlation matrix presented as Table 4.11 helped to determine whether multi- co linearity existed between the study variables.

Table 4.12: Pearsons Product Moment Correlations between Performance and Strategic Social Relation Practices

Variable	Employee relations practices	Community relations practices	Environmental relations practices	Customer relations practices	Organisation performance
Employee relations practices	1				
Community relations practices	0.122	1			
Environmental relations practices	.401**	.345*	1		
Customer relations practices	.309*	0.165	.303*	1	
Organisation performance	.662**	.559**	.524**	.550**	1

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

*. Correlation is significant at the 0.05 level (2-tailed).

As presented in Table 4.11, there exists weak statistically significant positive relationships between; employee relations and environmental relations practices ($r = 0.401$, $p<0.01$), community relations and environmental relations practices ($r = 0.345$, $p<0.05$), employee relations and customer relations practices ($r = 0.309$, $p<0.01$) and environmental relation and custmer relations practices ($r = 0.303$, $p<0.01$). From the table, weak but not significant positive relationships are inferred between; employee relations and community relations practices ($r=0.122$, $p>0.05$), community relations and customer relations practices ($r=0.165$, $p>0.05$), Organization size and employee relations practices ($r=0.000$, $p>0.05$). As explained by Cooper and Schildler (2003), correlation between variables must be more than 0.8 for multicolinearity to be a problem. Since there is no correlation coefficients of more than 0.8, there is no concern of multicollinearity.

However, the study found out that strategic employee relations practices had a positive significant linear relationship with oraganisational performance with Pearson correlation coefficient of 0.662 at 0.01, significance level as shown in Table 4.12. This implied that there was a positive correlation between employee relations practices and oraganisational performance. Thus, strategic employee relations increase organizational productivity. This finding concur with the study of Somavia (2010) who noted that working conditions that respect human dignity, equality, and social protection result in a productive workplace. Social responsibility of a company is a reputation factor and is an attractive force for potential and current employees (Turban & Greening, 2007). Ethical reputation contributes to job satisfaction and lower employee turnover by evoking positive reactions from employees' families and friends (Riordan et al., 2007). Also, other studies from literature established that better human resource management practices such as training and development of employees, their participation in problem solving, progressive remuneration policies, and grievance procedures reduce employee turnover, increases their productivity and financial performance (Huselid, 2005).

Likewise the study found that strategic community relations had a positive significant linear relationship with oraganisational performance with Pearson correlation coefficient of 0.559 at 0.01, significance level as shown in Table 4.12. This implied that there was a positive correlation between strategic community relations practices and oraganisational performance. Thus, strategic community relations increase organizational productivity. This study finding agree with the study of Waddock and Graves (2007) that investments in community development activities help a firm to obtain competitive advantages through tax savings, decreased regulatory burden, and improvements in the quality of local labor. Similarly, Chamhuri and Wan Noramelia (2004) indicated that the CSR's policy implementation in business can also be influenced by fair commercial practices such as advertising, aggressive marketing and after-sales services between businesses and customers. Policies, strategies and programmes that are associated with social activities can be used to indicate the level of CSR's commitment of an organization.

In addition, the study revealed that strategic environmental relations had a positive significant linear relationship with oraganisational performance with Pearson correlation coefficient of 0.524 at 0.01, significance level as shown in Table 4.12. This implied that there was a positive correlation between strategic environmental relations practices and oraganisational performance. The finding of this study is in harmony with the past studies which link environmental commitment with enhanced profitability, particularly in high growth industries (Russo & Fouts, 2007). Evidence suggests proactive environment management enhances firm's market value (Klassen & Mc Laughlin, 2006), reputation, and FP (Alvarez et al., 2011; Miles & Covin, 2010). The impact of firms' proactive environmental practices on market share, profitability, and return on investment is better in environmentally conscious companies compared to not-conscious companies (Ahmed et al., 2008).

Lastly the study found out that strategic customer relations had a positive significant linear relationship with oraganisational performance with Pearson correlation coefficient of 0.550 at 0.01, significance level as aforementioned in Table 4.11. This implied that there was a positive correlation between strategic customer relations practices and oraganisational performance. Customer relations is important aspect in business because customers who are well satisfied with services they get from business are likely to buy more thus increasing sales volume which translates to high profits. This funding concur with the study of Waddock and Graves (2007) who found that positive customer perception about product quality and safety leads to increased sales or decreased costs associated with stakeholder relationships. Higher product safety and quality improves the bottom line (Berman et al., 2009).

4.6 Regression assumptions

4.6.1 Multicollinearity

Multicollinearity is the undesirable situation where the correlations among the independent variables are strong. In other words, multicollinearity misleadingly bloats the standard errors. Thus, it makes some variables statistically insignificant while they should be else significant (Martz, 2013). Tolerance of a respective independent variable is calculated from 1 - R^2.

The test result for multicollinearity was done, using both the VIF and tolerance. With VIF values being less than 5, it was concluded that there was no presence of multicollinearity in this study. The VIF shows us how much the variance of the coefficient estimate is being inflated by multicollinearity. This is indicated in Table 4.12.

Table 4.13: Multicollinearity test of independent variables

	Collinearity Statistics	
Variables	Tolerance	VIF
Employee Relations Practice	.824	1.214
Community Relations Practice	.980	1.021
Environment Relations Practice	.814	1.228
Customer relations practice	.921	1.085

4.6.2 Homoscedasticity

Heteroscedasticity in a study usually happens when the variance of the errors varies across observation, Long and Ervin (2000). Breusch-Pagan and Koenker test the null hypothesis that heteroskedasticity not present (homoskedasticity) if sig-value is less than 0.05, reject the null hypothesis.

A large chi-square value greater than 9.22 would indicate the presence of heteroscedasticity (Sazali, Hashida, Jegak & Raduan, 2009). In this study, the chi-square value was 5.279 indicating that heteroscedasticity was not a concern Table 4.13.

Table 4.14: Breusch-Pagan for Heteroscedasticity

Test	Chi2(1)	Prob > Chi2
Breusch-Pagan	5.279	0.260

4.3.2 Normality Tests for Corporate Social Responsibility Practices

The normality of data distribution was assessed by examining its skewness and kurtosis (Kline, 2005). A variable with an absolute skew-index value greater than 3.0 is extremely skewed while a kurtosis index greater than 8.0 is an extreme kurtosis (Kline, 2005). Cunningham (2008) stated that an index smaller than an absolute value of 2.0 for skewness and an absolute value of 7.0 is the least violation of the assumption of normality. The results of the normality test of the dependent variable indicated skewness and kurtosis in the range of -1 and +1 as shown in Table 4.14. This implies that the assumption of normality was satisfied.

Table 4.15: Normality Tests

construct		Statistic	SE (±)
Employee relations	Mean	2.2199	.7972
	Median	2.3689	
	Std. Deviation	.612333	
	Range	2.44	
	Skewness	-0.649	0.311
	Kurtosis	.523	0.613
Community relations	Mean	3.3889	0.10252
	Median	3.2327	
	Std. Deviation	.78745	
	Range	3.49	
	Skewness	0.193	0.311
	Kurtosis	-0.111	0.613
Environmental relations	Mean	3.2304	0.108
	Median	3.5395	
	Std. Deviation	1.13241	
	Range	4.03	
	Skewness	0.100	0.311
	Kurtosis	0.549	0.613
Customer relations	Mean	3.4336	0.07441
	Median	3.2361	
	Std. Deviation	.57158	
	Range	2.48	
	Skewness	-1.085	0.311
	Kurtosis	1.881	0.613
Organizational performance	Mean	3.5287	.1309
	Median	3.4753	
	Std. Deviation	.93604	
	Range	4.05	
	Skewness	0.220	0.311
	Kurtosis	-0.277	0.613

4.7 Regression Results

The research used multiple regression analysis to determine the linear statistical relationship between the independent and dependent variables of this study. All, the four null hypothesis as stated in chapter one of this study were tested using regression models.

Test of hypothesis 1: Employee relations practices influence positively the performance of NSE listed companies in Kenya.

The linear regression model shows R^2= 0.426 which means that 42.6 percent change of performance of the organizational performance of NSE listed companies in Kenya, can be explained by a unit change of strategic employee relations practice. The result is shown in Table 4.15.

Table 4.16: Model Summary of employee relations

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.662[a]	.438	.426	.55656

a. Predictors: (Constant), Strategic Employee Relations Practice

b. Dependent Variable: Organization Performance

From the results there is an indication that one unit change in strategic employee relations practice translates to 20.9 percent change in performance of the organizational performance of NSE listed companies in Kenya, therefore, strategic employee relations practice has a positive influence on how NSE listed companies perform.

Further test on ANOVA shows that the significance of the F-statistic (35.895) is less than 0.05 since p value, p=0.00, as indicated in table 4.16. This implied that there is a positive significant relationship between strategic employee relations practice and organizational performance of NSE listed companies in Kenya.

Table 4.17: ANOVA of employee relations

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	11.119	1	11.119	35.895	.000[b]
	Residual	14.249	46	.310		
	Total	25.368	47			

a. Dependent Variable: Organization Performance

b. Predictors: (Constant), Employee Relations Practice

Also, further test on the beta coefficients of the resulting model, strategic employee relations practice have a positive and significant relationship with organization performance (R^2= 0.438, F (1, 46) = 11.119, p =.000). It shows that 43.8% of the variation in organization performance is explained by strategic employee relations practice. Further the strategic employee relations practice has a positive and significant relationship with organisational performance (β= 0.505, t= 5.991, p < .005). Thus, H_1 is accepted.

Table 4.18: Coefficients of employee relations

Variables		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.165	.080		2.050	.046
	Strategic Employee Relations Practice	.505	.084	.662	5.991	.000

a. Dependent Variable: Performance of NSE companies

Thus, strategic employee relations increase organizational productivity. This finding concur with the study of Somavia (2010) who noted that working conditions that respect human dignity, equality, and social protection result in a productive workplace. Social responsibility of a company is a reputation factor and is an attractive force for potential and current employees (Turban & Greening, 2007). Ethical reputation contributes to job satisfaction and lower employee turnover by evoking positive reactions from employees' families and friends (Riordan et al., 2007). Also, other studies from literature established that better human resource management practices such as training and development of employees, their participation in problem solving, progressive remuneration policies, and grievance procedures reduce employee turnover, increases their productivity and financial performance (Huselid, 2005).

Test of hypothesis 2: Community relations practices influence positively the performance of NSE listed companies in Kenya.

The linear regression model shows R^2= 0.345 which means that 34.5 percent change of performance of the organizational performance of NSE listed companies in Kenya, can be explained by a unit change of community relations practice. The result is shown in Table 4.18.

Table 4.19: Model summary of Community relations

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.599[a]	0.358	0.345	0.572

a. Predictors: (Constant), Strategic Community Relations Practice

b. Dependent Variable: Performance of NSE companies

From the results there is an indication that one unit change in community relations practice translates to 34.5 percent change in performance of the organizational performance of NSE listed companies in Kenya, therefore, strategic community relations practice has a positive influence on how NSE listed companies perform.

Further test on ANOVA shows that the significance of the F-statistic (30.692) is less than 0.05 since p value, p=0.00, as indicated in Table 4.19. This implies that there is a positive significant relationship between strategic community relations practice and organizational performance of NSE listed companies in Kenya.

Table 4.20: ANOVA of Community relations

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	10.049	1	10.049	30.692	.000[b]
1	Residual	15.061	46	0.327		
	Total	25.11	47			

a. Dependent Variable: Performance of NSE

b. Predictors: (Constant), Community Relations Practice

Also, further test on the beta coefficients of the resulting model, strategic community relations practice have a positive and significant relationship with organization performance (R^2= 0.358, F (1, 46) = 30.692, p =.000). It shows that 35.8% of the variation in organization performance is explained by strategic community relations practice. Further the strategic community relations practice has a positive and significant relationship with organisational performance (β= 0.465, t= 4.726, p < .005) therefore, H_2 is accepted.

Table 4.21: Coefficients of Community relations

Variable		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.255	0.098		2.602	0.012
	Strategic Community Relations Practice	0.465	0.098	0.599	4.726	0.000

a. Dependent Variable: Performance of NSE companies

Community relations increase organizational productivity. This study finding agree with the study of Waddock and Graves (2007) that investments in community development activities help a firm to obtain competitive advantages through tax savings, decreased regulatory burden, and improvements in the quality of local labor. Similarly, Chamhuri and Wan Noramelia (2004) indicated that the CSR's policy implementation in business can also be influenced by fair commercial practices such as advertising, aggressive marketing and after-sales services between businesses and customers.

Test of hypothesis 3: Environmental relations practices influence positively the performance of NSE listed companies in Kenya.

The linear regression model shows R^2= 0.260 which means that 26.0 percent change of performance of the organizational performance of NSE listed companies in Kenya, can be explained by a unit change of environmental relations practice. The result is shown in Table 4.21.

Table 4.22: Model Summary of Environmental relations

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.524[a]	.275	.260	.21304

a. Predictors: (Constant), Environment Relations Practice

b. Dependent Variable: Performance of NSE companies

From the results there is an indication that one unit change in strategic community relations practice translates to 26.0 percent change in performance of the organizational performance of NSE listed companies in Kenya, therefore, strategic environmental relations practice has a positive influence on how NSE listed companies perform.

Further test on ANOVA shows that the significance of the F-statistic (18.194) is less than 0.05 since p value, p=0.00, as indicated in Table 4.22. This implies that there is a positive significant relationship between strategic environmental relations practice and organizational performance of NSE listed companies in Kenya.

Table 4.23: ANOVAa of Environmental relations

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	.826	1	.826	18.194	.000[b]
1	Residual	2.178	48	.045		
	Total	3.004	49			

a. Dependent Variable: Performance of NSE companies

b. Predictors: (Constant), Environment Relations Practice

Also, further test on the beta coefficients of the resulting model, strategic environmental relations practice have a positive and significant relationship with organization performance (R^2= 0.275, F (1, 46) = 18.194, p =.000). It shows that 27.5% of the variation in Organization Performance is explained by Strategic environmental Relations Practice. Further the strategic environmental relations practice has a positive and significant relationship with performance (β= 0.122, t= 4.265, p < .005) therefore, H_3 is accepted.

Table 4.24: Coefficients of Environmental relations

Variable		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.229	.030		7.605	.000
	Environment Relations Practice	.122	.029	.524	4.265	.000

a. Dependent Variable: Performance of NSE companies

The finding of this study is in harmony with the past studies which link environmental commitment with enhanced profitability, particularly in high growth industries (Russo & Fouts, 2007). Evidence suggests proactive environment management enhances firm's market value (Klassen & Mc Laughlin, 2006), reputation, and FP (Alvarez et al., 2011; Miles & Covin, 2010). The impact of firms' proactive environmental practices on market share, profitability, and return on investment is better in environmentally conscious companies compared to not-conscious companies (Ahmed et al., 2008).

Test of hypothesis 4: Customer relations practices influence positively the performance of NSE listed companies in Kenya.

The linear regression model shows R^2= 0.288 which means that 28.8 percent change of performance of the organizational performance of NSE listed companies in Kenya, can be explained by a unit change of customer relations practice. The result is shown in Table 4.24.

Table 4.25: Model Summary of customer relations

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.550[a]	0.303	0.288	0.645

a. Predictors: (Constant), customer Relations Practice

b. Dependent Variable: Performance of NSE of companies

From the results there is an indication that one unit change in community relations practice translates to 28.8 percent change in performance of the organizational performance of NSE listed companies in Kenya, therefore, strategic customer relations practice has a positive influence on how NSE listed companies perform.

Further test on ANOVA shows that the significance of the F-statistic (26.480) is less than 0.05 since p value, p=0.00, as indicated in Table 4.25. This implies that there is a positive significant relationship between strategic customer relations practice and organizational performance of NSE listed companies in Kenya.

Table 4.26: ANOVA of customer relations

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	11.023	1	11.023	26.480	.000[b]
1	Residual	19.149	46	0.416		
	Total	30.172	47			

a. Dependent Variable: Performance of NSE companies

b. Predictors: (Constant), Customer Relations Practice

Also, further test on the beta coefficients of the resulting model, strategic customer relations practice have a positive and significant relationship with organization performance (R^2= 0.303, F (1, 46) = 11.023, p =.000). It shows that 30.3 percent of the variation in organization performance is explained by strategic customer relations practice. Further the strategic customer relations practice has a positive and significant relationship with performance (β= 0.579, t= 7.423, p < .005) therefore, H_4 is accepted.

Table 4.27: Coefficientsa of customer relations

Variable		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
	(Constant)	0.155	0.075		2.067	0.044
1	Customer Relations Practice	0.579	0.078	0.550	7.423	0.000

a. Dependent Variable: Performance of NSE companies

Customer relations is important aspect in business because customers who are well satisfied with services they get from business are likely to buy more thus increasing sales volume which translates to high profits. This funding concur with the study of

Waddock and Graves (2007) who found that positive customer perception about product quality and safety leads to increased sales or decreased costs associated with stakeholder relationships. Higher product safety and quality improves the bottom line (Berman et al., 2009).

Overall Regression Model

Table 4.28: Coefficientsa of Environmental relations

		Unstandardized Coefficients		Standardized Coefficients		
Variables		B	Std. Error	Beta	t	Sig.
1	(Constant)	.253	.102		2.471	.017
	Employee Relations Practice	.493	.104	.485	4.741	.000
	Community Relations Practice	.358	.101	.367	3.564	.001
	Environment Relations Practice	.220	.091	.222	2.405	.020
	Customer relations practice	.289	.103	.290	2.813	.007

a. Dependent Variable: Performance of NSE companies

The estimated multiple regression model to estimate performance

$Y = .253 + .493X_1 + .358X_2 + .220X_3 + .289X_4$ …………………………Equation 3.1

Where:

Y = Performance of NSE of companies

.493 = Employee Relations Practices

.358 = Community Relations Practices

.220 = Environmental Relations Practices

.289= Customers Relations Practices

.253= Constant

From the Table 4.27 shows that all corporate variables influenced positively the performance of NSE. Especially it was found that strategic employee relations practice is important in contributing the organizational performance than other variables. This is also evidenced from the reviewed literature that strategic employee relations increase organizational productivity. This finding concur with the study of Somavia (2010) who noted that working conditions that respect human dignity, equality, and social protection result in a productive workplace. Social responsibility of a company is a reputation factor and is an attractive force for potential and current employees (Turban & Greening, 2007).

Equally strategic community relations increase organizational productivity. This study finding agree with the study of Waddock and Graves (2007) that investments in community development activities help a firm to obtain competitive advantages through tax savings, decreased regulatory burden, and improvements in the quality of local labor. Likewise, environmental commitment will enhance profitability, particularly in high growth industries (Russo & Fouts, 2007). Evidence suggests proactive environment management enhances firm's market value (Klassen & Mc Laughlin, 2006), reputation, and FP (Alvarez et al., 2011; Miles & Covin, 2010). Lastly Customer relations is important aspect in business because customers who are well satisfied with services they get from business are likely to buy more thus increasing sales volume which translates to high profits. This funding concur with the study of Waddock and Graves (2007) who found that positive customer perception about product quality and safety leads to increased sales or decreased costs associated with stakeholder relationships. Higher product safety and quality improves the bottom line (Berman et al., 2009).

Table 4.29: Model Goodness of Fit of Corporate Social Responsibility Practices and Performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.792[a]	.627	.591	.54126

a. Predictors: (Constant), Customer relations practice, Community Relations Practice, Employee Relations Practice, Environment Relations Practice

b. Dependent Variable: Performance of NSE companies

The multiple regression model produced R^2= 0.591. The results of the regression analysis in Table 4.28 shows that 59.1 percent of variations in the performance of NSE may be explained by variations in corporate social responsibility practices namely; strategic employee relations, strategic community relations, strategic environmental relations and strategic customer relations. Further test on ANOVA shows that the significance of the F-statistic (8.073) is less than 0.05 since p value, p=0.00, as indicated in Table 4.29.

Table 4.30: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	10.905	4	2.726	8.073	.000[b]
1	Residual	14.521	43	.338		
	Total	25.426	47			

a. Dependent Variable: Performance of NSE

Moderating effect of Organization on the relationship Between Corporate Responsibility Practices and Organization Performance

In the fifth objective, the study sought to establish the moderating influence of organization size on the relationship between strategic corporate social responsibility practice and organization performance of NSE listed companies in Kenya. This was hypothesized as:

Test of hypothesis 5: Organization size has a significant moderating influence on the relationship between corporate social responsibility practices and performance of NSE listed companies in Kenya.

The moderating effect was computed using the method proposed by Baron and Kenny (1986). According to Baron and Kenny (1986) in the first step the predictor variables (corporate governance practices) were entered in to the regression equation to test the main effects. Secondly an interaction term was created by multiplying the composite scores of the independent variable and the moderator variable. This interaction term (Corporate social responsibility practices*organization size) was then entered into the regression equation. The result is shown in Table 4.30.

Table 4.31: Model Goodness of Fit of Corporate Social Responsibility Practices, Organization Size and Performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.892[a]	.795	.776	.54126

a. Predictors: (Constant), Customer relations practice*OS, Community Relations Practice*OS, Employee Relations Practice*OS, Environment Relations Practice*OS

b. Dependent Variable: Performance of NSE

The linear regression model shows R^2= 0.776 which means that 77.6 percent change of performance of the organizational performance of NSE listed companies in Kenya, can be explained by a unit change of moderating effect of organization size into corporate social responsibilities such as strategic customer relations, strategic community relations, strategic employee relations and strategic environment relations. This meant that when corporate social responsibility practices are moderated with organization size, the performance of the organization is increased from 59.1 percent to 77.6 percent. This is because large organizations have more resource and therefore they are able to allocate more resource towards community projects like building of schools, hospitals, education bursaries or grants. Also, large organisations because of their financial strength they are able to offer good remunerations to workers and provide better working environment. Likewise, large organisations are able to measures which are geared towards environmental conservations such disposal of wastes and reverse logistics. This finding agreed with the Stanwick and Stanwick (2008) showed that CSR is a multi-faceted construct that is affected by various organizational variables. They concluded that there was a strong relationship between CSR and the profitability, size and amount of pollution released by a company.

Further test on ANOVA shows that the significance of the F-statistic (8.808) is less than 0.05 since p value, p=0.00, as indicated in Table 4.31. This implies that there is a positive significant relationship between moderating effect of organization size on corporate social responsibility and performance of NSE listed companies in Kenya.

Table 4.32: Model Overall Significance of Corporate Social responsibility practices, Organization Size and Performance ANOVA b

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	14.111	4	3.528	8.808	.000[b]
1	Residual	17.223	43	.401		
	Total	31.334	47			

a. Dependent Variable: Performance of NSE

b. Predictors: (Constant), Customer relations practice*OS, Community Relations Practice*OS, Employee Relations Practice*OS, Environment Relations Practice*OS

Further analysis on coefficients showed that moderating effect of all variables i.e strategic employee relations, strategic community relations, strategic environment relations and strategic customer relations had a positive with organization size. Thus, moderating effect of organization size on corporate social responsibility practices is a positive and significant relationship with organisational performance (β= 0.0213, t= 2.080, p < .005) therefore, H_5 is accepted.

Table 4.33: Model Regression Coefficients of Corporate Social Responsibility Practices, Organization Size and Performance

		Unstandardized Coefficients		Standardized Coefficients		
Variables		B	Std. Error	Beta	t	Sig.
1	(Constant)	.213	.102		2.080	.043
	Employee Relations Practice*OS	.502	.112	.494	4.468	.000
	Community Relations Practice*OS	.373	.113	.382	3.298	.002
	Environment Relations Practice*OS	.248	.111	.251	2.236	.030
	Customer relations practice*OS	.300	.113	.301	2.661	.011

a. Dependent Variable: Performance of NSE

Thus, the general multiple regression equation would be:

$Y = .102 + .494X_1 + .382X_2 + .251X_3 + .301X_4$ …Equation 3.2

This result concur with other studies reviewed in the literature that Aliko (2013) found out that irrespective of their cultural backgrounds, workers in the textile industry appeared to have imbibed the industrial way of life. The results of the analysis of the cultural variables showed a high level of commitment to work, low level of labor turnover and absenteeism, positive beliefs about work, positive work values, attitudes, and norms in all the firms studied. But these positive attributes of the cultural variables did not translate directly to high level of organizational performance in these mills because some other variables were at work.

Stanwick and Stanwick (2008), using three independent variables; organization size, organization performance and environmental performance, with one independent variable CSR. Their study supported Waddock and Graves (2007) study, in that they found that large, profitable companies have a strong relationship with CSR. In addition, Stanwick and Stanwick (2008) showed that CSR is a multi-faceted construct that is affected by various organizational variables. They concluded that there was a strong relationship between CSR and the profitability, size and amount of pollution released by a company. Gikunda (2013) noted that positive relationship established between organizational performance and Size i.e that size influence performance.

Also**,** Sasaka, Namusonge and Sakwa (2014) noted that corporate social responsibility (CSR) performance can improve governance of organizations and this has made corporate social responsibility to draw a significant attention of CEOs and managers in the parastatals in Kenya. Filho, Wanderley, Gomez and Farache (2010), strategic management is a decision-making standard in a corporation that ends up determining objectives, policies and plans in order to achieve goals. The strategies define what businesses the companies run, the economic and non-economic nature of their actions and contributions, and the relationship between shareholders, employees, clients and the community.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This study set out to establish the relationship between strategic corporate social responsibilities and organizational performance of companies listed at the NSE. The study sought to achieve five objectives by testing five hypotheses. The findings of the study, conclusions, recommendations, implications, limitations and suggested areas of future research are summarized in this chapter.

5.2 Summary of major findings

The general objective of this study investigated the relationship between strategic corporate social responsibilities and organizational performance. In a multiple regression analysis framework, the study established that 59.1 percent of variations in organizational performance are explained by variations in the various corporate social responsibility practices and the relationships are statistically significant.

5.2.1 Influence of employee relations practices on performance of companies

The first objective of this study sought to establish the influence of employee relations practices on performance of companies listed at the Nairobi Securities Exchange in Kenya. Test of hypotheses show that the first hypothesis (H_1) which explored the relationship between strategic employee relations practices and firm performance was confirmed. Standard multiple regression results indicate that employee relations practices positively influence the predictor variable, in this case, firm performance. The identified positive relationship was statistically significant. Correlation analysis results suggest an average positive with significant relationship between employee relations practices and firm performance.

5.2.2 Influence of community relations practices on performance of companies

The second objective sought to determine the influence of community relations practice on performance of companies listed at the Nairobi Securities Exchange in

Kenya. The second hypothesis (H_2) that tested the influence of strategic community relations practices on organizational performance was confirmed as the multiple regression results showed that community relations practices positively influenced performance. The positive relationship was found to be statistically significant. Correlation analyses implied an average positive association between community relations practices and firm performance which was statistically significant.

5.2.3 Influence of environment relations practices on performance of companies

In the third objective, the study sought to assess the influence of environmental relations practices on organizational performance for the companies listed at the Nairobi securities exchange in Kenya. The third hypothesis (H_3) therefore tested the influence of environmental relations practices on organizational performance. The analysis confirms a positive relationship which was statistically significant inferring that there is a positive influence of environmental social responsive practices and firm performance. Correlation analysis results indicate a weak positive association between environmental relations practices and performance.

5.2.4 Influence of customer relations practices on performance of companies

The fourth objective sought to establish the influence of customer relations practices on performance of organizations listed at the Nairobi securities exchange. The fourth hypothesis (H_4) that tested the influence of customer relations practices on organization performance was confirmed because the analysis established a positive statistically significant relationship between performance and strategic customer relations practices. The correlation analysis results also confirm an average association between customer relations practices and firm performance which was statistically significant.

5.2.5 Establish the moderating influence of organization size on the relationship between corporate social practices and performance of companies

The fifth objective sought to establish the moderating influence of organization size on the relationship between strategic corporate responsibility practices and performance of organizations listed at the Nairobi securities exchange. The fifth hypothesis (H_5) tested that organization size has a significant moderating influence on the relationship between strategic corporate social responsibility practices and performance. The results of multiple regression analysis revealed statistically significant relationship between corporate social responsibility practices, Organization size and the interaction term between corporate social responsibility practices and Organization size. The regression analysis infers positive relationships between CSR practices and firm performance and Organization size and firm performance. This implies that CSR practices and Organization size influence performance. The interaction term has a positive relationship with firm performance implying that larger firms have CSR practices as compared to smaller firms. The moderating effect was confirmed because the relationship was significant. From the correlation analysis, there was a positive association between Organization size and firm performance.

5.3 Conclusion

The main aim of this study was to investigate the relationship between strategic corporate social responsibility practices and performance of companies listed at the Nairobi securities exchange. The study was grounded on corporate social responsibility theories that are based on the argument that business and society are interwoven rather than separate entities. The study was based on eighty three percent response rates with the respondents indicating that forty one percent of the companies operate in the East African region, twenty eight percent operate within Kenya, eighteen percent operate within the global market and fourteen percent operate within the African continent.

The study established that amongst the target companies for the study, a majority of sixty nine percent are fully locally owned, thirty one percent are both locally and foreign owned as none of the companies is fully foreign owned. On organization size in terms of employee base, the study established that forty nine percent of the companies had more than six hundred employees and are thus large, twenty nine percent had between two hundred and four hundred employees and are thus large, twenty percent had between four hundred and six hundred employees and two percent had less than two hundred employees and are therefore large fims. Going by employee numbers therefore, the target companies therefore qualify to be classified as large size enterprises as opposed to small and medium enterprises (SMEs).

While ranking the strategic corporate social responsibility practices, the study identifies on a likert scale of one to five that amongst the firms, the commonly adopted practices in their ranking order are customer relations practices, environmental relations practices, employee relations practices and lastly, community relations practices.

Correlation analysis results infer an average positive relationships between employee relations practices and organizational performance, environmental relations practices and organizational performance, community relations practices and organization performance, customer relations practices and organization peformance. These associations were established to be statistically significant.

The acceptance of the first hypothesis (H_1) which explored the influence of employee relations practices on performance of companies implied that the employee relations practices adopted by the organizations do positively influence their levels of performance. The findings therefore confirms that employees who feel protected and appreciated increase their productivity and efforts to attaining economies of scale. The findings confirms that organizations adoption of corporate social responsibility initiatives positively influence employee attitude towards the organization and results into better levels of organizational belongingness and job satisfaction. The identified commonly practised employee relations initiatives in the study include provision of benefits, training and development, staff welfare facilities like transport, insurance and sports facilities, team building activities, equal and impartial employmeny policies, suitable working conditions, work life balance initiatives and salary design and structures.

The study findings accepted the second hypothesis (H_2) which investigated the influence of community relations practices and performance of companies. The established relationship established implied that community relations practices positively influence firm performance. Despite the inherent costs of community projects which are mostly large in nature and the possibility of the community membership enjoying free public goods irrespective of their support to the social organization. This is a small portion of profits set aset to give back the society. The study identifies common community relations practices that include promotion of income generating activities, education scholarships and bursaries, provision of clean water and other basic needs, provision of capacity buidling on health, safety and hygiene, maintenance of parks and round abouts and free medical camps.

The study accepted the third hypothesis (H_3) which sought to determine the influence of environmental relations practices on performance of companies. The study findings confirmed a positive influence of firm environmental relations initiatives and firm performance. The existence of the environmental relations practices and the positive relationship is consistent with the propositions that the factors that influence adoption and implementation of CSR practices include stakeholders' welfare and stakeholder's relations. The findings confirm that firms do have a sense of moral obligation to create a positive change in the society and by thus, the firms are able to enhance their corporate image, corporate visibility and corporate performance. The identified environmental relations practices are waste disposal initiatives, environmental cleaning programs, air pollution reduction activities, material recycling activities, tree planting activities, promotion of use of clean energy, water conservation and environmental rehabilitation and conservation.

Hypothesis four (H_4) investigated the influence of customer relations practices and performance of companies. The study findings confirm the proposition by establishing a positive relationship between cutsomer relations practices and organizational performance. The findings of a positive relationship agree with the findings that there is a positive association between an organization's involvement in CSR programs and consumer's purchase intentions. The studies and conclusions of this study justify the negative relationships with the explanations' on CSR spillover effects when the CSR initiatives directly influence consumers who on the other hand demand more than a quality product at a low price from an organization. It confirms that consumers expect contributions towards community in terms of social values which often do not necessarily positively influence firm performance. The identified customer relations practices are provision of better quality products and services, respecting rights of consumers, providing value for money to customers, providing timely and accurate information, providing innovative products and providing after sales services.

In the fifth hypothesis (H_5), the study proposed that organization size has a significant moderating influence on the relationship between corporate social responsibility practices and firm performance. The tests accept the hypothesis since a positive relationship was identified between performance and the interraction term of CSR practices and organization size. The positive relationship was however established to be statistically significant.

5.4 Recommendations

The study sought to investigate the relationship between strategic corporate social responsibility practices and performance of companies listed at the Nairobi securities exchange. The findings are informative to policy makers and to managers of the firms.

5.4.1 Managerial Recommendations

Managers of firms require information for enhancing their performance and enhancing firm value. Since employee relations practices relate positively with firm performance, the study recommends that firm managers should reinforce their employee relations practices to enhance firm performance. Some of the notable practices are the provision of benefits for staff, training and development, staff welfare facilities e.g transport, insurance and sports facilities, team building activities, equal and impartial employment policies, suitable working conditions, work life balance initiatives and salary design and structures.

Environmental relations practices positively influence firm performance. The organizations should therefore incorporporate and initiate such programs that include; waste disposal initiatives, environmental cleaning programs, air pollution reduction activities, material recycling activities, tree planting activities, promotion of use of clean energy, water conservation and environmental rehabilitation and conservation.

The findings that community relations practices and customer relations practices positively related with firm performance. The study recommends that firm managers should ensure that community projects costs should be initiated to benefit the community in order to feel a sense of belonging. A perception of 'ethical' improves a company's reputation and attracts socially responsive investors. Thus philantropy and competive advantage becomes mutually reinforcing virtuous cycle. For customer relations practices, firm managers should ensure that customers are well taken care of by providing good services and high quality product to the customers, customers' complaints are addressed promptly and orders placed are fast tracked. If this done, the number of customers will grow and translates to high sales thus high profits. The concludes that the organizational size moderates positvely on corporate social responsibilities to increase the performance of NSE companies.

5.4.2 Policy Recommendations

Since variations in CSR practices influence variations in corporate performance, the study recommends that policy makers should provide guidelines and framework for CSR activities for the stakeholders. The guidelines should include motivational schemes to encourage firms to engage in CSR initiatives.

Since environmental concerns have a global perspective, policy makers should streamline environmental CSR initiatives to ensure their sustainability and enhanced future firm performance. Environmental conservation programmes should be harmonized to attain their desired results. Further, employee relations practices should be encouraged at policy levels to ensure existence of a productive and motivated workforce.

5.5 Areas for Further Research

This study used both primary and secondary data for analysis. Given the possibility of subjectivity in scoring by the respondents, it may be necessary for a similar study to be carried using secondary data on CSR expenses and firm performance. This study found that employee relations, customer relations, community relations and environmental relations practices influence firm performance. It may be necessary to focus on one specific corporate social responsive initiative to see whether the results will be different.

This study focused on firms listed at the Nairobi securities exchange which are considered to be large enterprises. Further studies should focus on small and medium enterprises that also play a role of social responsive initiatives. It may be necessary to carry out a study comparing the performance of large firms and small firms. The further studies should also consider non-financial performance indicators of firms.

With emergence of social responsive investment as a research area, further studies can be modeled on establishing the drivers and key success factors for social responsive investment initiatives and activities of the commercial enterprises. The studies can also consider the new business models especially the social enterprises.

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APPENDICES

Appendix i: Introduction Letter

Date…………………..

Chief Executive Office

P.O Box ……………..

Nairobi.

Dear Sir,

<u>RE: ACADEMIC RESEARCH PROJECT</u>

Hallo. I am aPhd candidate at Jomo Kenyatta University of Agriculture and Technology (JKUAT). I wish to conduct a research on the **Relationship between Strategic Corporate Social Responsibility Practices and Organization Performance of NSE Listed Companies in Kenya.** Given that your organization is a listed company on the NSE, you have been identified as one of the target respondents.

I am writing to kindly request you allow me obtain data from your company for the above named purposes. Please spare some few minutes to complete the questionnaire attached as honestly as possible. You can as well delegate this to a member in the top management of your organization. I assure you that the information collected is purely for academic purposes and will be treated with utmost confidentiality.

Your acceptance and participation will be highly appreciated.

Yours Sincerely

<u>Peter Chemwile</u>

Appendix ii: Questionnaire

This questionnaire is designed to collect data from NSE listed companies in Kenya on the influence of strategic corporate social responsibilities. The data shall be used for academic purposes only and will be treated with strict confidence. Your participation in facilitating the study is highly appreciated.

Questionnaire

This questionnaire is designed to collect data from NSE listed companies in Kenya on the influence of strategic corporate social responsibilities and organizational performance. The data shall be used for academic purposes only and will be treated with strict confidence. Your participation in facilitating the study is highly appreciated.

NAME OF ORGANIZATION____

ADDRESS AND LOCATION____

____

____

SECTION A: ORGANIZATIONAL PROFILE

1. Year of incorporation ____
2. Country of incorporation ____
3. Industry/Sector ____
4. Scope of operation (Tick as appropriate)

i. National (within Kenya) [ ]

ii. Regional (within East Africa) [ ]

iii. Continental (within Africa) [ ]

iv. Global (within Africa and beyond) [ ]

5. Ownership structure (Tick as appropriate)

i. Fully locally owned [ ]

ii. Fully Foreign owned [ ]

iii. Both locally and foreign owned [ ]

Percentage of ownership: Local __ %; Foreign __ %

6. Size of organization (number of employees) (Tick as appropriate)

Below 200	[ ]	Between 402-600	[ ]
Between 201-400	[ ]	601 and above	[ ]

7. Names (Types) of products/services offered to the market

i. ____

ii. ____

iii. ____

<u>SECTION B: RESPONDENTS BIO.</u>

1. Gender

   a) Male ☐ b) Female ☐

2. Highest level of education

   a) Secondary level ☐ b) College level ☐

   c) University level ☐ d) Post graduate level ☐

3. Number of years in current employment

   a) less than one year ☐ b) 1 to 2 year ☐

   c) 3 to 5 years ☐ d) More than 5 years ☐

4. Position

   a) Top Management ☐

   b) Middle Management ☐

   c) Supervisor ☐

5. Age

   a)21-30 years ☐

   b) 31-40 years ☐

   c) 41-50 years ☐

   d) 51 years & above ☐

SECTION C: Strategic Employee Relations Practices

This section aims at finding out the strategic employee relations practices of NSE listed Companies in Kenya. Please indicate your agreement or otherwise with the following statements using the following likert scale. **Key: 1=strongly disagree, 2= disagree; 3=neutral; 4= agree; 5= strongly agree**

No	Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	Our company designs employees' salary while taking consideration of the employees' level of job satisfaction and commitment.					
2	The working conditions in the company are intended to enhance employees' level of job satisfaction and commitment.					
3	The nature of work life balance within our company is supposed to influence the level of job satisfaction.					
4	The company provides for employees benefits such as insurance, medical and education so as to influence the employees' level of job satisfaction.					
5	The company organizes team building activities which are useful in influencing the levels of job satisfaction.					
6	Employees in our company engage in CSR activities which are considered suitable in influencing job satisfaction levels.					

No	Statements	Strongly Disagree	Disag ree	Neu tral	Agree	Stron gly Agree
7	Employees in our company are taken through training and development so as to influence the job satisfaction levels.					
8	There exist welfare facilities such as transport, insurance, and participation in sports functions which are intended to influence employee job satisfaction in our company.					
9	Equal and impartial employment policies in our company influence the level of job commitment among the employees.					
10	Organization's indulgences in corporate social responsibility activities influence the employees' attitude towards the organization.					

What are other strategic employee relations practices adapted in your company?

i………………………………………………………………………………………

ii………………………………………………………………………………………

SECTION D: Strategic Community Relations Practices

This section aims at finding out the strategic community relations practices of NSE listed Companies in Kenya. Please indicate your agreement or otherwise with the following statements using the following likert scale. **Key: 1=not at all, 2= less extent; 3=normal extent; 4= large extent; 5= very large extent**

No	Statements	Not at all	Less extent	Normal extent	Large extent	Very large extent
1	The company participates in promoting income generating activities for the community					
2	The company participates in the provision of clean water and other basic needs to the community					
3	The company gives education bursaries and scholarships to the needy in the community					
4	The company constructs schools and health facilities in communities					
5	The company offers capacity building on health, safety and hygiene to the society					
6	The company offers supporting services for the elderly, children and disabled persons to the community					
7	The company provides free medical camps to the community					
8	The company organizes entertainment events (Music shows, video shows and others) to the community					
9	The company participates in the maintenance of parks, roundabouts and other essentials in towns					

What other strategic community relations practices are adopted in your organization?

i………………………………………………………………………………………

ii………………………………………………………………………………………

SECTION E: Strategic Environmental Relations Practices

This section aims at finding out the strategic environmental relations practices of NSE listed Companies in Kenya. Please indicate your agreement or otherwise with the following statements using the following likert scale. **Key: 1=not at all, 2= to a less extent; 3=normal extent; 4= agree; 5= strongly agree**

No	Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	Our company engages in activities for Reduction of air pollution					
2	Our company engages in activities for Proper waste disposal					
3	Our company engages in activities for recycling materials					
4	Our company engages in activities for use of clean energy					
5	Our company engages in activities for organizing environmental cleaning programs.					
6	Our company organizes study programmes for environmental rehabilitation and conservation.					
7	Our company organizes water conservation in production activities.					
8	Our company organizes tree planting activities by the company influences the organization's performance					

What other strategic environment relations practices are practiced in your organization?

i……………………………………………………………………………………

ii……………………………………………………………………………………

SECTION F: Strategic Customer Relations Practices

This section aims at finding out the strategic customer relations practices of NSE listed Companies in Kenya. Please indicate your agreement or otherwise with the following statements using the following likert scale. **Key: 1=strongly disagree, 2= disagree; 3=neutral; 4= agree; 5= strongly agree**

No	Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	Our company prioritizes on Provision of better and quality products and services to our customers					
2	Our company considers provision of timely and accurate information to customers as a key success factor					
3	Our company prioritizes provision of innovative products for our clients					
4	Our company management believes in giving value for money to our customers					
5	Our company prioritizes on respecting the rights of consumers					
6	Our company management supports the provision of after sales services to our customers					

What other strategic customer relations practices are applied in your company?

I………………………………………………………………………………………

ii………………………………………………………………………………………

Appendix iii: Secondary Data Collection Sheet

Organization Size

	2010	2011	2012	2013	2014
Number of Employees					
Number of Branches					
Value of Total assets					

Corporate Social Responsibility Score

Credit Score	2010	2011	2012	2013	2014

Company's CSR Expenditure

COMPONENT	2010	2011	2012	2013	2014
Strategic employee relations practices					
Strategic environment relations practices					
Strategic community relations practices					
Strategic customers relations practices					

<u>Organizational Performance</u>

Please indicate the level of organization performance for the following years

Statement	Profit after Tax	Return on Investment	Return on Assets
2010			
2011			
2012			
2013			
2014			

Appendix iv: NSE Listed Companies in Kenya Participated

1	Eaagads Ltd	32	The Co-operative Bank of Kenya Ltd
2	Kapchorua Tea Co Ltd	33	I&M Holdings
3	Kakuzi	34	Jubilee Holdings Ltd
4	Limuru Tea Co Ltd	35	Pan Africa Insurance Holdings Ltd rd
5	Rea Vipingo Plantations Ltd	36	Kenya Re-Insurance Corporation Ltd
6	Sasini Ltd	37	CFC Insurance Holdings
7	Williamson Tea Kenya Ltd	38	British-American Investments Company (Kenya) Ltd
8	Express Ltd	39	CIC Insurance Group Ltd
9	Kenya Airways Ltd	40	City Trust Ltd
10	Nation Media Group	41	Olympia Capital Holdings ltd
11	Standard Group Ltd	42	Centum Investment Co Ltd
12	TPS Eastern Africa (Serena) Ltd	43	Trans-Century Ltd
13	Scangroup Ltd	44	BOC Kenya Ltd
14	Uchumi Supermarket Ltd	45	British American Tobacco Kenya Ltd
15	Hutchings Biemer Ltd	46	Carbacid Investments Ltd
16	Longhorn Kenya Ltd	47	East African Breweries Ltd
17	Access Kenya Group Ltd	48	Mumias Sugar Co Ltd
18	Safaricom Ltd	49	Unga Group Ltd
19	Car and General (K) Ltd	50	Eveready East Africa Ltd
20	CMC Holdings Ltd	51	Kenya Orchards Ltd
21	Sameer Africa Ltd	52	ABaumann Co Ltd
22	Marshalls (EA) Ltd	53	Athi River Mining
23	Barclays Bank Ltd	54	Bamburi Cement Ltd
24	CFC Stanbic Holdings Ltd	55	Crown Berger Ltd rd
25	Diamond Trust Bank Kenya Ltd	56	EACables Ltd
26	Housing Finance Co Ltd	57	EAPortland Cement Ltd
27	Kenya Commercial Bank	58	KenolKobil Ltd

	Ltd		
28	National Bank of Kenya Ltd	59	Total Kenya Ltd
29	NIC Bank Ltd	60	KenGen Ltd
30	Standard Chartered Bank Ltd	61	Kenya Power & Lighting Co Ltd
31	Equity Bank Ltd	62	Home Africa Limited

Sorce: NSE (2014)

Appendix v: Reliability Tests

Case Processing Summary

		N	%
Cases	Valid	46	90.2
	Excluded[a]	5	9.8
	Total	51	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	N of Items
.900	33